ANNUAL REPORT 2014

AUTOMOTIVE HOLDINGS GROUP

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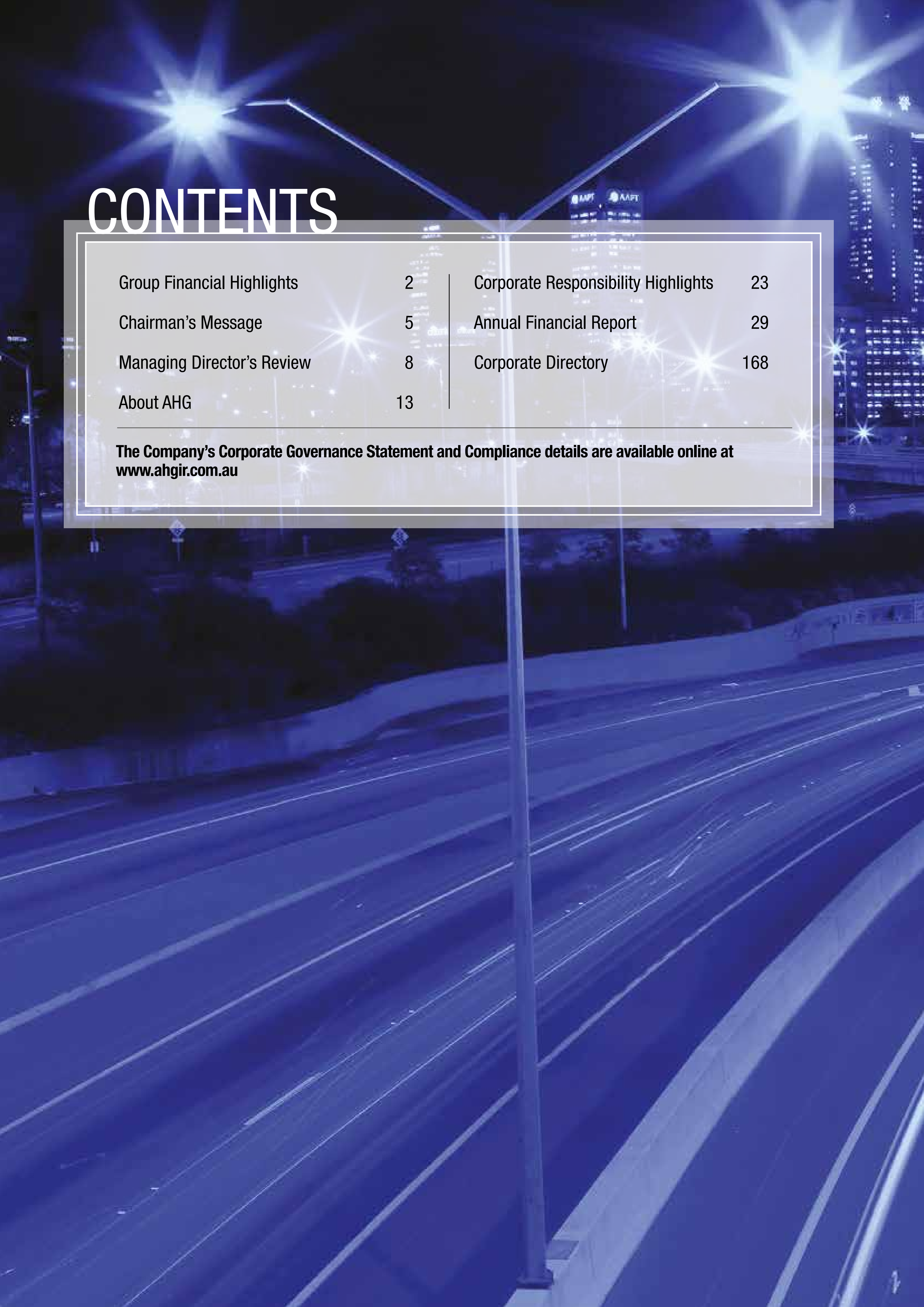
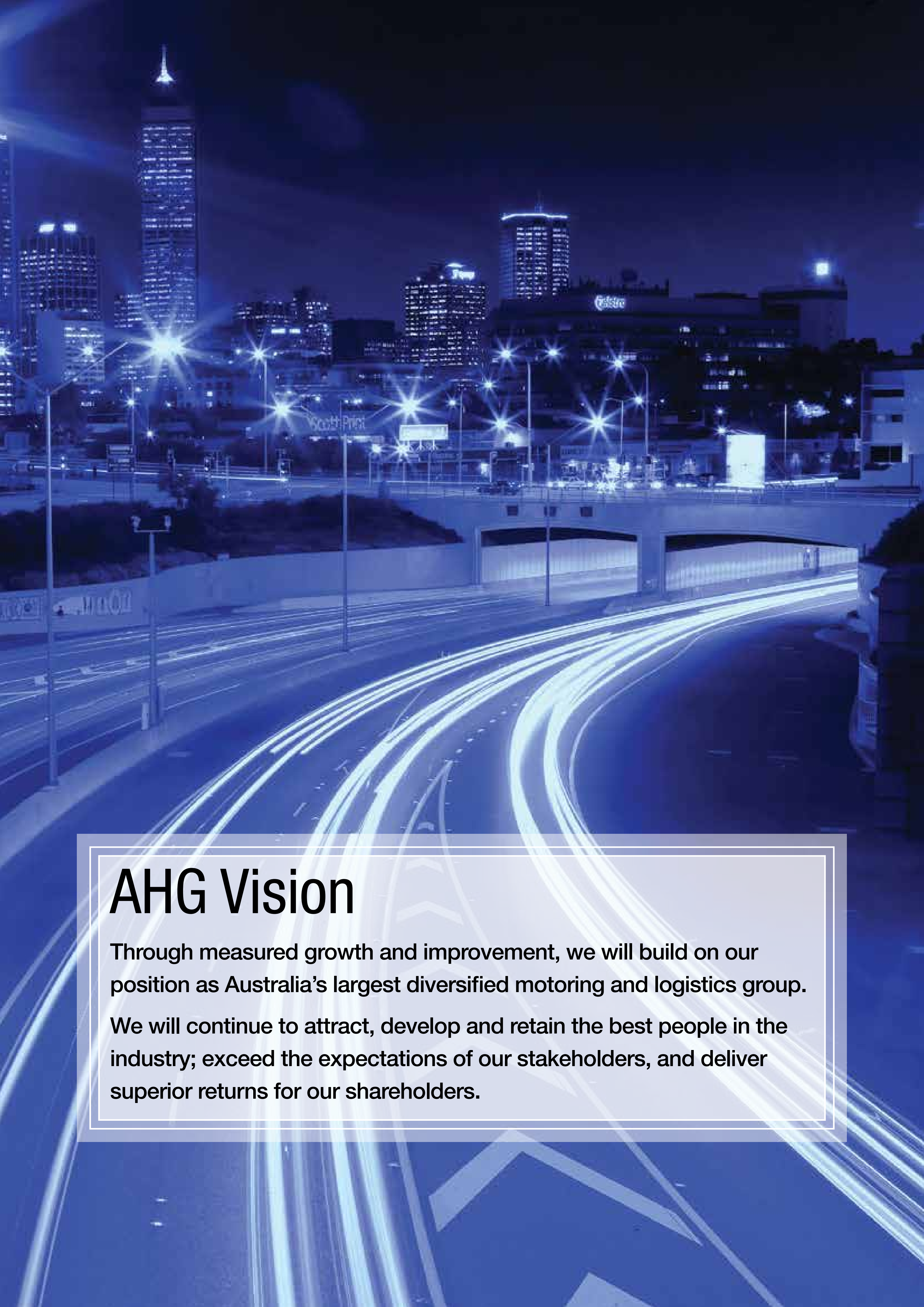
The Company's Corporate Governance Statement and Compliance details are available online at www.ahgir.com.au





AHG Vision

Through measured growth and improvement, we will build on our position as Australia's largest diversified motoring and logistics group.

We will continue to attract, develop and retain the best people in the industry; exceed the expectations of our stakeholders, and deliver superior returns for our shareholders.

Group Financial Highlights

Record revenues, record profit and dividends

In the 2013-2014 financial year Automotive Holdings Group Limited again delivered record revenues, profit and dividend, leveraging the strength of its balance sheet to underpin further growth across its Automotive and Logistics operations to maintain sustainable long-term value for shareholders.

Consolidated Financial Performance	**FY14 ($m)**	**FY13 ($m)**	**% change**
Statutory IFRS Profit after Tax Reconciliation			
Statutory Net Profit after Tax	**72.9**	**64.8**	**12.5%**
Net Integration and Acquisition, Asset Divestments and Sale of Properties	5.6	6.0	
Operating[1] Net Profit after Tax	**78.5**	**70.8**	**10.9%**
Statutory Earnings Per Share (cps)	26.9	24.9	8.0%
Operating[1] Performance			
Revenue	**4,735**	**4,312**	**9.8%**
EBITDA	178.6	161.7	10.5%
EBITDA %	3.8%	3.7%	
EBIT	148.3	133.1	11.4%
EBIT %	3.1%	3.1%	
Operating[1] Net Profit after Tax	**78.5**	**70.8**	**10.9%**
Operating[1] Earnings Per Share (cps)	29.0	27.1	7.0%
Operating[1] Interest Cover (times)	4.8	4.3	12.1%

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

**2013 Results have been restated where applicable in accordance with changes in Accounting standards. Refer to audited financial statements for further details.*

HIGHLIGHTS

- Group revenue of $4.7 billion (up 9.8% pcp)
- IFRS Statutory Profit before tax $106.2 million (up 10.3% pcp)
- IFRS Statutory Profit after tax $72.9 million (up 12.5% pcp)
- Record Operating[1] Profit before tax $117.5 million (up 12.4% pcp)
- Record Operating[1] Profit after tax $78.5 million (up 11.0% pcp)
- Operating[1] EPS of 29.0 cents (27.1 cents pcp)
- Final dividend of 12.5 cents per share; full year dividend 21 cents fully franked (20 cents pcp)
- Acquisitions completed in FY2014 – Jason Mazda (WA), Davie Motors (NZ), Scott's Refrigerated Freightways & JAT Refrigerated Road Services, Husqvarna motorcycle distribution (HQVA Australia/NZ)
- Record performance by Automotive division
- Successful completion of capital raising and Share Purchase Plan

Key financial data (Operating[1])	**FY14 $m**	FY13 $m
Revenue	**4,734.8**	4,312.4
EBITDA	**178.6**	161.7
NPAT	**78.5**	70.8
Total assets	**1,768.9**	1,572.3
Net debt (excluding floorplan)	**121.9**	92.6
Shareholders' equity	**664.4**	481.0

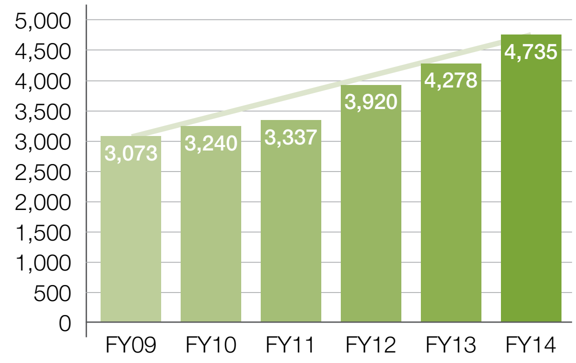
Key share data	**FY14 cents**	FY13 cents
EPS[1]	**29.0**	27.1
Dividends per share	**21.0**	20.0
NTA per share	**111.2**	87.8

Key ratios (Operating[1])	**FY14**	FY13
ROCE	**11.2%**	13.9%
Gearing (excluding floorplan)	**10.6%**	10.1%

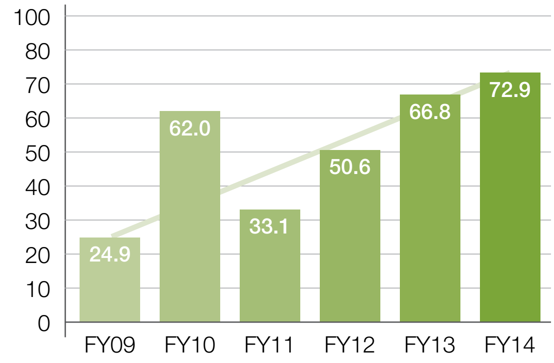
AUTOMOTIVE HOLDINGS GROUP

Group Financial Highlights (continued)

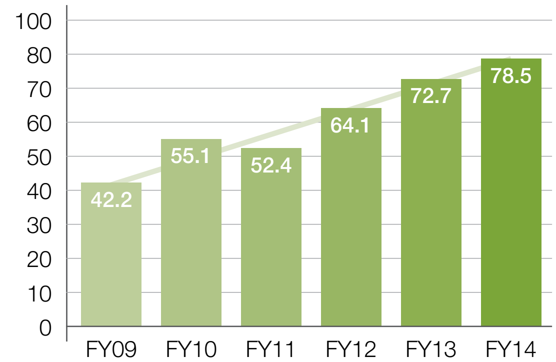
Revenue ($m)



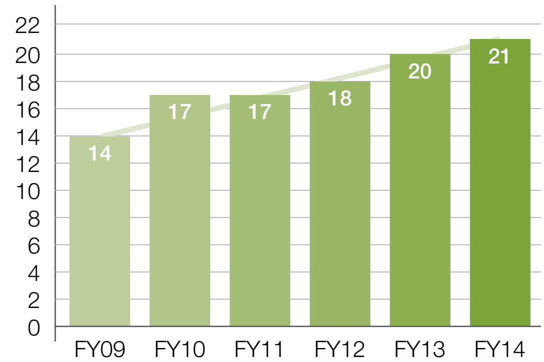
Statutory NPAT ($m)



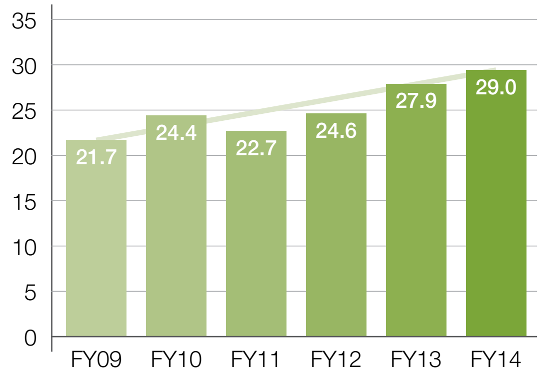
Operating[1] NPAT ($m)



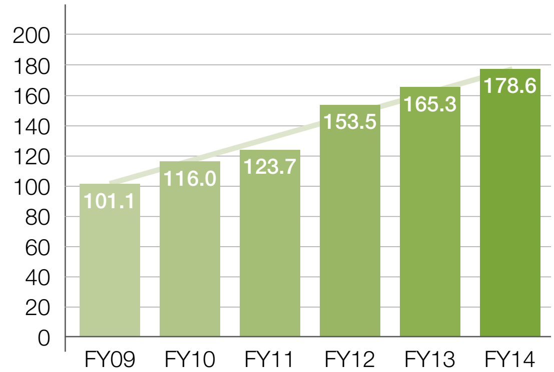
Statutory Dividends (cps)



Operating[1] EPS (cps)



Operating[1] EBITDA ($m)



Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

Chairman's Message

On behalf of the Board of Directors of Automotive Holdings Group, it is my pleasure to present the 2014 Annual Report.

Once again AHG has reported record revenue, operating profit and dividend.

Group revenue for FY2014 was $4.7 billion, a solid increase of 9.8% on the previous financial year. Operating[1] NPAT increased 10.9% to $78.5 million; Statutory Profit after tax was $72.9 million, an increase of 12.5% over FY2013.

Our shareholders received a fully-franked full year dividend of 21 cents per share, up from 20 cents the previous year.

I am pleased to report that AHG's Total Shareholder Return, which includes capital growth and re-investment of dividends, calculated at the close of the financial year, stands at 20% over twelve months, at 97% over three years and at 257% over five years.

The year in review included further acquisitions in our Automotive and Refrigerated Logistics divisions that align with your Board's objective of delivering a satisfactory growth in returns to shareholders.

It was especially pleasing to receive strong institutional and private shareholder support for the acquisitions of Scott's Refrigerated Freightways, JAT Refrigerated Road Services and the Bradstreet Motor Group[2]. These significant additions to the Group add further scale and opportunity to the Automotive and Refrigerated Logistics divisions.

AUTOMOTIVE

The Group's Automotive division performed strongly in a slightly softening market and it is a tribute to our key management teams that their dealerships collectively outperformed the broader automotive retail sector.

The Automotive division contributed Operating[1] EBITDA of $132.5 million, an increase of 13.6% on the previous year, on revenue of $3.9 billion which increased 9.7% on FY2013.

There were frequent headlines during the year in review about the closure of automotive manufacturing in Australia and the effects on new vehicle sales of the acknowledged downturn in activity in the mining and resources sector, particularly in Western Australia and Queensland. As can be seen by our results, AHG was able to meet these challenges by drawing on its proven business practices and its broad portfolio of brands and diversified revenue streams, including new and used vehicle sales, finance, insurance, aftermarket products, repairs and service.

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division contributed Operating[1] EBITDA of $29.7 million, a decrease of 6.8% on the previous year, on revenue of $429.7 million which represented an increase of 10.2% on FY2013.

Margins were affected by significant challenges from flooding in New South Wales and Queensland and from drought conditions in the Riverina. Rand and Harris also completed investments in major new cold storage facilities in Adelaide and Perth, which resulted in one-off transition costs.

The Group also completed the acquisitions of Scott's Refrigerated Freightways and JAT Refrigerated Road Services to complement its existing Rand and Harris businesses and enhance our position as Australia's largest provider of temperature controlled transport and storage services.

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

The Bradstreet Motor Group[2] acquisition was completed 19th August 2014.

Chairman's Message (continued)

The acquisitions provide us with the base to offer a strengthened customer service proposition and deliver significant operational synergies across the division.

AHG has restructured its Refrigerated Logistics division, strengthened its management, and adjusted its business model to reduce the impact of seasonal events. The division is very focused on using this structure to offer a compelling business proposition to its clients.

Your Board is confident the strategic blocks are in place to deliver strong shareholder returns.

OTHER LOGISTICS

The Group's Other Logistics operations are reported separately this year and contributed Operating[1] EBITDA of $17.1 million, an increase of 13.9% on the previous year, on revenue of $421.4 million which increased 10.6% on FY2013.

AMCAP and Covs delivered solid performances and KTM produced another record result. The Victorian based GTB/VSE operation experienced difficult trading conditions but continues to attract growing market presence while WMC underwent considerable re-structuring to focus increasingly on the bus sector.

DRIVING SHAREHOLDER VALUE

Your Board is focused on delivering superior shareholder returns by remaining focused on revenue and expenditure while supporting management's acquisition initiatives where due diligence has been rigorous and the benefits have been clearly identified.

Your Directors have also supported investments in the Group's training, safety, strategic planning and the internal systems and technology that will deliver significant efficiencies, reduce costs and increase earnings.

OUTLOOK

The overall macro settings look reasonably supportive for AHG to increase operating profits in the year ahead although there may again be some softer areas of growth in the domestic economy.

The Automotive division is well placed to maintain organic growth and integrate the recent Bradstreet acquisition. Our Refrigerated Logistics division is very focused on realising significant synergies as the Scott's and JAT businesses are fully integrated and developing their business offering. The outlook for the Other Logistics division suggests ongoing solid returns.

Your Board continues to have confidence in its strategy. AHG is a high-quality business with a strong balance sheet, great people and significant growth opportunities that will provide substantial benefits to all shareholders.

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

The Bradstreet Motor Group[2] acquisition was completed 19th August 2014.

SINCERE THANKS

It is a great pleasure to thank my fellow directors for their support and to commend the performance of the Company's senior management and the leadership teams in the three divisions.

I welcome the appointments of Howard Critchley as a new Director and Paul Ebsworth as Chief Operating Officer East Coast Logistics during the year in review. Both are highly regarded in the Logistics sector and will provide valuable guidance and leadership.

AHG now has more than 7,300 employees across Australia and New Zealand. I thank each of them sincerely for it is their daily contributions that will determine our ultimate success.

I look forward to providing shareholders with an update on the current financial year at the Annual General Meeting.

David C Griffiths
Chairman

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of Automotive Holdings Group Limited will be held at:

Botanical 3, Lower Level, Crown Perth Convention Centre, Great Eastern Highway, Western Australia from 10am (WST) on Friday 14 November 2014.

Managing Director's Review

In the past twelve months we have used the strength of our balance sheet and a successful capital raising that was strongly supported by institutional investors and retail shareholders to support significant growth in our Automotive and Logistics divisions to create sustainable long-term value for our shareholders.

The results are pleasing and clearly demonstrate the benefits of our diversified operations and industry leading business models.

The year in review saw increases in revenue, operating margins and profitability driven by further organic growth across our divisions, significant acquisitions and the completion of Greenfield developments in our Automotive division.

FINANCIAL HIGHLIGHTS

The Group's IFRS Statutory NPAT was $72.9 million, up $8.1 million on the previous corresponding period. The Group recorded revenue of $4.7 billion, an increase of 9.8% on the previous year.

The Company, Australia's largest automotive retailer and specialist logistics group, recorded an Operating[1] EBITDA of $178.6 million, an increase of 10.5% (pcp) and Operating[1] NPAT of $78.5 million, up 11.0% (pcp).

Operating[1] Earnings per Share were 29.0 cents (27.1 cents pcp) and the directors have declared a final dividend of 12.5 cents per share, taking the full year dividend to 21 cents fully franked (20 cents pcp).

AUTOMOTIVE

The Automotive division delivered another record performance as the Group's dealerships outperformed the broader Australian market.

Revenue from the Automotive division was up 9.7% to $3.883 billion ($3.541 billion pcp).

Operating[1] EBITDA margin improved to 3.4% (3.3% pcp), which delivered an Operating[1] EBITDA of $132.5 million ($116.7 million pcp), an increase of 13.6% on the prior year.

While the Australian new car market slowed during FY2014, AHG recorded increased sales with strong performances in used vehicles, finance, insurance, service and parts. These multiple revenue streams and efficiencies of scale underpin our operating model.

The contribution from the Group's acquisitions was especially pleasing and reinforces the value of the investments the Company has made.

The Group's New Zealand automotive operations also performed well. The acquisition of Davie Motors Holden and the development of Manukau Nissan contributed strongly to the outcome.

The Group continues to focus on consolidating its acquisitions and Greenfield investments in the knowledge that, under our operating model, the dealerships will provide sustained contributions to AHG's future performance.

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division contributed revenues of $429.7 million ($390.0 million pcp), an increase of 10.2% and Operating[1] EBITDA of $29.7 million ($31.9 million pcp).

In May 2014 AHG completed the acquisition of Scott's Refrigerated Freightways and JAT Refrigerated Road Services, which will significantly enhance the Group's Refrigerated Logistics division, deliver increased revenues and provide cost and operating synergies.

The full year result was impacted by relatively weak volumes in the second half of the year and investment in new facilities that will deliver significant capacity and customer service benefits.

The Scott's and JAT business units provided strong performances in the two months post acquisition and the Group is confident the synergies available from the combined operations of Rand, Harris, SRF and JAT will deliver enduring value for customers and shareholders.

OTHER LOGISTICS

The Group's Other Logistics division increased revenues by 10.6% to $421.4 million ($381.1 million pcp), contributing Operating[1] EBITDA of $17.1 million ($15.0 million pcp), an increase of 13.9%. Operating[1] EBITDA margin was 4.1% (3.9% pcp).

AMCAP and Covs performed in line with expectations.

KTM performed strongly, delivering record sales. The brand's on-road models recorded 109% growth, year-on-year for the six months to the end of June. Across all models KTM recorded growth of 12.7% compared with the same period last year.

In January 2014 AHG acquired the rights to distribute Husqvarna motorcycles across Australia and New Zealand. The strategic acquisition complements the Group's KTM brand, with Husqvarna highly regarded as one of the oldest recognised brands in world motorsport.

We are excited to have the Husqvarna product range and we look forward to it contributing strongly to our business.

MARKETING

The Automotive marketplace is changing. Digital disruption provides both challenges and opportunities.

The impact of digital disruption on the market means that more digitally engaged businesses have seen increases in their revenues, while more traditional players are experiencing shrinkage.

AHG continues to invest in innovative and agile retail marketing of its dealerships, with a major focus on data management, the on-line space, social media and mobile technology.

We are confident our Group marketing strategy and the scale of our broad portfolio of brands underpins and supports our dealerships.

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

Managing Director's Report (continued)

PEOPLE

The Group now employs more than 7,300 people across Australia and New Zealand. It is especially pleasing that the percentage of employees with more than ten years continuous service is increasing.

AHG is committed to training and retaining its people and providing them with genuine career pathways that attract high-performance candidates from both within and outside the Group.

A three year human resources strategic plan has been developed and is being implemented across the Group. The key focus is to deliver high standards of people development and culture initiatives that will enhance business performance, diversity and succession planning at senior management and executive levels.

Our dedicated HR and training teams across both Automotive and Logistics provide a wide range of training programs in leadership, sales, service and customer retention. Female representation at senior management levels has improved as existing employees choose career pathways that include "promotion on merit" opportunities. It will be an area of further focus in the year ahead.

The Group has seen significant growth and improvement in occupational health, safety and environmental practices across its businesses. There is in place a framework to evaluate the Group's health and safety system and the effectiveness of such systems to deliver consistently high safety standards and injury and illness prevention in the workplace.

In line with the continued OHSE maturity in the business, the Group has developed a five year Health, Safety and Environmental strategic plan.

Positive performance indicators for FY2014 show a pleasing trend across three significant OHSE areas. During the year in review the AHG Lost Time Injury Frequency Rate is down more than 34% on FY2013 and the Incident Rate has been cut 27% across all business units. Workers compensation claim numbers for FY2014 were also reduced, despite a large increase in employee numbers.

Health and Safety Committee participation across the Group increased significantly by 32% on FY2013 figures, toolbox talks, rose by 68% and workplace inspections also rose by another 48%. These numbers illustrate the commitment and dedication to ensure the safety culture continues to mature across the Group.

ENVIRONMENT

AHG aims to be at the forefront of environmental compliance, and where possible exceeds compliance in respect to its operations and design of new and refurbished facilities. In FY2014, the Group sought to further reduce its environmental footprint.

The Group's automotive dealerships across Australia and New Zealand continue to maintain the coveted Green Stamp accreditation program run through the MTA. This allows dealerships to foster initiatives and ownership of environmental issues, to identify resources to achieve actions and agree to planned actions. The Green Stamp accreditation rewards initiatives such as energy efficient lighting, building management systems for air-conditioning and lighting control, storage and containment practices, waste water management, waste disposal management and air quality. The procurement team is also working towards the reduction of hazardous substances in the workplace through a consolidated chemical management program.

Another important initiative is the fuel manager Statistical Inventory Reporting Analysis (SIRA) system which delivers a simple and efficient solution to underground wet stock tank management with a prime focus on protecting the environment through monitoring and reporting requirements. The system complies with Australian state EPA agency requirements.

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

OUTLOOK

The automotive industry remains relatively strong. Even with the slight weakening in new vehicle sales, the FCAI's national VFACTS forecast for CY2014 would still represent the second highest annual total on record of new vehicle registrations.

We remain confident in our Refrigerated Logistics strategy following the acquisition of Scott's and JAT. We see continued demand from our clients, allowing us to benefit from the recent acquisitions, to continue our investment in facilities, and to leverage the identified synergies and the resulting significant economies of scale.

We expect the acquisitions of Scott's, JAT and Bradstreet to add approximately $600 million to Group revenues in FY2015.

The Group's Other Logistics division is expected to continue to perform in FY2015.

AHG's balance sheet remains strong, with capacity to support the Group's core strategy of delivering long term stable earnings through organic growth, Greenfield development and strategic acquisitions that meet our strict finance and performance requirements to deliver superior shareholder returns.

To the members of the Board I express my thanks for their support and guidance, and I thank my senior management teams for their outstanding leadership.

Bronte Howson
Managing Director


HOLDEN
Castle Hill

About AHG

Established in Perth in 1952, AHG today is Australasia's largest automotive retailing group with 169 retail franchises at 95 dealership locations*.

The Group represents 23 passenger vehicle manufacturers and nine commercial vehicle and truck makers.

AHG's Refrigerated Logistics division, comprising Rand, Harris, Scott's and JAT, is Australia's largest provider of temperature controlled transport and cold storage.

The Group's Other Logistics businesses, AMCAP, Covs, Genuine Truck Bodies (GTB) and Vehicle Storage and Engineering Solutions (VSE), KTM and Husqvarna, provide strategic operating diversity and offer a range of synergies, both to AHG and its clients across all three divisions.

In 2014 AHG employs more than 7,300 staff* across its automotive retailing and logistics operations and supports more than 300 charitable, community and sporting organisations.

*(*At 30 September 2014)*

FAST FACTS:

- AHG is a diversified automotive retailing and logistics group with operations in every mainland Australian state and in New Zealand.
- AHG is Australia's largest automotive retailer by sales volume, profitability, market capitalisation and workforce.
- In the 12 months to the end of June 2014 AHG dealerships sold 70,181 new vehicles and 31,079 used vehicles and completed 796,314 service or repair orders. KTM and Husqvarna sold 8,089 motor cycles.
- In a full year AHG's Refrigerated Logistics division fleet (road and rail) travels more than 90-million kilometres.
- In the 12 months to the end of June 2014 the Refrigerated Logistics division transported more than 8.2 million pallets of frozen, chilled and fresh goods.
- AHG's business units support more than 300 charitable, community and sporting organisations across Australia and New Zealand.

AHG
Automotive Holdings Group

About AHG (continued)

AUTOMOTIVE RETAILING

AHG operates passenger vehicle and truck and bus dealerships in Queensland, New South Wales, Victoria and Western Australia, and passenger vehicle dealerships in Auckland, New Zealand.

Passenger brands: Alfa Romeo, Bentley, Chrysler, Citroen, Dodge, Fiat, Ford, FPV, Great Wall, Holden, HSV, Hyundai, Jeep, Kia, Mazda, Mitsubishi, Nissan, Peugeot, Porsche, Subaru, Suzuki, Toyota, Volkswagen.

Truck and commercial vehicle brands: Fiat Professional, Freightliner, Fuso, Higer, Hino, Iveco, JAC, LDV, Mercedes-Benz, Rosa, Volkswagen Commercial.

COMPETITIVE ADVANTAGES:

Business model – retail hubs, strong management disciplines and reporting processes.

Diversity – income generated from multiple revenue streams in automotive retailing, including the sale of new and used vehicles, finance, insurance, aftermarket products and services, vehicle servicing and parts.

Financial strength – AHG has a strong and flexible balance sheet, allowing the Group to react quickly to changing economic and market conditions, and to make strategic and accretive acquisitions that complement its portfolio.

People – strong and experienced management team, and the ability to attract and retain key employees.

Relationships – solid, long-term relationships with automotive manufacturers and key service providers.

Scale – as Australasia's largest motoring group, AHG offers a wide range of choice and benefits to its customers and employees.

AUTOMOTIVE OPERATING[1] RESULTS 2013-2014

Operating[1] Performance	FY14 ($m)	FY13 ($m)	% change
Revenue	3,883.3	3,540.8	*9.7%*
EBITDA	132.5	116.7	*13.6%*
EBITDA Margin (%)	*3.4%*	*3.3%*	
EBIT	**116.9**	**102.4**	***14.1%***
EBIT Margin (%)	*3.0%*	*2.9%*	
Profit Before Tax	**95.4**	**81.6**	***17.0%***

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties. After tax impact of $5.588m in FY2014 and $5.960m in FY2013.

About AHG (continued)

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division operates in every Australian mainland state through Rand, Harris, Scott's Refrigerated Freightways (SRF) and JAT Refrigerated Road Services (JAT).

In combination with AHG's existing Rand and Harris operations, the acquisition of SRF (including JAT) consolidates AHG's position as the largest provider of temperature controlled transport and cold storage operations in Australia with national route coverage and an integrated network of cold store facilities. The acquisition expands AHG's customer base and product expertise and will diversify AHG's exposure to seasonal peaks in fresh produce, allowing for more efficient use of infrastructure across the year.

Headquartered in Sydney, SRF is a leading national cold logistics business providing refrigerated road and rail line haul, local refrigerated distribution and cold store warehousing. SRF was established in 1952 and has long established relationships with major customers on the east coast of Australia.

JAT is a specialist transport company based in Townsville, Queensland.

REFRIGERATED LOGISTICS OPERATING[1] RESULTS

Operating[1] Performance	FY14 ($m)	FY13 ($m)	% change
Revenue	429.7	390.0	10.2%
EBITDA	**29.7**	**31.9**	**(6.8%)**
EBITDA Margin (%)	*6.9%*	*8.2%*	
Profit Before Tax	**14.2**	**16.1**	**(12.2%)**

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties.

Competitive advantages:

Market strength – national mainland footprint with strong position in the warehousing and distribution of refrigerated products.

Scale – larger players compete with a significant structural advantage versus smaller players due to route efficiencies, utilisation and maintenance of fleet and equipment.

Relationships – solid, long-term relationships with producers and customers.

Trust – reputation of compliance with Chain of Responsibility, road safety and legislative requirements.

Facilities – state of the art fleets, distribution hubs and cold storage.

Processes – quality assured accreditation; remote monitoring of refrigerated transport in real time.

REFRIGERATED LOGISTICS (continued)

Rand, Harris, Scott's and JAT employ more than 1,500 permanent staff, with major storage facilities in Brisbane, Sydney, Melbourne, Adelaide and Perth, and depots through far north Queensland and regional New South Wales.

The combined businesses operate a modern, temperature-controlled and permanently monitored vehicle fleet that includes:

- 373 company prime movers
- More than 100 sub-contractor prime movers
- 780 road pantechnicons
- 300 sub-contractor pantechnicons
- 420 rail containers
- 80 rigid transport vehicles

Cold storage capacity across the network increased from 97,800 pallets in June 2013 to 154,350 pallets in June 2014. Further expansion is being undertaken with a new state of the art facility under construction at Erskine Park, west of Sydney.

About AHG (continued)

OTHER LOGISTICS

AMCAP operates warehousing and distribution of automotive parts and accessories.

Covs operates distribution of automotive parts and mining supplies.

KTM Sportmotorcycles and HQVA import and distribute the KTM and Husqvarna range of motorcycles across Australia and New Zealand.

VSE provides vehicle storage and engineering to the trucking industry, while Genuine Truck Bodies specialises in body building services.

WMC imports and distributes commercial vehicles from China*.

Other Logistics Operating[1] Results.

OTHER LOGISTICS OPERATING[1] RESULTS

Operating[1] Performance **Other Logistics (AMCAP, Covs, KTM, HQVA, GTB/VSE, WMC)**	**FY14 ($m)**	**FY13 ($m)**	**% change**
Revenue	421.4	381.1	10.6%
EBITDA	**17.1**	**15.0**	**13.9%**
EBITDA Margin (%)	*4.1%*	*3.9%*	
Profit Before Tax	**13.9**	**12.8**	**8.3%**

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties.

Competitive advantages:

Market strength – AHG holds strong positions in the warehousing and distribution of automotive parts and accessories.

Relationships – solid, long-term relationships with manufacturers and customers.

Facilities – state of the art distribution centres.

*(*AHG does not hold an equity interest in WMC but consolidates its interest in this year's annual report as a result of the initial application of AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements. AHG holds an option to acquire 50% of WMC.)*

AUTOMOTIVE PARTS

AMCAP

AMCAP has a proven track record of consistent growth and had a successful 12 months.

Ongoing operational efficiency gains and the implementation of a range of market and sales initiatives continued to strengthen the business and provide a solid platform for the coming year.

AMCAP benefited from the expansion of the Ford and Holden Trade Club programs and also in its Truck division through the expanding range of makes and models supported for major fleets. The market share growth of several 3PL partner OEMs also contributed significantly.

AMCAP's purpose-built storage and distribution facilities include a warehouse storage area of 22,000sqm, which together with the 10,000sqm Covs warehouse represents 32,000sqm of warehouse on a site of 66,000sqm.

The business unit has been a major seller and distributor of automotive and truck parts in Australia for 45 years. AMCAP can warehouse a range of products and meets specific client requirements as a true 3rd and 4th party sales and logistics operation. It provides services vital to the management of today's increasingly complex supply chain in terms of sales and marketing, inventory management, radio based "paperless" warehousing and a quick response delivery service. These services and systems allow AMCAP to handle 2.5 million lines per annum over 125,000 Stock Keeping Units (SKUs). AMCAP's portfolio of franchises includes GM Holden, HSV, Ford, Mitsubishi, Subaru, Iveco Truck, Fuso, AMCAP Truck and Trailer Parts, Hyundai, Kia, Suzuki, VW, Audi, Skoda, PPG Automotive Refinish and 3M.

About AHG (continued)

AUTOMOTIVE PARTS (continued)

Covs
Automotive, Mining & Industrial Supplies

Covs

Acquired by AHG in 2011, Covs sells a broad range of products to the general public and to a diverse range of customers across the automotive mechanical, mining and resource sectors.

Covs has 26 strategically located branches across the Perth metropolitan area and regional Western Australia, supported by a state of the art 10,000sqm distribution centre.

Covs met challenging market conditions by lowering the cost of doing business, leveraging technology to improve operational efficiencies, improving customer service levels by increasing the use of its e-commerce platform, implementing better process for managing its working capital and increasing collaboration with AMCAP.

During the year the business realigned its operations to lower costs and increase distribution and sales efficiencies to better serve its customer segments. The strategy strengthened customer relationships, with a high focus on service levels, delivery performance and more structured account management.

Technology has been a key focus in driving improvements in electronic data interchange processes (EDI), innovative vendor managed inventory solutions and a new e-commerce platform. The business is implementing a new enterprise resource planning (ERP) system, which will position Covs for further growth and expansion.

The nature of the Covs business allows development of new private label product ranges and during the year in review Covs introduced a comprehensive range of filters under the Premtech brand and further expansion of its successful range of tools under its Kromex brand.

MOTORCYCLE DISTRIBUTION

KTM and Husqvarna

KTM and Husqvarna sales showed record results and revenue in the year in review.

AHG was appointed in 1994 as the exclusive KTM distributor in Australia and New Zealand and the business has enjoyed significant sales growth and developed the KTM brand into a leading national motorsport name.

AHG's KTM distribution centres in Welshpool (WA) and Auckland[1] (NZ), service 76 dealers in Australia and New Zealand.

In January 2014 AHG acquired the rights to distribute the Husqvarna brand, also owned by KTM, and has established a network of 40 dealers in Australia and New Zealand. The previously distributed Husaberg brand has been discontinued.

KTM (Austria) acquired Husqvarna in 2013 and merged the brand with its former Husaberg brand, which has been absorbed within the Husqvarna stable.

Husqvarna is one of the oldest motorcycle manufacturers in the world and a pioneer of the popular motocross segment.

The combination of tradition, a 110-year company history, added to KTM's state-of-the-art technology and devotion to detail offer a very special brand experience.

Distribution of the "New Generation" Husqvarna Motorcycles commenced in January 2014.

[1] 74% owned by AHG, 26% owned by KTM Sportmotorcycle AG.

About AHG (continued)

STORAGE AND ENGINEERING

GENUINE TRUCK BODIES

VSE SOLUTIONS

GTB and VSE

The financial year in review was a time of business growth and market recognition for Genuine Truck Bodies. The company, based in Dandenong, Victoria had previously concentrated on building its core business of trailer, rigid and refrigerated truck body manufacture. The last year saw GTB and its products effectively launched to the market.

In April, GTB presented its inaugural display at the International Truck Trailer and Equipment Show in Melbourne, showcasing its latest products including a prototype 14 Pallet Dry Freight Rigid.

GTB and VSE Solutions also launched a new customer-friendly website and hosted factory visits for leading industry groups such as the Refrigerated Warehouse and Transport Association of Australia.

The moves not only raised market awareness but led to significant orders for GTB’s leading-edge products.

GTB continued to build its focus on refrigerated transport, which now accounts for half its business. It built its first refrigerated trailer little more than two years ago, but now has produced more than 130, using its Genuine Manufacturing System, ensuring on-time delivery.

Vehicle Storage and Engineering (VSE Solutions) continues to grow as a one-stop shop in truck and bus storage and distribution logistics, as well as engineering services to the Australian truck market.

Corporate Responsibility Highlights

COMMUNITY INVOLVEMENT

AHG supports a range of organisations that represent a broad cross section of the communities in which it operates.

Charities and community groups that benefit from AHG's support include:

Rocky Bay: AHG has been a major supporter for more than a decade of Western Australia's primary not-for-profit disability service provider supporting more than 1,700 people living with disability.

Rocky Bay provide services to people of all ages and disabilities, including home and community support, respite, clinical therapies, recreational activities, alternatives to employment, equipment and employment services.

With the support of its dealerships, logistics businesses, suppliers and other service providers, AHG stages an annual Rocky Bay golf day that has raised more than $1.5 million since 2004. AHG staff also commit to charity leave days to support Rocky Bay activities.

Perth Symphony Orchestra: AHG is the Foundation Partner of Perth Symphony Orchestra and presenting partner of its major annual concert, Symphony By The Lake.

PSO's musicians include some of the most accomplished players in Western Australia, many of whom also perform with Australia's leading orchestras.

Corporate Responsibility Highlights (continued)

Bear Cottage: AHG's NSW dealerships are major supporters of Sydney's Bear Cottage, one of only two facilities in Australia that provides respite and palliative care for children with life limiting conditions. The Group's Rand business unit also provides two mobile billboards to promote Bear Cottage's annual Superhero Week appeal.

Kids Rehab Unit: AHG's McGrath Mazda Liverpool dealership is a major supporter of Westmead Hospital's Kids Rehab Unit, which is one of the largest paediatric rehabilitation units in Australia, caring for more than 2,300 children and young people in NSW who have a range of disabilities including acquired brain injury, cerebral palsy, spinal cord injury and disease, spina bifida and limb deficiency.

Little Miracles: AHG's Zupps dealerships in Brisbane have supported the Mater Foundation's Little Miracles Ball for the past eight years. The Little Miracles Ball provides much needed funds to deliver health care to some of Queensland's sickest children and premature babies.

Camp Quality: AHG's New Zealand dealerships support Camp Quality, raising $150,000 for the charity in 2014 at a gala dinner supported by many of the Group's New Zealand business partners and suppliers.

Camp Quality is a not-for-profit volunteer organisation providing a wide range of support programmes for children living with cancer.

The Group is also the major sponsor of the **Melbourne AFL club** and also supports many other sporting and community organisations across Australia and New Zealand.

CAMP QUALITY
For Children Living With Cancer

Corporate Responsibility Highlights (continued)

PEOPLE AND CULTURE

Following an external strategic review of the Human Resources function in 2013 and the appointment of a new Head of Human Resources, a three year strategic plan has been developed and is currently in the process of being implemented across the Group. The key focus of the plan is to deliver high standards of people development and culture initiatives across the group which will enhance business performance.

The initial focus of the plan is to:

- Standardise AHG's core HR systems, processes and policies to ensure a consistent approach is adopted within each business unit. This is a priority as it will provide line managers with greater autonomy to effectively manage their employees. Enhanced systems and processes also assist the way employee records are documented, managed and reported against at a business unit and group level;
- Complete an employee survey to understand the levels of engagement of the workforce;
- Align training programs across the Group to ensure consistent development outcomes at all levels in the organisation and leverage opportunities for external accreditation; and
- Develop an industrial relations framework to ensure consistent wage and productivity outcomes are achieved, particularly within the logistics and spare parts business units.

Once complete, further work will then be undertaken in the development of a positive workplace culture with a number of initiatives designed to enhance employee engagement. This in turn will improve the company's ability to attract, retain and develop the right calibre candidates who wish to grow their careers in all areas of the Group.

Significant milestones this year included:

- The development of a three year strategic plan for HR;
- The development of an AHG policy framework and an up to date library of contemporary, legally compliant HR policies that are consistent across each business unit;
- The completion of a group wide employee survey;
- A significant refresh of our online induction and safety training programs which has resulted in participants being more engaged in the learning outcomes; and
- The ongoing deployment of an HR information system (EnableHR) which now includes more than 4,000 employee records.

During the year there were also a number of important achievements in the way AHG developed its employees. A new on line induction program has been developed with the aim of enhancing the trainee experience and making the training content significantly more engaging. The program has been designed on a platform which can be used for compliance training in key areas related to OHSE and workplace conduct.

The Company has also recently launched an internally developed foundation of people management training program. Working in partnership with Deloitte, the company completed an inaugural Peak Performance Program. Graduates of this nine month intensive training program were able to access development activities aimed at ensuring their readiness to assume more senior management positions within the group.

Safety in the Workplace

Positive performance indicators for FY2014 showed improvement across three significant OHSE areas. The AHG Lost Time Injury Frequency Rate is down more than 34% on FY2013 and the Incident Rate has been reduced by 27% across all business units. Despite AHG's acquisitions and increased employee numbers, workers compensation claims for FY2014 were also reduced.

Participation in safety matters increased significantly on FY2013 figures, illustrating the commitment and dedication to safety across the Group.

Employee survey

AHG conducted an employee survey in June 2014 with the purpose to:

- Determine the levels of engagement of its employees;
- Gain high quality and comprehensive information that enables leaders to align current initiatives or identify new activities that will enhance their employee's effectiveness;
- Provide the business with a benchmark from which to measure future improvements; and
- Gain feedback from employees about gender equity.

A unique feature of the survey was that it measured both employee engagement (commitment and discretionary effort) and employee enablement (how effective employees feel in their role and if they possess the appropriate tools and training to do their job well). When combined these results generated an employee effectiveness score. Organisations with high effectiveness scores typically provide higher levels of customer satisfaction and in turn higher levels of profitability.

Over a two week period AHG received in excess of 3,000 responses which at that time represented a response rate of more than 50%. The feedback in all areas of the survey was very positive with AHG's overall results being higher than the relevant external benchmark. It is intended that the survey be repeated in two years to determine improvements in certain key areas.

A number of additional questions were developed to confirm employee's views about gender equity and diversity within AHG. A significant majority indicated in the survey that equal opportunities were provided to all employees across the group.

Diversity

AHG is a significant employer of women with its April 2014 Workforce Gender Profile report to the Workplace Gender Equity Agency (WEGA) showing 1,435 females, representing 23% of the Group's Australian and New Zealand workforce. There were 442 women in supervisory, middle management and senior management roles, representing 21% of the category total.

The company believes that the current ratios are broadly commensurate with similar automotive retailing and logistics enterprises. There are 23 women in senior management roles across the Group including senior financial controllers and a female dealer principal. AHG believes female representation at senior management levels will improve as existing female employees choose career pathways that include "promotion on merit" opportunities. More opportunities will become available as a consequence of the organisations growth by acquisition strategy.

During FY2015 a diversity charter will be developed and agreed by the executive leadership group and plans developed to raise the importance of diversity at senior levels across the organisation. Work will be undertaken to identify barriers to entry of female staff at more senior ranks and, where possible, changes made to support equity of access for women.

AHG Workforce Gender Profile

April 2014 - Australia / New Zealand / Scott's / JAT

Role Type	Female	Male	Total	Female %	Male %
Administration, trades and semi skilled	993	3,049	4,042	25%	75%
Supervisory, semi-professional and professional	375	1,010	1,385	27%	73%
Middle management	44	485	529	8%	92%
Senior management	23	200	223	10%	90%
Senior executive	0	13	13	0	100%
TOTAL	**1,435**	**4,757**	**6,192**	**23%**	**77%**
Board Members	1	7	8	12%	88%

Corporate Responsibility Highlights (continued)

ENVIRONMENT

The group OHSE Strategic plan 2014-19 features environmental issues as one of the five major key areas for action. This includes the Group working responsibly and logically to minimise any negative impacts our business operations have on the environment. The aim is to promote and enhance current programs, and seek out new opportunities to improve.

The Group strives to be at the forefront of environmental compliance, and where possible exceeds compliance in respect to its operations and design of new and refurbished facilities. In FY2014, much work has been achieved to reduce its environmental footprint.

The work includes solar panelling being installed at eleven facilities, mainly new and refurbished dealerships, and the installation of fourteen water recycling systems that reduce the amount of water used and provide water for surrounding gardens.

Lighting audits have been completed on existing automotive sites to analyse the long-term benefits of retro-fitting the dealership network to comply with ISO energy efficiency standards. The installation of LED lighting at Rand sites and dealerships confirms the progress made in this important area. Another major initiative has been the installation of building maintenance systems (BMS) to control the use of air-conditioning units and lighting control. This provides savings in energy use while the facilities are unoccupied. The group now has BMS in twenty six facilities.

A national printer contract included a provision to recycle all existing redundant or superseded equipment. The Group also continues to roll out the waste tyre and battery disposal contracts to EPA standards, as well as cardboard and steel recycling.

The Group's automotive dealerships across Australia and New Zealand continue to maintain the coveted Green Stamp accreditation program run through the MTA. This allows dealerships to foster initiatives and ownership of environmental issues, to identify resources to achieve actions and agree to planned actions. The Green Stamp accreditation rewards initiatives such as energy efficient lighting, building management systems for air-conditioning and lighting control, storage and containment practices, waste water management, waste disposal management and air quality. The procurement team is also working towards the reduction of hazardous substances in the workplace through a consolidated chemical management program.

Another important initiative is the fuel manager Statistical Inventory Reporting Analysis (SIRA) system which delivers a simple and efficient solution to underground wet stock tank management with a prime focus on protecting the environment through monitoring and reporting requirements. The system complies with Australian state EPA agency requirements.

AHG

AUTOMOTIVE HOLDINGS GROUP

ANNUAL FINANCIAL REPORT 30 JUNE 2014

AUTOMOTIVE HOLDINGS GROUP

Annual Financial Report Contents

A. Overview

Established in Perth in 1952 Automotive Holdings Group Limited (ASX: AHE) is a diversified automotive retailing and logistics group with operations in every Australian mainland state and in New Zealand. The Company is Australia's largest automotive retailer, with operations in Western Australia, New South Wales, Queensland and Victoria.

AHG's logistics businesses operate throughout Australia via subsidiaries Rand Transport, Harris Refrigerated Transport and newly acquired Scott's Refrigerated Freightways and JAT Refrigerated Road Services (refrigerated logistics), AMCAP and Covs (motor parts and industrial supplies distribution), VSE (vehicle storage and engineering), Genuine Truck Bodies (body building services to the truck industry), WMC (bus and truck distribution), and KTM Sportmotorcycles (including Husqvarna) (motorcycle importation and distribution in Australia and New Zealand).

This diversified nature of the Group is a key strength, reducing reliance on, and exposure to, particular sectors. It also creates synergies and efficiencies that may not be available to other groups, such as the supply of trading and capital equipment between Group businesses rather than relying on third party providers.

The Group has been active since listing in executing acquisitions, Greenfield developments and divestments, as it drives a growth strategy that builds further geographical diversification, takes advantage of market opportunities that AHG's scale and access to funds permits, and develops greater synergistic profits and efficiencies.

Recognition of the fruits of this strategy are evidenced through AHG's admission to the ASX300 in March 2013 and subsequently to the ASX200 in the June 2013 quarterly rebalance (after the Group's market capitalisation topped $1 billion). The Group's FY2014 results, which included record revenues, statutory profit, operating profit and dividends, have reinforced AHG's standing within the ASX200. AHG successfully expanded its equity base in FY2014 through the issue of 45.9 million shares @ $3.49 / share across institutional investors, acquisition vendors and a share purchase plan with incumbent shareholders. This added a further $160 million to the Group's equity base and saw AHG sitting just outside the ASX150 marker at the end of August 2014.

Beyond the financial metrics, in 2014 AHG employs more than 7,000 staff and is a large employer of apprentices through its automotive service workshops. The Group also has a long and proud record of supporting a wide range of community and charitable organisations across Australia and New Zealand.

B. Business Segments

AHG's diversified business is divided into four segments for financial reporting:

- Automotive Retail
- Refrigerated Logistics
- Other Logistics
- Property

OPERATING AND FINANCIAL REVIEW

AUTOMOTIVE RETAIL

AHG today operates 169 passenger vehicle, bus and truck dealerships across mainland Australia and New Zealand, representing 11 of the top 12 brands by volume.

Automotive retail operations accounted for 82% of Revenue and 76% of Statutory EBITDA for FY2014. The FY2014 results of $3.88 billion Revenue and $130.03 million Statutory EBITDA were record achievements for this segment.

The achievement of these milestones has been built on the strong performance of the more established operating dealerships, which enabled AHG to achieve record results while absorbing the costs of a very active expansion program. The expansion program undertaken since January 2012 is listed below:

Acquisitions from 3rd parties:

- Jeff Wignall Group (May 2012 – Mornington Peninsula, Vic)
- Coffey Ford (August 2012 – Dandenong, Vic)
- Newcastle Hino, Iveco and Daimler (June: September 2012 - Newcastle NSW)
- Daimler Brisbane (October 2012 - Brisbane, Qld)
- Bayside / Peninsula Group (May 2013 – Mornington Peninsula, Vic)
- McMillan Toyota (June 2013 – Preston/South Morang, Vic)
- Jason Mazda (July 2013 – Osborne Park, WA)
- Davie Group (September 2013 – Manukau, New Zealand)
- Bradstreet Motor Group (August 2014 – Newcastle, NSW)

Greenfield developments:

- Castle Hill Holden / HSV / Hyundai / Nissan (January/November 2012/January 2014 – Castle Hill, NSW)
- Melbourne City Holden / HSV / Hyundai (March 2013/July 2014 – Melbourne City, Vic)
- Manukau Nissan (September 2013 – Manukau, New Zealand)

Divestments to 3rd parties:

- Southport / Helensvale / Burleigh Group (August 2012 – Gold Coast, QLD)
- Capalaba Mitsubishi / Subaru (January / August 2013 – Capalaba, QLD)

This expansion program provides a strong base for future growth as new businesses are integrated into AHG's business model and restructuring is completed.

REFRIGERATED LOGISTICS

FY2014 saw AHG significantly expand its presence in this sector with the acquisitions of Scott's Refrigerated Freightways (SRF) and JAT Refrigerated Road Services (JAT) on 30 April 2014, to add to the Group's incumbent Rand Transport and Harris operations. The Rand/Harris/Scott's/JAT operations have expanded AHG's status as Australia's largest provider of fully integrated, refrigerated interstate transport and warehousing services to the food industry. These businesses collectively employ more than 1,500 people at facilities in Perth, Adelaide, Melbourne, Sydney, Brisbane and North Queensland.

Operations include national temperature-controlled long haul transport, cold storage and refrigerated distribution.

These businesses operate a fleet of purpose-built, temperature-controlled rail containers and road pans with state of the art tracking systems, delivering daily to all the major retailers and food service businesses in Australia.

Having depots and cold storage facilities in each state, as well as a fleet of modern equipment, provides these businesses with a competitive advantage.

OTHER LOGISTICS

There are five primary operations that comprise the Other Logistics segment for FY2014:

- AMCAP (parts storage and distribution);
- Covs Parts (parts retailing and distribution);
- KTM Sportmotorcycles (including Husqvarna) (motorcycle and parts distribution);
- WMC (bus and truck distribution); and
- VSE and GTB (bodybuilding, engineering and vehicle storage).

AMCAP

AMCAP has been a major distributor of automotive parts in Australia for 46 years. Its purpose-built storage and distribution facilities include a warehouse storage area of 32,000sqm on a site spanning 66,000sqm.

AMCAP's portfolio of franchises includes Mitsubishi, GM Holden, HSV, Subaru, Suzuki, Hyundai, Kia, Ford, Volkswagen, Audi, Skoda, PPG Automotive Refinish, 3M, Iveco, Fuso and AMCAP Truck and Trailer Parts. AMCAP can warehouse a range of products and meet specific client requirements as a true 3rd and 4th party logistics operation.

It provides services vital to the management of today's increasingly complex supply chain in terms of sales and marketing, data warehousing, on-line inventory management, radio frequency based 'paperless' warehousing and a quick response distribution service. Its telephone call centre handles more than one-million calls per annum from customers. In addition there are 400 customers directly on-line to the AMCAP computer system for order placement and enquiry.

COVS Parts

Acquired by AHG in July 2011, Covs Parts (Covs) employs approximately 390 people and has 26 strategically located branches across Perth and regional Western Australia, many of which are located close to WA mining and agriculture operations.

Covs sells genuine automotive parts and a full range of aftermarket parts and accessories and is one of the largest mining and industrial supply companies in Western Australia, offering its clients a diverse range of products, a statewide presence and experienced and knowledgeable staff. The business has been a leading supplier of automotive, industrial and mining parts and accessories in Western Australia since the 1930s.

Covs operations co-located with AMCAP in expanded facilities with 32,000sqm of warehouse space in 2012 making the AMCAP Distribution Centre one of Australia's premier parts sales and distribution operations. The acquisition provided both Covs and AMCAP with many synergies and the ability to expand their customer base and supply a broader range of products to their existing clients.

KTM

KTM is a prestigious Austrian manufacturer of off-road and on-road motorcycles. Founded in 1934 with a rich racing heritage, KTM has enjoyed considerable success in motor sport, recording multiple state, national and international titles. KTM bikes feature a distinctive branding strategy that resonates well in the Australian and New Zealand markets.

Based in Welshpool (WA) and Auckland (NZ), AHG's KTM distribution centres service 75 independent dealers in Australia and New Zealand.

Since being appointed in 1994 as the exclusive distributor in Australia, the business has enjoyed significant sales growth and developed the KTM brand into a national racing name. On 1 January 2014, AHG also acquired the distribution rights for Husqvarna Motorcycles in Australia and New Zealand. The previous Husaberg brand has been discontinued by KTM Austria and absorbed within Husqvarna.

WMC

WMC is the exclusive distributor of Higer buses and JAC trucks in Australia. Higer Bus Company Limited is a Chinese bus manufacturer founded in 1998 and now supplies buses to 85 countries and territories across South Asia, Middle East, Africa, Russia, East Europe and the Americas, as well as manufacturing buses under contract for Scania. JAC Limited is an established Chinese manufacturer of light-duty trucks, supplying vehicles to more than 100 countries throughout Europe, Asia, the Americas and the Middle East.

Higer has been Australia's fastest growing bus brand in the Australian market over the past three years and a growing product range coupled with technological, safety and performance improvements will provide it with the ability to expand its footprint within the under-rated national bus market. JAC's range of products remains in relative infancy in the competitive Australian light-duty truck market.

Based in Milperra (NSW), WMC distributes across a network of 12 dealers in Australia, comprising both independent dealers and AHG-owned dealers.

VSE and GTB

Vehicle Storage and Engineering (VSE), located in Dandenong, Victoria, provides truck storage and distribution logistics as well as engineering services to the Australian truck market.

The engineering business specialises in truck modification services such as chassis modification, lazy axle and turntable accessory fitment and dual control conversions.

Genuine Truck Bodies (GTB), located at the same premises in Dandenong, provides bodybuilding services to the truck industry.

Together, VSE and GTB provide a one-stop shop for vehicle modification and bodybuilding services.

PROPERTY

In FY2011 AHG acquired direct interests in two significant properties located in Castle Hill and Hoxton Park in NSW. Combined with some other smaller properties previously held by the Group across NSW and WA, this warranted a separate reporting segment within AHG relating to direct property holdings.

On 1 July 2012 AHG sold its Castle Hill property, including dealership developments undertaken, and all but one of its WA properties to Australasian Property Investments (API) which then launched these properties as the AHG Property Syndicate No. 1.

During FY2014, AHG has acquired further small property interests across Victoria and Queensland, either arising from prior acquisitions or future Greenfield opportunities.

C. Business Model and Strategies

The diversified nature of the Group requires varied business models that reflect the intricacies of the different businesses, their competitive positioning and the stage of their market and business maturity. The Group invests significant time and resources to the development, implementation and maintenance of individual strategic roadmaps across its significant operations, overlaid with alignment to the wider consolidated AHG strategic objectives.

A common thread across the business models and strategies of the operations is the ability of the Group to leverage one of its key strengths – the talent of its people. All general managers and dealer principals are empowered to make appropriate decisions to grow their respective business operations and/or control their cost structures. The Group firmly believes this approach allows AHG to attract and retain talented employees, as well as providing the best service to customers.

Automotive Retail

AHG's automotive retail business model and strategy is to leverage the talent of its employees to:

- Enhance the customer experience;
- Sell new and used vehicles;
- Arrange related financing, vehicle service and insurance contracts;
- Provide maintenance and repair services; and
- Sell replacement parts.

via an expanding network of franchised dealerships located in both established and growing regions of the Australian mainland and New Zealand.

A key tenet of the AHG business model is the positioning of the dealership network in retail hubs where multiple dealerships trade in close proximity, creating strong efficiencies in terms of operating processes, collaboration and customer attraction. This model is further reinforced through the Group's commitment to investing in state of the art facilities at its dealership premises to maximise both the business opportunities and customer experiences.

Manufacturer relationships remain a key factor in Automotive Retail. AHG's long history of strong performance in the industry has produced long-term, successful relationships across the major franchises that AHG represents. These relationships and AHG's performance history provide the Group with opportunities to develop Greenfield operations that assist in the Group's long-term growth strategies.

Operating within the wider retail environment, AHG is conscious of the need to keep pace with changing consumer habits. Accordingly, a major focus has been on expanding AHG's capacity to engage with prospective customers in the online environment, but in a manner that is complementary to, and supportive of, the large dealer network. The Group's online strategy has seen revamped websites (Group and business-by-business), increased AHG visibility through Search Engine Optimisation and greater use of social media and mobile technology to make it easier for prospective buyers to search for cars, find information and ultimately convert into an enquiry and sale. The Group also holds a controlling interest in 360 Financial Services, which operates independently from AHG's dealership network to provide consumers with access to financial services through online marketing. AHG continues to build its brand through other key marketing initiatives including major sponsorship of the Melbourne Football Club and its "AHG Easy as 123" campaign.

The Group's network of dealerships provides ongoing opportunities to train, promote and advance talented employees through all levels and departments, a competitive advantage when it comes to integrating acquisitions to AHG's culture and methodologies.

Key areas of focus for execution of the Group's Automotive Retail strategy include:

- Capture of additional new and used vehicle retail market share;
- Sustained growth of AHG's higher margin parts and service businesses with a strong emphasis on the retention of service customers;
- Operating efficiencies and further leveraging to a lower cost base;
- Continued implementation of an operating model with greater commonality of key operating processes, systems and training that support the extension of best practices and the leveraging of scale;
- Positioning of the Group to meet the changing needs and purchasing behaviour of customers, via online marketing and trading capacity that complements AHG's retail outlets; and
- Enhancement of AHG's current dealership portfolio by strategic acquisition (including Greenfields) and improving or disposing of underperforming dealerships.

Refrigerated Logistics

AHG's Refrigerated Logistics business model and strategy is to leverage its position as the leading provider of horizontally integrated national refrigerated logistics solutions in Australia.

The combination of three main services; national temperature-controlled long haul transport, cold storage and refrigerated distribution, differentiate Rand/Harris/Scott's/JAT from competitors by offering a complete suite of nationwide refrigerated road, rail, cross-docking, cold store and distribution services supported by sophisticated IT systems.

Ongoing investment by these businesses in state-of-the-art depots and cold storage facilities in each state, its fleet of modern equipment and its reputation for reliability provide them with a competitive advantage.

AHG will continue to invest in IT systems development commensurate with the growth of the business to further drive efficiencies and service capabilities to its broad portfolio of customers.

Key areas of focus in AHG's Refrigerated Logistics' business strategy are:

- Providing fully integrated refrigerated logistics needs across the entire cold chain market;
- Offering compelling tailored packages supported by a comprehensive executive and customer information system including tracking and performance delivery reporting; and
- Building long-term relationships with its customers by being proactive to their requirements.

Recent acquisitions have delivered on two key aspects of this business strategy:

- Expansion of integrated services that can be provided to existing and future customers; and
- Development of economies of scale and efficiencies through the business – integrated facilities, sharing of management expertise, equipment handling and utilisation.

Other Logistics

AHG's Other Logistics business models and strategies leverage their position as members of the Group:

- **AMCAP:** parts distribution capabilities that build on existing relationships with automotive retail manufacturers, supply the automotive retail industry (beyond just AHG operations) and provide third and fourth party distribution logistics capabilities;
- **Covs:** supply and distribution of automotive, mining and industrial parts that build upon automotive retail end-user experiences, synergistic warehousing and distribution functions with AMCAP and greater integrated service provision to mining and industrial customers already supplied by other operations with the Group;
- **KTM & Husqvarna:** motorcycle distribution capabilities that build on automotive retail experience as franchisee to act as franchisor to a chain of independent motorcycle dealerships, and utilisation of storage and distribution facilities of other Group operations to distribute motorbikes and supporting parts and accessories;
- **WMC:** bus and truck distribution capabilities that build on automotive capabilities as a franchisee to act as franchisor to both independent and AHG-owned bus and truck dealerships, as well as capabilities as a proven successful bus and truck distributor with Higer and JAC, to distribute buses, trucks and supporting parts and accessories; and
- **GTB/VSE:** storage of vehicles that builds on existing relationships with manufacturers, body building activities that supply complementary AHG businesses and third party customers, and building on automotive retail (truck) experiences to identify new opportunities and business relationships.

This Operating and Financial Review sets out information on the Group's business strategies and prospects for future years, including reference to likely developments in segment operations and the potential impact on the future performance of these segments. Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of AHG. Information that could be prejudicial to AHG (e.g. commercially sensitive, confidential or capable of giving a third party a competitive advantage) has not been included.

D. AHG Group Financial Performance

Key Financial Data	Statutory IFRS Result	Unusual items*	Operating Non-IFRS Result	Operating Non-IFRS Result
For the year ending 30 June 2014	2014 $'000	2014 $'000	2014 $'000	2013 $'000 *Restated***
Revenue	4,734,760	-	4,734,760	4,312,408
EBITDA	170,631	(7,983)	178,614	161,662
EBITDA margin %	*3.6%*		*3.8%*	*3.7%*
Depreciation & amortisation	(30,350)	-	(30,350)	(28,557)
EBIT	140,281	(7,983)	148,264	133,105
Interest (net)	(30,737)	-	(30,737)	(28,498)
Profit before tax	109,544	(7,983)	117,527	104,607
Tax expense	(33,255)	2,395	(35,650)	(32,518)
Profit after tax	76,289	(5,588)	81,877	72,089
Non controlling interest	(3,365)	-	(3,365)	(1,327)
Net profit after tax attributable to shareholders	72,924	(5,588)	78,512	70,762
Basic EPS (cents per share)	26.9		29.0	27.1

** Unusual items: costs and fees in relation to integration and acquisition-related activities, asset divestment and sale of properties.*

*** Refer to Note 1.*

REVENUE

Group revenue increased 9.8% on FY2013 to $4.73 billion, driven equally by expansion of the Automotive Retail segment (organic growth and the acquisitions and Greenfields developments) as well as in Logistics across both the Refrigerated and Other Logistics sub-segments.

EBITDA (EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION)

Operating Non-IFRS margins increased slightly year-on-year to 3.8% (2013: 3.7%), aided by a strong Automotive performance and despite Rand experiencing a challenging second-half trading performance as well as the occupation of new premises in WA and SA which incurred transition costs associated with transferring operations and building up utilisation and capacity levels.

OPERATING AND FINANCIAL REVIEW

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year was $30.35 million, an increase of 6.2% on pcp. This was due to a combination of ongoing investment in Refrigerated Logistics operations (premises, vehicle fleet and container assets) together with plant and equipment acquired as part of the various Automotive Retail acquisitions and Greenfield developments.

INTEREST EXPENSE (NET)

Net interest expense (including floorplan finance, finance costs less interest revenue) for the year was $30.74 million, an increase of 7.8% on pcp. The increase was due to higher commercial borrowings during FY2013, mitigated by a combination of lower interest rates on borrowings and consistent focus on inventory/cash management.

NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests increased to $3.36 million, up 153.4% on pcp. These are entities which are consolidated into AHG's financial performance but where AHG does not hold an entitlement to 100% of their profits. Refer to Note 28 Related Parties for a listing of those entities where AHG does not hold a 100% profit entitlement. The increased expense reflects increased contribution from these businesses during FY2014.

PROFIT BEFORE TAX

AHG earned a statutory profit after tax of $72.92 million for the year, an increase of 12.5% on pcp. Operating Non-IFRS profit (before unusual items) after tax was $78.51 million, an increase of 11.0% on pcp. Both were record results for the Group.

DIVIDENDS

A fully franked final dividend of 12.5 cents per share was declared, taking the full year dividend to 21.0 cents per share, an increase of 1.0 cents (5.0%) over the prior year. This reflects the Group's strengthened balance sheet, strong operating cash flow and capital management.

E. Segment Financial Performance

Automotive Retail

	2014 $'000	2013 $'000	Movement %
Automotive Retail		*Restated*	
Revenue	**3,883,323**	3,540,793	9.7%
Statutory IFRS Performance			
EBITDA	**130,027**	114,397	13.7%
EBITDA %	**3.3%**	3.2%	
EBIT	**114,338**	100,186	14.1%
Profit before Tax	**92,934**	79,314	17.2%
Operating* Non-IFRS Performance			
EBITDA	**132,541**	116,653	13.6%
EBITDA %	**3.4%**	3.3%	
EBIT	**116,852**	102,442	14.1%
Profit before Tax	**95,448**	81,570	17.0%

** Excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties (refer to Note 2 for a reconciliation of Non-IFRS profit to IFRS profit).*

The Automotive Retail division achieved record results across all operating profit performance metrics from Revenue through to Profit before Tax. Operating Non–IFRS EBITDA margins rose by 0.1% to 3.4%.

The execution of various acquisitions and Greenfield developments (as listed in section B) in late FY2013 and early FY2014 contributed positively to the superior performance for FY2014 compared to the results in FY2013, in both margin and revenue growth. Integration of these businesses by adopting the AHG model and strategy continues to optimise their returns.

As outlined in section C, there are four revenue streams that underpin the operations of all AHG Automotive Retail dealerships. The overall performance is driven by the strong inter-relationships between the four departments, while simultaneously enhancing customer experience.

AHG focuses on the performance of all four revenue streams in many ways, including strong disciplines; procedures and policies; systems management and investment; staff training programs; key financial and non-financial metrics; and continual challenging of the businesses for new opportunities and efficiencies to maximise shareholder returns. Automotive retail is a low-margin, high turnover business and the accumulation of small improvements to margins earned can have a significant positive impact on the overall performance.

This saw consistent growth across all departments, influenced by factors such as:

- The Australian new vehicle market sold 1,136,227 vehicles in CY2013, a record level for Australia (CY2012: 1,112,032). For CY2014 the market up to July 2014 is 2.1% (14,128 units) behind of the equivalent period in CY2013 – extrapolation of this for the remainder of CY2014 would still see a result equivalent to that achieved in CY2012. However, not all franchises recorded increases in their volumes, and the nature of all automotive retail franchises is that they experience cyclical ebbs and flows linked to product ranges, aging profiles and customer buying preferences. However AHG's diversified brand portfolio mitigates the majority of this exposure;

- Support from, and competitiveness between, manufacturers during FY2014 remained at relatively aggressive levels, leading to low-rate finance offerings direct from manufacturers as they sought to increase their volume levels. This benefits AHG via increased volumes and associated bonuses and commissions earned, albeit that the commissions earned are typically at lower margins compared to non-manufacturer-direct finance offerings;
- Consistent application and refinement of AHG's used vehicle buying, wholesaling and selling policies translates to smarter vehicle purchasing, lower re-conditioning costs, improved retention of profits and increased opportunity between sites and greater cross-selling between departments. On a combined level, this positively impacted on Automotive Retail's FY2014 EBITDA margin performance;
- Fixed-price service offerings introduced by manufacturers are having a positive impact on customer retention within the automotive retail service departments. This has the potential to increase service income and retain customers within the same dealership and/or brand through replacement vehicle purchases;
- Expansion of product offerings saw new products such as tyre repair and replacement now being offered to customers through AHG's dealerships, with new opportunities constantly sought and/or evaluated; and
- Record low interest rates have a positive impact on finance costs for the segment.

Logistics (Refrigerated and Other)

	2014 $'000	2013 $'000	Movement %
Logistics		*Restated*	
Revenue	**851,131**	771,128	10.4%
Statutory IFRS Performance			
EBITDA	**41,311**	36,865	12.1%
EBITDA %	**4.9%**	4.8%	
EBIT	**26,649**	22,520	18.3%
Profit before Tax	**22,587**	18,953	19.2%
Operating* Non-IFRS Performance			
EBITDA	**46,780**	46,874	(0.2%)
EBITDA %	**5.5%**	6.1%	
EBIT	**32,118**	32,529	(1.3%)
Profit before Tax	**28,055**	28,961	(3.1%)

** Excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties (refer to Note 2 for a reconciliation of Non-IFRS profit to IFRS profit).*

The Logistics segment, comprising Refrigerated Logistics and Other Logistics, recorded a relatively stable year of performance on an overall basis:

Refrigerated Logistics

- Relatively weak volumes and disruption caused by flooding in NSW and Queensland and drought in the Riverina negatively impacted performance in the second half of FY2014. The frequency and severity of natural events is beyond the Group's control but AHG has restructured parts of its operations to mitigate this risk;

- Occupation of new cold store facilities in WA and SA during FY2014 incurred transition costs associated with transferring operations and building up utilisation and capacity levels; and
- AHG acquired the Scott's/JAT operations on 30 April 2014 which contributed two months performance to the segment in FY2014. FY2015 will see a full year contribution from these businesses along with targeted synergistic benefits from operating alongside AHG's incumbent Rand/Harris operations.

Other Logistics

- KTM encountered a weaker exchange rate environment compared to FY2013, however this was offset by the ongoing strong product range of KTM. The acquisition of the distribution rights for Husqvarna Motorcycles in Australia and New Zealand will gradually add to its profit outlook;
- AMCAP and Covs have experienced some margin pressures arising from their mining sector exposure and ongoing pressures from insurance companies, non-genuine importers and competitors. However, they continue to identify and implement synergistic benefits from their shared warehousing and distribution facilities;
- WMC continued to grow its distributed volumes and improve its financial performance, predominantly through the Higer bus franchise. Its three years distributing to the Australian market are translating into growing brand acceptance and recognition built on the back of constantly improving quality and breath of product offerings in the marketplace. It is on these foundations of quality and products offerings that provide WMC with the scope to further grow its revenue and improve its performance in FY2015; and
- VSE-GTB continues to develop through its two-pronged strategic approach. Vehicle storage levels have steadied in FY2014, however bodybuilding capabilities were expanded during FY2014 with new ranges of truck bodies and trailers designed, constructed and delivered to customers. The business has received positive feedback and is creating interest from new and larger potential customers having seen the finished products. This will see it continue to grow its revenue and improve its performance into FY2015.

F. Group Financial Position

	FY2014	FY2013
Total Assets	**$1.77 billion**	$1.57 billion
Total Liabilities	**$1.10 billion**	$1.09 billion
Total Equity	**$0.66 billion**	$0.48 billion

TOTAL ASSETS

Total assets increased by $0.20 billion from $1.57 billion to $1.77 billion, driven by a combination of acquisitions completed during the period and working capital / non-current asset investments.

Trade inventories, the largest individual component of total assets, comprise vehicle, motorcycle and parts inventories on hand across the automotive retail and other logistics segments, decreased $17.64 million to $671.92 million. This was attributed to reduced vehicle inventories arising from strong operating performance and easing of excess manufacturer supplies. AHG applies policies around its inventory management to mitigate potential obsolescence concerns.

Receivables increased slightly by $3.95 million from $289.08 million to $293.04 million. This was influenced by expansion of AHG's Refrigerated Logistics division. Average debtor days decreased over the prior year, aided by AHG's dedicated centralised Credit Control department which monitors outstanding debtors on a continual basis.

Property, plant and equipment increased $117.22 million to $303.94 million, due to a combination of ongoing investment in the Group operational requirements (e.g. Refrigerated Logistics), acquisitions executed, as well as property developments to Automotive Retail sites either completed or under construction at the end of FY2014.

Intangible assets increased $71.54 million to $323.59 million linked to net acquisitions per section B above.

TOTAL LIABILITIES

Total liabilities increased marginally by $0.01 billion to $1.10 billion during FY2014.

Trade and other payables decreased $11.89 million, reflecting the timing around payment of year-end liabilities covering creditors, subcontractors and payroll accruals (including commissions linked to record performance achieved for FY2014).

Interest-bearing liabilities rose due to a combination of increased finance company loans (organic and acquisitions/Greenfields), increased lease/hire purchase commitments (property, plant and equipment investment) and increased commercial borrowings (acquisitions).

Total current and non-current provisions increased $8.40 million to $74.31 million, attributed to increased employee provisions (expanded employee numbers, particularly linked to acquisitions), record FY2014 profits (increased average pay rates apply to entitlements) and natural increases in existing employee service periods and entitlements.

TOTAL EQUITY

Total equity increased by $0.18 billion to $0.66 billion, predominantly due to increased retained profits of $19.48 million, reflecting the difference between AHG's profit earned and dividends paid. AHG successfully expanded its equity base in FY2014 through the issue of 45.9 million shares @ $3.49 / share across institutional investors, acquisition vendors and a share purchase plan with incumbent shareholders.

G. Funding and Capital Management (include Cash Flow / Shareholder Value / Dividends)

AHG categorises its funding and capital management structure into two components:

- Inventory-backed finance company loans (floorplan), in which dealerships finance their inventory purchases through specific finance facilities provided by either manufacturers or third party finance companies; and
- Commercial banking and leasing finance facilities which support all other aspects of the Group's capital management, working capital and growth strategy.

FINANCE COMPANY LOANS

Finance company facilities of $734.36 million were available to AHG as at 30 June 2014, of which $565.55 million were used.

AHG excludes finance company loans from its gearing ratio calculations.

(refer Note 26 – Capital Management).

COMMERCIAL BILLS AND LEASING FINANCE FACILITIES

There were $380.87 million of these facilities available to the Group as at 30 June 2014, of which $216.12 million had been utilised. AHG expanded its Commercial Bill facilities by $50.0 million during FY2014, with a further $45.0 million added in July 2014. Lease Finance facilities expanded in conjunction with acquisitions during FY2014.

OPERATING AND FINANCIAL REVIEW

CAPITAL MANAGEMENT METRICS

	FY2014	FY2013
Gearing Ratio (source: Note 26 Capital Management) *(net debt exclude finance company loans and cash) / (total assets less finance company loans and cash)*	**10.6%**	10.1%
Interest Cover (source: Note 2 Operating Segments)		
- Operating Non-IFRS*	**4.82 times**	4.66 times
- Statutory	**4.56 times**	3.28 times
(EBIT / Net Interest expense)		

* *Excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties (refer to Note 1 for a reconciliation of Non-IFRS profit to IFRS profit).*

Net debt (borrowing excluding finance company loans and cash and cash equivalents) increased by $26.99 million to $117.48 million. This increase reflected:

- Operating Cash Flows of $102.18 million, up $10.42 million on pcp;
- Payment for acquisitions of $83.15 million, up from $54.69 million paid in pcp;
- Payment for property, plant and equipment of $111.38 million, up from $66.96 million paid in pcp; and
- Record dividend paid to shareholders during FY2014, totalling $53.44 million. Total declared dividend for FY2014 is 21 cents, with the final dividend component of 12.5 cents to be paid in October.

The Group's strong balance sheet position continues to support further growth opportunities and preliminary discussions with various finance providers (incumbent and new) indicate their comfort and willingness to provide AHG with further facilities (finance company, commercial bills and leasing).

AHG has an experienced management team, a strong balance sheet and a diversified business model that positions the Group well to deliver strong results from its strategic investments in Automotive and Logistics and to capitalise on future opportunities.

AUTOMOTIVE RETAIL

- New vehicle sales remain at solid levels to August 2014, buoyed by manufacturer incentives of low interest rates and service offerings;
- Post balance date acquisition of the Bradstreet Motor Group in August 2014 further strengthens the Group's platform for growth; and
- Greenfield developments at Castle Hill and South Melbourne are now operational in new facilities.

REFRIGERATED LOGISTICS

- Expansion of Refrigerated Logistics operations through the acquisition in April 2014 of Scott's and JAT provides opportunities to leverage product offering, scale, distribution channels, management expertise and commercial arrangements to build a stronger and more profitable long-term service offering;
- Demand from Refrigerated Logistics' clients for fully integrated service offerings in temperature-controlled transport and storage remains sound; and
- Investment in new facilities in Sydney will add to growth opportunities and economies of scale.

H. Outlook (continued)

OTHER LOGISTICS

- KTM continues to experience strong demand for its expanding product range (now including Husqvarna), developing a stronger and growing market position in the motorcycle industry;
- WMC expanding its bus product range and new generation products to build on its growing presence in this marketplace; and
- Covs, AMCAP and GTB/VSE each are positioned to drive organic growth in the years ahead.

The Group has used its balance sheet strength to drive significant operational growth across all segments and to create significant sustainable long-term value for shareholders.

I. Risk Management and Sustainability

AHG's risk management process analyses and manages business risks, and identifies business process improvement opportunities. The risk assessment process focuses on two key metrics - estimation of the likelihood of risk occurrence and potential impact on financial results. An assessment is also undertaken of the effectiveness of AHG's existing internal controls on a risk-by-risk basis. Action plans are established where existing controls are assessed as requiring improvement in order to mitigate identified risks to an acceptable level.

Risk assessments are performed on a state-by-state basis within the Automotive Retail segment and on a business-by-business basis within the Logistics segment, from which a consolidated risk assessment is derived for AHG. These risk assessments are presented to the Audit and Risk Management Committee, with appropriate risk management strategies.

AHG has set out below a summary of those key risks which have the potential to materially impact on the Group's ability to execute and achieve its business strategies, and therefore could impact on the Group's prospects on a longer-term basis. These key risks cannot be taken as an exhaustive list of uncertainties and risks that the Group faces, noting that many of them remain outside the control of AHG or its officers.

INDUSTRY DOWNTURNS OR DISRUPTION

AHG's revenue and growth are susceptible to downturns in domestic economy or any of the industries in which it operates, including those resulting from economic and regulatory changes. Automotive retailing is exposed to potential technology disruption to the model for selling and financing motor vehicles.

AHG is a diversified group. Its automotive retail operations have multiple revenue streams across multiple brands and are geographically diversified. General economic and regulatory changes as well as potential disruptors to the current industry model for automotive retail remain outside the control of the Group, however its size and scale offer opportunities to mitigate the potential impacts. We are also actively considering strategies to adapt to potential future disruptors.

DELIVERING ON GROWTH OPPORTUNITIES

AHG's strategy has seen it execute numerous acquisitions over the past three financial years. Should some of these acquisitions fail to achieve targeted performance or do so at a slower rate than anticipated due to factors beyond or within the Group's control this may adversely impact performance.

AHG has acquisition and integration strategies to harmonise newly acquired businesses to the Group's policies, procedures and systems to maximise their opportunity to achieve targeted performance.
The processes are monitored on an ongoing basis and executive incentives are linked to successful integrations.

KEY RELATIONSHIPS

AHG's business involves key relationships with manufacturers in the grant and renewal of franchise agreements; landlords in granting and renewing property leases; banks and floorplan financiers in the provision of funding facilities, and with its contract customers. The financial performance of the Group is susceptible to adverse changes in any of these key relationships combined with the inability to secure appropriate replacement or alternative relationships. These adverse changes include perceived amalgamation risks from manufacturers linked to any shareholder obtaining a Board seat and/or increased shareholding above 20%, which could result in the triggering of market concentration, change of control and other clauses leading to termination of franchise agreements held by the Group. AHG proactively engages in maximising its key relationships to mitigate such risks.

Strong performance history (automotive retail) and superior service delivery quality (refrigerated logistics) have historically seen low levels of breakdowns in these key relationships however poor performance or changes in control could put such relationships at risk.

RELIANCE ON KEY PERSONNEL

There exists no assurance that AHG will be able to retain key personnel and the departure of any such key personnel may adversely impact the Group's profitability until suitable replacements are employed.

AHG is committed to succession planning and remaining competitive in its remuneration and other incentive arrangements, its training programs to develop current and potential business leaders, and the alignment of the interests of key personnel with those of its shareholders.

HEALTH AND SAFETY

The Group has a potential risk arising from a significant occupational health and safety incident involving employees, contractors, customers or the community.

AHG has implemented systems and processes to act positively with due diligence in administering and monitoring the OHSE management of the business, including the development and implementation of positive OHSE metrics and an across business reporting standard to provide reporting that is relevant, valid, comparable and reliable.

INFORMATION TECHNOLOGY

AHG's various operations have a substantial reliance on extensive and complex IT systems, including those supporting customer accounts and financial reporting. Any loss of that capacity for a sustained length of time could adversely impact the Group's profitability.

AHG has a dedicated information services team who maintain high standards of IT operations, disaster recovery capability and information security. Major IT upgrades (hardware and software) are professionally project managed.

AHG is currently undertaking a large modernisation of the IT systems that support its Logistics businesses. This program is under a high degree of governance and general project management.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Automotive Holdings Group Limited ("AHG" or "Company") and the entities it controlled ("Group") at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The following persons were directors of AHG during the year and up to the date of this report:

David Griffiths	*Non-Executive Chairman*
Giovanni (John) Groppoli	*Non-Executive Director*
Tracey Horton	*Non-Executive Director*
Bronte Howson	*Managing Director*
Robert McEniry	*Non-Executive Director*
Michael Smith	*Non-Executive Deputy Chairman*
Peter Stancliffe	*Non-Executive Director*
Howard Critchley	*Non-Executive Director (appointed 3 April 2014)*

Principal Activities

Automotive Holdings Group

- **Automotive Retail**
  - **Dealerships**
  - **New Vehicle Sales**
  - **Used Vehicle Sales**
  - **Finance & Insurance Sales**
  - **Vehicle Service**
  - **Replacement Parts Sales**
- **Refrigerated Logistics**
  - Refrigerated Transport Storage and Distribution
  - Rand Refrigerated Logistics
  - Harris Refrigerated Logistics
  - **Scott's Refrigerated Freightways**
  - **JAT Refrigerated Road Services**
- **Other Logistics**
  - Wholesale Distribution Automotive Parts **AMCAP / Covs**
  - Motorcycle Sales and Distribution **KTM Sportsmotorcycles HQVA**
  - Storage and Engineering **GTB / VSE**
  - Bus and Truck Distribution **WMC**

Dividends

Dividends paid to members during the financial year were as follows:

	Parent	
DIvidends on ordinary shares:	**2014 $'000**	2013 $'000
Final dividend for the year ended 30 June 2013 of 11 cents per fully paid share paid on 2 October 2013 (30 June 2012 of 11 cents per fully paid share paid on 2 October 2012)	**31,282**	28,675
Interim dividend of the half-year ended 31 December 2013 of 8.5 cents per fully paid share paid on 3 April 2014 (31 December 2012 of 8 cents per fully paid share paid on 3 April 2013)	**22,158**	20,855
	53,440	49,530

Dividends Not Recognised at Year End

Since the end of the financial year the directors have recommended the payment of a fully-franked final dividend of 12.5 cents per share, based on tax paid at 30%. The aggregate amount of dividend to be paid on 2 October 2014 out of the retained profits at 30 June 2014, but not recognised as a liability at year end, will be $38.32 million (2013: $31.28 million).

Review of Operations

Net profit after tax attributable to members for the year ended 30 June 2014 was $72.92 million (2013: $64.80 million). Net profit after tax excluding costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (detailed below) attributable to members for the year ended 30 June 2014 was $78.51 million (2013: $70.76 million).

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Statutory IFRS Profit (net of tax) attributable to members	**72,924**	64,802
Unusual items		
Add-back:		
- Net costs in relation to integration and acquisition-related activities and asset divestments (net of tax)	**5,588**	5,960
Operating Non-IFRS Profit (net of tax) attributable to members	**78,512**	70,762

DIRECTORS' REPORT

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Statutory IFRS EBITDA attributable to members	**170,631**	153,335
Unusual items		
Add-back:		
- Net costs in relation to integration and acquisition-related activities and asset divestments (gross of tax)	**7,963**	8,327
Operating Non-IFRS EBITDA attributable to members	**178,614**	161,662

2014:

The Group incurred costs and fees (including stamp duty) totalling $5.59 million (after tax) during the current year in relation to integration and acquisition-related activities and asset divestments. These activities included the business acquisitions of Jason Mazda, Davie Motors, Husqvarna and Scott's Refrigerated Freightways / JAT Refrigerated Road Services (SRF/JAT) and non-recurring integration-related costs in relation to the above acquisitions (e.g. redundancy, technology, occupancy related costs in transitioning acquisitions to AHG practices and procedures).

2013:

The current statutory profit includes the following unusual item:

- **Sale of Properties:**

  On 1 July 2012 Australasian Property Investments (API) exercised its option to purchase five of AHG's automotive dealership sites located in Perth and Sydney. The sale of the properties was completed on 17 August 2012, comprising $47.00 million for the five properties and $19.00 million for development costs.

  The financial effect of this property transaction was a one-off profit on sale of $2.76 million (net of tax) on the disposal of these properties to API.

In addition to the above unusual item, the Group incurred costs and fees (including stamp duty) totalling $8.72 million (net of tax) during the current year in relation to integration and acquisition-related activities and asset divestments. These activities included the business acquisitions of Toll Refrigerated, Coffey Ford, Newcastle and Brisbane Trucks, Bayside/Peninsula Group and McMillan Toyota, the divestment of the Gold Coast dealerships, final closure of the Coopers Plains parts distribution operation in Queensland and non-recurring integration-related costs in relation to the above acquisitions (e.g. redundancy, technology, occupancy related costs in transitioning acquisitions to AHG practices and procedures).

	Consolidated		
	2014 $'000	2013 $'000	Movement %
Automotive Retail		*Restated*	
Revenue	**3,883,323**	3,540,793	9.7%
Statutory IFRS Performance			
EBITDA	**130,027**	114,397	13.7%
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EBITDA	**132,541**	116,653	13.6%
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EBIT	**116,852**	102,442	14.1%
Profit before Tax	**95,448**	81,570	17.0%
	2014 $'000	2013 $'000	Movement %
Logistics		*Restated*	
Revenue	**851,131**	771,128	10.4%
Statutory IFRS Performance			
EBITDA	**41,311**	36,865	12.1%
EBITDA %	**4.9%**	4.8%	
EBIT	**26,649**	22,520	18.3%
Profit before Tax	**22,587**	18,953	19.2%
Operating* Non-IFRS Performance			
EBITDA	**46,780**	46,874	(0.2%)
EBITDA %	**5.5%**	6.1%	
EBIT	**32,118**	32,529	(1.3%)
Profit before Tax	**28,055**	28,961	(3.1%)

* *Excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties (refer to Note 2 for a reconciliation of Non-IFRS profit to IFRS profit).*

Group revenues from continuing operations were $4.73 billion (2013: $4.31 billion), representing a 9.8% increase over the previous year's revenue.

The Automotive Retail division contributed revenues of $3.88 billion (2013: $3.54 billion) and an Operating Non-IFRS EBITDA result of $132.54 million (2013: $116.65 million) before unusual items* totalling $2.51 million before tax. These represented growth rates of 9.7% and 13.6% respectively. Operating Non-IFRS Profit before tax (before unusual items* of $2.51 million before tax), was $95.45 million (2013: $81.57 million), an increase of 17.0%.

DIRECTORS' REPORT

These Automotive Retail results were driven by a combination of organic growth across existing core operations and acquisitions executed in late FY2013 and during FY2014. AHG's Victorian operations have grown their presence substantially as Greenfield developments continue to be developed and mature, providing upside to AHG's performance outlook.

The Logistics division contributed revenues of $0.85 billion (2013: $0.77 billion) and a Operating Non-IFRS EBITDA result of $46.78 million (2013: $46.87 million) before unusual items* totalling $5.47 million before tax. These represented growth rates of 10.4% and (0.2%) respectively. Operating Non-IFRS Profit before tax (before unusual items* of $5.47 million before tax) was $28.06 million (2013: $28.96 million), a decrease of 3.1%.

AHG's Logistics focus in FY2014 included the acquisition of SRF/JAT. Rand Transport experienced a challenging second half to FY2014 through relatively weak volumes and disruption caused by flooding in NSW and Queensland and drought in the Riverina which negatively impacted its performance. In addition, occupation of new premises in WA and SA occurred during FY2014 which encountered transition costs associated with transferring operations and building up utilisation and capacity levels. FY2014 saw AHG acquire the Husqvarna Motorcycles distribution rights, which has opened the business up to a wider range of motorcycle dealerships and will continue to grow in FY2015 and beyond.

Consolidated Revenue and Results

Key Financial Data	**Statutory IFRS Result**	**Unusual items***	**Operating Non-IFRS Result**
For the year ending 30 June 2014			
	$'000	$'000	$'000
Revenue	**4,734,760**	**-**	**4,734,760**
EBITDA	170,631	(7,983)	178,614
EBITDA margin %	3.6%		3.8%
Depreciation and amortisation	(30,350)	-	(30,350)
EBIT	140,281	(7,983)	148,264
Interest (net)	(30,737)	-	(30,737)
Profit before tax	109,544	(7,983)	117,527
Tax expense	(33,255)	2,395	(35,650)
Profit after tax	76,289	(5,588)	81,877
Non controlling interest	(3,365)	-	(3,365)
Net profit after tax attributable to shareholders	**72,924**	**(5,588)**	**78,512**
Basic EPS (cents per share)	26.9		29.0

* *Unusual items: costs and fees in relation to integration and acquisition-related activites, asset divestments and sale of properties (refer to Note 1 for a reconciliation of Non-IFRS profit to IFRS profit).*

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- Acquisitions of Jason Mazda, Davie Motors, Husqvarna Motorcycles distribution rights and Scott's Refrigerated Freightways / JAT Refrigerated Road Services (SRF/JAT). These impacted the financial performance and position of the Group at 30 June 2014 compared to 30 June 2013; and
- During the year the company issued 45,858,259 shares pursuant to an institutional placement, share purchase plan and part-consideration for the acquisition of SRF/JAT.

Matters Subsequent to the End of the Year

(a) In July 2014 Automotive Holdings Group extended its commercial debt facilities by a further $45 million with two of its financiers. The extension expands AHG's financial capacity to undertake further acquisitions and support ongoing investment in its existing operations;

(b) In July 2014 Automotive Holdings Group increased its ownership of 360 Finance Pty Ltd by 10% to 60.1%; and

(c) On 19 August 2014 Automotive Holdings Group announced it had completed the settlement of Bradstreet Motor Group located in Newcastle Region in New South Wales for consideration of ~$73 million. The acquisition expands AHG's automotive retail operations in New South Wales. Refer to Note 35 for further details in relation to this business combination.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years, or
- The result of those operations in future financial years, or
- The Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Refer to Operating and Financial Review for details.

Environmental Regulation

The Group OHSE Strategic plan 2014-19 features environmental issues as one of the five major key areas for action. This includes the Group working responsibly and logically to minimise any negative impacts its business operations have on the environment. Its aim is to promote and enhance current programs, and seek out new opportunities to improve.

The Group strives to be at the forefront of environmental compliance in the sectors in which it operates, and where possible exceeds compliance in respect to its operations and design of new and refurbished facilities. In FY2014, much work has been achieved to reduce our environmental footprint.

The work includes solar panelling being installed at eleven facilities, mainly new and refurbished dealerships, and the installation of 14 water recycling systems that reduce the amount of water used and provide water for surrounding gardens.

Lighting audits have been completed on existing automotive sites to analyse the long-term benefits of retro-fitting the dealership network to comply with ISO energy efficiency standards. The installation of LED lighting at Rand sites and dealerships confirms the progress made in this important area. Another major initiative has been the installation of building maintenance systems (BMS) to control the use of air-conditioning units and lighting control. This provides savings in energy use while the facilities are unoccupied. The Group now has BMS in twenty six facilities.

A national printer contract included a provision to recycle all existing redundant or superseded equipment. The Group also continues to roll out the waste tyre and battery disposal contracts to EPA standards, as well as cardboard and steel recycling.

The Group's automotive dealerships across Australia and New Zealand continue to maintain the coveted Green Stamp accreditation program run through the MTA. This allows dealerships to foster initiatives and ownership of environmental issues, to identify resources to achieve actions and agree to planned actions. The Green Stamp accreditation rewards initiatives such as energy efficient lighting, building management systems for air-conditioning and lighting control, storage and containment practices, waste water management, waste disposal management and air quality. The procurement team is also working towards the reduction of hazardous substances in the workplace through a consolidated chemical management program.

Another important initiative is the fuel manager Statistical Inventory Reporting Analysis (SIRA) system which delivers a simple and efficient solution to underground wet stock tank management with a prime focus on protecting the environment through monitoring and reporting requirements. The system complies with Australian state EPA agency requirements.

AHG recognises the importance of material environmental, social and corporate governance (ESG) risks, broadly referred to as sustainability risks, and seeks to manage these on an ongoing basis through the implementation of operational initiatives as well as their measurement and reporting for the benefit of both internal and external stakeholders.

Greenhouse Gas and Energy Data Reporting Requirements

The Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (NGERS).

NGERS requires the Group to report its annual greenhouse gas emissions and energy use. The Group has registered with the Clean Energy Regulator (CER). An NGERS compliance plan has been adopted by the Board which identifies the members of the corporate group, identifies the relevant facilities and their boundaries and provides guidance on the measuring and gathering of information and how to report such information. The Group has implemented systems and processes for the collection and calculation of the data required and will submit its annual report to the CER by the reporting deadline of 31 October 2014, for the compliance year ended 30 June 2014.

Information on Directors

DAVID GRIFFITHS

B Econ (Honours) UWA, Master of Economics ANU, Hon.D.Ec UWA, FAICD Chairman, Non-Executive (Independent)

Experience and expertise

Mr Griffiths was appointed as a non-executive director on 27 February 2007, Deputy Chairman on 3 April 2008 and Chairman on 19 November 2010. Mr Griffiths has held a range of senior financial executive positions and has extensive experience in equity capital markets, mergers and acquisitions, and the corporate advisory sector. He is a former Divisional Director of Macquarie Bank Limited and former Executive Chairman of Porter Western Limited. Mr Griffiths is Deputy Chairman of ThinkSmart Limited, Deputy Chairman of Perth International Arts Festival and an Independent Non-Executive Director of The Contemporary Dance Company of Western Australia.

Other current directorships (of listed entities)

ThinkSmart Limited

Former directorships in the last 3 years (of listed entities)

Northern Iron Limited

Interest in shares

77,243 ordinary shares in AHG

Special responsibilities

- Chairman of the Board of Directors
- Chairman of the Remuneration and Nomination Committee
- Member of the Audit and Risk Management Committee
- Chairman of the Refrigerated Logistics Committee

HOWARD CRITCHLEY

BEc, MBA, FAICD, Non-Executive Director (Independent)

Experience and expertise

Mr Critchley was appointed as a non-executive director on 3 April 2014. He has more than 25 years experience in the logistics and Fast Moving Consumer Goods (FMCG) sectors and was formerly managing director (Australia, Asia and China) for CEVA Logistics (formerly TNT). He is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Economics degree and a Master of Business Administration from Monash University. He has been a non-executive director with Boom Logistics Limited. He is currently a non-executive director and member of the Advisory Committee of TVS Logistics, a global logistics business privately owned by an Indian conglomerate and also sits on the boards of SecondBite and Y-Gap in the not-for-profit sector.

Mr Critchley's executive career culminated in ten years of CEO roles in TNT/CEVA Logistics, the world's second largest integrated logistics company, with responsibility for the Asia Pacific region, turnover of $850 million and more than 10,000 staff.

Other current directorships (of listed entities)

Nil

Former directorships in the last 3 years (of listed entities)

Boom Logistics Limited

Interest in shares

6,500 ordinary shares in AHG

Special responsibilities

- Member of the Refrigerated Logistics Committee

DIRECTORS' REPORT

GIOVANNI (JOHN) GROPPOLI

LLB, BJuris, FAICD, Non-Executive Director (Independent)

Experience and expertise

Mr Groppoli was appointed to the Board on 4 July 2006.

Mr Groppoli was a partner of national law firm Deacons (now Norton Rose) from 1987 to 2004 where he specialised in franchising (and related wholesale and retail distribution networks), mergers and acquisitions, and corporate governance. He was Managing Partner of the Perth office of Deacons from 1998 to 2002.

Mr Groppoli left private practice in 2004 and is currently Managing Director of RGM Equity whose business operations consist of the marketing and distribution of premium international homewares (Milners Brand Marketing), optical products and accessories (Aviva Optical and Mann Optics), occupational health and safety products (Australian Workplace Services) and the provision of niche third party logistics/warehousing (Supply Chain Link).

He is also a director of Senses Foundation, a leading disability services provider in Western Australia.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

45,898 ordinary shares in AHG

Special responsibilities

- Member of the Remuneration and Nomination Committee

TRACEY HORTON

BEcon (Hons) UWA, MBA Stan, Prof Emer, MAICD, Non-Executive Director (Independent)

Experience and expertise

Ms Horton was appointed a non-executive director on 3 May 2012. Ms Horton has extensive international business and education experience most recently as Winthrop Professor and Dean of the University of Western Australia Business School where she was responsible for leading more than 200 faculty and staff and around 5,000 students. Prior to this role she has completed executive or senior management roles in North America at Bain & Company and across Australia with Poynton and Partners and the Reserve Bank of Australia.

Ms Horton has significant governance experience currently serving on a number of Boards including ASX listed Skilled Group Limited and Navitas Limited.
Ms Horton is Chairman of Presbyterian Ladies College and Perth Fashion Concepts Incorporated and President of the Chamber of Commerce and Industry (WA). Ms Horton is a member of the Australian Treasury Advisory Council and the Bain & Company Advisory Board.

Other current directorships (of listed entities)

Skilled Group Limited
Navitas Limited

Former directorships in the last 3 years (of listed entities)

Nil

Interest in shares

Nil

Special responsibilities

- Member of the Audit & Risk Management Committee
- Member of the Strategy Steering Committee

BRONTE HOWSON

MAICD, Managing Director

Experience and expertise

Mr Howson was appointed CEO of AHG in January 2000 and became Managing Director in 2007 during which time he established a track record of driving profitable growth.

He is recognised as one of the leading figures in the Australian automotive retailing industry with hands on experience gained in a career spanning more than 30 years.

Mr Howson has successfully led AHG from being a private group with operations largely based in Western Australia to becoming the nation's leading listed specialist Automotive and Logistics Group. The depth of his industry knowledge and expertise was founded in his pioneering of a successful automotive parts business, acquired by AHG in 1988.

Mr Howson is President and a Life Member of the East Perth Football Club and was awarded honorary life membership of Rocky Bay for his support of the charity.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

3,628,598 ordinary shares in AHG

Special responsibilities

- Managing Director
- Member of the Strategy Steering Committee
- Member of the Refrigerated Logistics Committee

ROBERT McENIRY

MBA, MAICD, Non-Executive Director (Independent)

Experience and expertise

Mr McEniry has over twenty-five years' experience in the automotive industry including most recently five years as Chair, President and CEO of Mitsubishi Motors Australia Limited. Prior to that he held a number of senior executive roles including Director of Marketing for General Motors Holden, Vice President Commercial and Marketing for Saab Automobile AB of Sweden, CEO of South Pacific Tyres Pty Ltd, Melbourne, CEO of Nucleus Network, Melbourne and board member of the Executive Committee for the Federal Chamber of Automotive Industries.

Mr McEniry is chair of Burson Group Limited, EV Engineering Pty Ltd and the Advisory Board, Department of Management at Monash University. He is also a director of Steelbro Group Pty Ltd, Multiple Sclerosis Society Limited, Australian Home Care Services Ltd and Stillwell Motor Group Ltd.

Other current directorships (of listed entities)

Burson Group Limited

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

4,950 ordinary shares in AHG

Special responsibilities

- Member of the Strategy Steering Committee

DIRECTORS' REPORT

MICHAEL SMITH

DLitt (Hon) UWA, FAICD, Deputy Chairman, Non-Executive (Independent)

Experience and expertise

Mr Smith was appointed as a non-executive director on 6 May 2010 and deputy chairman on 7 February 2011. He chairs iiNet Ltd, Australia's second largest internet service provider, Pioneer Credit Ltd and the Lionel Samson Sadleirs Group.

Mr Smith is also deputy chair of 7-Eleven Australia Pty Ltd and a past chairman of Synergy, the Perth International Arts Festival, the West Coast Eagles and Scotch College (Perth). Mr Smith is also a director of Creative Partnerships Australia, Giving West and national chair of the Australian Institute of Company Directors. His private consultancy, Black House, advises sector leading companies including Navitas, Hawaiian, Brightwater and the Satterley Property Group.

Other current directorships (of listed entities)

iiNet Limited

Pioneer Credit Limited

Former directorships in the last 3 years (of listed entities)

Nil

Interest in shares

25,873 ordinary shares in AHG

Special responsibilities

- Chairman of the Audit & Risk Management Committee
- Member of the Remuneration & Nomination Committee
- Chairman of the Strategy Steering Committee

PETER STANCLIFFE

BE (Civil), FAICD, Non-Executive Director (Independent)

Experience and expertise

Mr Stancliffe was appointed as a non-executive director on 25 November 2005. Mr Stancliffe has over 40 years experience in the management of large industrial companies both in Australia and overseas and has held various senior management positions, including Chief Executive Officer. He has extensive experience in strategy development and a detailed knowledge of modern company management practices.

Mr Stancliffe is a graduate of the MIT Senior Management Program and the AICD Company Directors Course.

Other current directorships (of listed entities)

Hills Limited

Korvest Ltd

Former directorships in the last 3 years (of listed entities)

None

Interest in shares

38,523 ordinary shares in AHG

Special responsibilities

- Member of the Audit & Risk Management Committee
- Member of the Refrigerated Logistics Committee

Chief Financial Officer

PHILIP MIRAMS

BCom, CA

Mr Mirams was appointed CFO on 1st July 2012. He has more than 25 years of international experience in accounting, corporate finance and management roles within a number of different industries.

He started his professional career as an accountant in New Zealand in 1989 before moving to the UK in 1995 where he held senior roles with Deutsche Bank and Andersen in London. Philip moved to Australia in 2004 to become the Chief Financial Officer of Deutsche Bank, Australia and New Zealand before joining UGL, an ASX 100 company, as CFO in 2007.

He holds a Bachelor of Commerce from the University of Otago, New Zealand and is a member of the New Zealand Institute of Chartered Accountants.

Company Secretary and General Counsel

DAVID ROWLAND

BJuris, LLB, MAICD

Mr Rowland was appointed Company Secretary and General Counsel in 2011. He has extensive legal experience with leading law firms in Melbourne and Sydney.

As a corporate lawyer he advised a number of leading Australian companies, specialising in mergers and acquisitions, and corporate finance.

Prior to joining AHG Mr Rowland gained ten years of listed company experience as Company Secretary and General Counsel of three ASX listed entities operating across a range of industry sectors, including logistics, media and mining services. Those roles involved direct responsibility for legal, company secretarial, risk and investor relations matters, and a broad range of corporate transactions and capital markets activity.

Executive Leadership Group

L-R: Martin Wandmaker (Head of HR), Gus Kininmont (GM Finance), Philip Mirams (CFO), Eugene Kavanagh (CIO), Hamish Williams (Head of Business Development) and David Rowland (CoSec and General Counsel).

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2014 and the number of meetings attended by each Director are as follows:

	Full meetings of Directors		Audit and Risk Management		Remuneration and Nomination		Strategy Steering	
	A	B	A	B	A	B	A	B
D Griffiths	14	14	6	6	5	5	n/a	n/a
G Groppoli	14	14	n/a	n/a	5	5	n/a	n/a
T Horton	14	14	6	6	n/a	n/a	4	3
B Howson	14	14	n/a	n/a	n/a	n/a	4	4
R McEniry	14	14	n/a	n/a	n/a	n/a	4	4
M Smith	14	14	6	6	5	5	4	4
P Stancliffe	14	13	6	6	n/a	n/a	n/a	n/a
H Critchley*	5	5	n/a	n/a	n/a	n/a	n/a	n/a

A = Number of meetings held during the time the Director held office or was a member of the committee.

B = Number of meetings attended.

No formal Non-Executive Director meetings were held during the year however the Non-Executive Directors regularly met on an informal basis.

Subsequent to 30 June 2014, a Refrigerated Logistics Committee has been formed whose members include Bronte Howson, David Griffiths, Peter Stancliffe and Howard Critchley as well as select Senior Executive Management.

* Howard Critchley was appointed a Director on 3 April 2014. Meeting attendances recorded are for the period from 3 April 2014 to 30 June 2014.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of the Company, Mr Giovanni (John) Groppoli will retire by rotation. Being eligible, Mr Groppoli offers himself for re-election at the next Annual General Meeting. In accordance with the Constitution of the Company, Mr Howard Critchley was appointed a Director on 3 April 2014 as a casual vacancy and offers himself for re-election at the next Annual General Meeting.

Remuneration Report (Audited)

A comprehensive review of AHG's remuneration framework and practices was undertaken during FY2013, including the commissioning of a review by independent external advisors PricewaterhouseCoopers (PwC). For FY2014, the Board has continued to monitor feedback received from shareholders and market advisors to refine and improve AHG's remuneration within this framework and practices.

This remuneration report sets out remuneration information for AHG's non-executive directors, executive directors and other key management personnel (KMP).

The report is comprised of the following key sections:

Part A: Overview of the Company's Approach to Remuneration in FY2015 and Beyond

a) Voting on the remuneration report at the FY2013 Annual General Meeting.
b) Review of remuneration policies.
c) Executive remuneration in FY2015.
d) Details of FY2015 remuneration package and executive service contract for the Managing Director.

Part B: FY2014 Remuneration Disclosures

a) Who this report covers.
b) Remuneration governance.
c) Executive remuneration strategy and structure.
d) Non-executive Director remuneration structure.
e) Link between performance and remuneration outcomes.
f) Details of remuneration for FY2014.
g) Service agreements.

Part A: Overview of the Company's Approach to Remuneration in FY2015 and Beyond

a) Voting on the remuneration report at the FY2013 Annual General Meeting

The instructions given to validly appointed proxies in respect of the Adoption of the Remuneration Report resolution were as follows:

	For	Against	Abstain
No. of Votes	105,300,360	14,202,354	20,869,538

The motion was carried as an ordinary resolution on a poll the details of which are:

	For	Against	Abstain
No. of Votes	105,712,913	65,107,565	20,869,538

This vote against by greater than 25% of the votes cast constituted a "first strike" under the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Cth)*. In light of this outcome the Company has consulted with shareholders to understand their concerns in respect of AHG's remuneration structure.

Notwithstanding the first strike at the 2013 AGM all other resolutions at the AGM were overwhelmingly supported, including those relating to the Managing Director's Performance Rights and Non-Executive Directors' fees.

b) Review of remuneration policies

The FY2013 review by PwC examined the Company's reward strategy and structure having regard to::

1. Benchmarking specific roles against comparable companies and direct competitors.
2. Overall historical remuneration structure and legacy constraints.
3. Remuneration mix (Fixed versus Variable) and performance metrics.
4. Application of a Long Term Incentive program.
5. Recommended remuneration structures.
6. Transition actions to migrate toward a target reward strategy.

Under the terms of the engagement, PwC provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001 (Cth)* and was paid a total of $152,130 for these services during FY2012 and FY2013. PwC has confirmed that the recommendations were made free from undue influence by members of AHG's KMP. PwC was also engaged to calculate the issue value at 1 July 2014, of LTI Performance Rights to be issued to AHG's Managing Director and Senior Executives for FY2014. PwC has also reviewed and amended the peer group for FY2015 against which AHG's TSR performance will be assessed for any LTI awards made in the 2015 financial year. PwC was paid a total of $13,800 for those services during FY2014.

The following arrangements were made to ensure that remuneration recommendations were free from undue influence:

- PwC was engaged by, and reported directly to, the Chairman of the Remuneration and Nomination Committee. The agreement for the provision of remuneration consulting services was executed by the Chairman of the Remuneration and Nomination Committee under delegated authority on behalf of the Board.
- All reports containing remuneration recommendations were provided by PwC directly to the Chairman of the Remuneration and Nomination Committee.
- Management provided factual information to PwC throughout the engagement about company processes, practices and other business issues. However, PwC did not provide any member of management with a copy of the draft or final reports that contained the remuneration recommendations.
- PwC provided no other services to AHG during the respective reporting periods.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors of AHG is responsible for determining compensation arrangements for the Directors and the senior management team. Remuneration levels and other terms of employment for the Directors and the senior management team are reviewed at least annually by the Committee, having regard to qualifications and experience, legacy issues, relevant market conditions, and performance against goals set each year.

The Committee assesses the appropriateness of the remuneration levels to ensure the Company is able to attract and retain high quality executives and may utilise independent consultants to assist in this regard.

Remuneration Philosophy

AHG operates in a competitive environment and to prosper it must attract, motivate and retain personnel of the highest calibre.

The objective of the Group's executive reward structure is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice for delivery of reward.

The Remuneration and Nomination Committee is committed to continual review and refinement of the executive remuneration strategy to ensure it balances the changing needs of AHG with alignment to shareholders' interests:

Alignment to shareholders interests	Alignment to AHG executives interests
• operating profit as a core component of plan design; • sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering a consistent return on NPAT, TSR and EPS, as well as focusing the executive on key non-financial drivers of value; and • attracting and retaining high calibre executives.	• rewards capability and experience; • reflects competitive reward for contribution to growth in shareholder wealth; • provides a clear structure for earning rewards; and • provides recognition for contribution.

c) Executive remuneration in FY2015

Executive remuneration for FY2014 follows the overall structure implemented in FY2013 in accordance with the recommendations of PwC, with minor amendment arising from ongoing monitoring, assessment and review. This structure will continue in FY2015 subject to similar ongoing refinements.

FY2015 Executive Remuneration Structure

Implementation of the following remuneration structure will have regard to industry practice and legacy constraints with regard to existing contractual terms, however consistent with previous years the Group's remuneration structure will be aligned to core components:

1. Fixed Remuneration

   This consists of base salary, superannuation, allowances (including motor vehicle allowances) and any salary sacrifice components.

   Benchmarking of KMPs fixed remuneration was conducted by PwC against a custom peer group of companies of a similar size (by market capitalisation) and operating in similar industries to AHG. This benchmarking ensures remuneration levels are aligned to the broader market.

   These benchmarks continue to be monitored for appropriateness and reasonableness, taking into consideration individual experience, remuneration within the relevant industries and competencies as well as the growth and expansion AHG has achieved in revenue, profits and market capitalisation across FY2013 and FY2014 together with the outlook for FY2015. Base rates have been lifted by between 0% and 2.5% across the KMP and management group, other than for the Managing Director and General Counsel, the latter reflecting a higher level of responsibility for legal functions that were brought in-house. Managing Director remuneration is detailed separately in section d) of this report.

2. Variable Remuneration

   Variable Rewards – "at-risk" component relates to performance and comprises:

   - Short Term Incentive (STI) - a cash-based incentive; and
   - Long Term Incentive (LTI) - participation in an equity incentive plan.

DIRECTORS' REPORT

STI - Cash-based Incentive

Due to the nature of AHG's key businesses, commission and bonuses typically form a significant component of total remuneration. In FY2013 the Board implemented key changes to the STI structure and this structure has been maintained in FY2014 and FY2015.

Key elements of the STI structure are:

- Weighting of STI metrics to ensure appropriate emphasis is placed between financial metrics and non-financial metrics;
- Setting financial STI targets that are based on improvement against historical performance rather than budget;
- Having the quantum of financial STI's that are paid out being zero for below threshold and progressively increasing with improved financial performance up to stretch targets;
- Balance between fixed remuneration and at-risk remuneration – including the proportion of STI and LTI in the at-risk weighting; and
- Wider participation in the LTI plan to shift short-term incentive-based remuneration to longer-term incentive-based remuneration.

For the Managing Director, portions of target and stretch STI performance incentives are deferred as performance rights (**STI Performance Rights**). STI Performance Rights do not vest and convert into shares until a further 12-month service condition is met. No other performance conditions apply.

The number of Performance Rights to be granted is determined by dividing the relevant dollar value to be deferred by the Company's share price at the time of the award.

Generally STIs for KMP have been left unchanged from FY2014 to FY2015 other than an increase of $100,000 for the Chief Information Officer reflecting an increase in responsibility for systems upgrades in FY2015, $60,000 for the Company Secretary and General Counsel reflecting an increase in responsibility for legal work across both these functions and the Managing Director as set out in d) below.

Cash-based STIs are split into financial and non-financial components.

Financial STI

Specific financial performance targets are set for delivery of financial performance outcomes from threshold to stretch performance. STI financial targets are generally specific profit measures aligned to the overall Group's profit result for the Managing Director and group corporate executives and to individual business performance for General Managers, Dealer Principals and operational executives. By this approach the quantum of STIs earned and paid to any individual is directly driven by a financial performance metric relevant to that person's role and the total amount of STIs paid in a financial year is directly linked to the overall financial performance for that year. Actual performance is based on audited financial results and/or internally reviewed management reports. Measurement of actual performance is quantified through the internal controls surrounding profit recognition and supported by internal and external audit review.

FY2014 financial STI targets for senior group executives were set in line with the Managing Director's targets. FY2015 financial STI targets have been set on the same basis.

Non-Financial STI

Key performance targets are set for individuals with regard to non-financial targets linked to the overall objectives of AHG and/or specific operational objectives. Non-financial performance targets are set from the strategic plan having regard to driving performance achievements which exceed the performance expected of the individuals' underlying responsibilities.

For FY2014 non-financial Key Performance Indicators were set in the context of the table below:

Core KPI Objective	Overview of KPI
OHSE	• Specific measurement targets for minimising safety incidents • KPIs aligned to reducing claims • Support of safety incident reporting, training and education initiatives.
People Management	• Clearly aligned leadership and development criteria to support succession planning and drive performance • Performance metrics surrounding staff retention and development • Compliance with and promotion of approved AHG values, policies and behaviours.
Compliance & Reporting	• Specific measures surrounding compliance with policies, and adherence with regulatory requirements.
Business Development	• Identification and assessment of acquisition opportunities • Effective integration of acquisitions and alignment to target objectives • Strategic Planning and Input to core strategic issues facing operational businesses and/or AHG.
Stakeholder Relationships	• Qualitative measures surrounding board and senior management communications • Management of external relationships (manufacturers, suppliers, investors) • KPIs aligned to customer relationships and aligned to successful business outcomes.
Physical Asset Management	• Property maintenance and compliance with leasehold obligations • KPIs related to inventory management, control and obsolescence.

The FY2015 non-financial Key Performance Indicators have been set in the context of this same table.

LTI - Equity-based Incentive

In accordance with PwC's recommendations, the Board decided that a greater proportion of total remuneration for senior executives would be via LTIs subject to longer-term performance to enhance alignment of interests to those of shareholders. These equity-based LTI awards are made under AHG's existing Performance Rights Plan. This plan provides participants with the rights (**"LTI Performance Rights"**) to acquire shares in the Company.

LTI Performance Rights

In FY2014 LTI Performance Rights were included as part of the Total Annual Remuneration for the Managing Director, a small group of senior group executives who are responsible for the strategic direction of the Company and General Managers of the business units. The same approach will apply in FY2015.

For employees in this category, it is intended that a set portion of their Total Annual Remuneration be comprised of an equity-based component.

These executives are granted LTI Performance Rights subject to performance hurdles assessed over a three-year period. Each LTI Performance Right is a right to be issued a share in the future, provided the performance-based vesting conditions are met.

The dollar value of LTI Performance Rights that executives will be entitled to receive is set at a percentage of their base salary. Generally that is between 25% and 55% of base salary, depending on the individual's position within the Company. This quantum is in line with current market practice.

The number of LTI Performance Rights granted in any financial year is determined by dividing the LTI dollar value of the award for that year by the fair value of a LTI Performance Right as at 1 July in the relevant financial year. That fair value is independently calculated by PwC for each financial year.

Performance Conditions

The Board has considered current market practice in respect of LTIs when selecting performance conditions. To focus efforts on the creation of shareholder value, the Board has adopted a relative total shareholder return (**TSR**) measure and an absolute Earnings per Share (**EPS**) growth rate as the two equally weighted performance hurdles for FY2014 LTIs. This will also apply to FY2015 LTIs. The Board will continue to refine the performance measures going forward to agree the specific hurdles and relative comparator group before awarding any Rights under this category. The level of performance rights granted will be the same for FY2015 as for FY2014.

Executive Contracts

In recognition of the recommendations made by the Corporations and Markets Advisory Committee (CAMAC) with respect to executive remuneration, executive service contracts now include clawback provisions where there has been a material misstatement in relation to a company's financial statements. All executive service contracts for KMPs reflect these requirements.

d) Details of FY2015 remuneration package and executive service contract for the Managing Director

The FY2015 executive service contract for Mr Howson is consistent with his FY2014 contract, and includes clawback provisions in line with current legislation.

The overall structure of Mr Howson's remuneration package for FY2015 is the same as for FY2014, with adjustments being made to his Total Annual Remuneration and the mix between fixed remuneration, STI and LTI. The targets for achievement of financial and non-financial STI are adjusted each financial year. LTI performance measures of TSR and EPS relative to a peer group pool remain the same for FY2015, although the peer group is adjusted each financial year in accordance with advice from PwC.

As a result of the survey work completed by PwC in FY2013 AHG capped Mr Howson's remuneration package for the last two financial years apart from a 4% increase to his fixed salary in FY2014. Mr Howson's remuneration package has been flat since FY2010. Since FY2010, the company has more than doubled its market capitalisation, increased its non-IFRS operating profit by 42% and delivered a five year TSR to 30 June 2014 of 257%. In recognition of the increase in the size and complexity of the role covering the Automotive, Refrigerated Logistics and Other Logistics businesses and in negotiation with Mr Howson, the Company has decided to increase Mr Howson's Base payment by 5% and his overall package by 6.7% with the increase, other than the rise in Base increase, to be paid as STI Performance Rights. Consideration was given to increases in the LTI Performance Rights but the package settled on in negotiations reflects Mr Howson's preferences and his already considerable holding of shares and LTI Performance Rights.

Mr Howson's total remuneration package for FY2015 is as follows:

1. *Fixed Remuneration*

Base	$1,260,079	Base salary is inclusive of cash, super, insurance, motor vehicle and any other salary sacrificed benefits.

This includes a CPI referenced increase of 5% from FY2014.

Financial STI

Financial STI	$900,000 (at target)	Financial STI at target performance is 71% of base payable. Financial STI is calculated and payable pro-rata between three levels of achievement (threshold, target and stretch) and is capped at 122% of target financial STI.

Specific performance targets have been agreed on which Financial STIs are quantified. Targets for FY2015 take into consideration the Group's considerable growth and historically strong performance achieved in FY2013 and FY2014, and the Board's expectations for exceeding this performance in FY2015. In setting these targets, consideration has been given to the acquisitions made throughout FY2014 and the integration of these acquisitions in FY2015. The Financial performance STI opportunity available to the Managing Director in FY2015 is set out in the table below:

Threshold Performance	Minimum Operating profit target achieved	33% of Target STI is payable	$300,000
Target Performance	Operating profit equals Target	100% of Target STI is payable	$900,000
Stretch Performance	Operating profit exceeds Target	122% of Target STI is Payable	$1,100,000

Pro-rata payment: *Where actual operating profit exceeds the minimum target STI will be paid on a pro-rata basis up to the maximum $1,100,000.*

Due to the commercially sensitive nature of these financial targets, actual target figures are not disclosed.

Financial STI payable as STI Performance Rights

For Mr Howson's FY2015 Financial STI amounts earned up to $800,000 are payable in cash, with all further amounts earned up to the maximum of $1,100,000 payable as STI Performance Rights. The grant of STI Performance Rights is subject to shareholder approval at the 2015 AGM. If shareholder approval is not received, amounts are payable 100% in cash.

Non-Financial STI

Non-Financial STI	$340,000 (maximum)	Non-Financial STI is a maximum 27% of base payable on achievement of specific KPIs. These KPIs will be specific and measurable goals which are aligned to achievement of the operational, financial, strategic and cultural goals. These STIs are set by the Remuneration and Nomination Committee in conjunction with the Managing Director for each financial year. Each KPI will have a percentage weighting of the maximum Non-Financial STI payable. The level of achievement of each non-financial KPI will be given a progress review in February 2015 following the half-year result and the amount paid will be determined by the Remuneration and Nomination Committee following the end of the FY2015.

For Mr Howson's FY2015 Non-Financial STI amounts earned up to $300,000 are payable in cash, with all further amounts earned up to the maximum of $340,000 payable as STI Performance Rights.

Key focus areas for the Managing Director's FY2015 Non-Financial STIs include marketing, strategic planning, succession, OHSE and diversity. Further information on Non-Financial STIs is outlined in the section titled Executive Remuneration for FY2015.

DIRECTORS' REPORT

2. LTI

LTI	$666,667 (maximum)	This is the monetary value of Performance Rights to be issued on the following basis: • Subject to shareholder approval at 2014 AGM. • Issued under the rules of the AHG Performance Rights Plan. • Based on performance assessed over a three year vesting period against measures approved by the Board with no subsequent re-testing. • Performance Rights granted prior to departure can be retained post departure subject to compliance with service agreement terms including non-compete restrictions. • For FY2015 the Performance Rights will vest subject to performance achieved against a relative Total Shareholder Return (TSR) hurdle (50% weighting) and an Earnings per Share (EPS) compound annual growth rate (50% weighting), the details of which are outlined below. Relative TSR • AHG's TSR performance over the relevant performance period will be assessed against the following peer group of companies (subject to changes as may be approved by the Board after consultation with PwC given changes to the peer group companies): ◦ Ainsworth Game Technology Ltd ◦ Amalgamated Holdings Ltd ◦ AP Eagers Ltd ◦ ARB Corp. Ltd ◦ Austbrokers Holdings Limited ◦ Bradken Limited ◦ Breville Group Ltd ◦ Country Road Ltd ◦ CSR Australia Ltd ◦ Domino's Pizza Enterprises Ltd ◦ FlexGroup Ltd ◦ Goodman Fielder Ltd ◦ GrainCorp Ltd ◦ GWA Group Limited ◦ JB Hi-Fi Limited ◦ Myer Holdings Limited ◦ Premier Investments Limited ◦ Retail Food Group Limited ◦ Super Retail Group Limited ◦ Village Roadshow Limited • Vesting of the TSR portion of the grant will occur on the following basis:

TSR ranking in the comparator group	Vesting outcome of TSR portion of grant
Below 50th percentile	Nil
At 50th percentile	25% vesting
50th percentile up to 75th percentile	Progressive/pro-rata from 25-100%
At or above 75th percentile	100% vesting

Operating EPS compound annual growth rate

- Baseline operating EPS for assessment of performance over the relevant performance period is set at FY2014 operating EPS (29.0 cents).
- Vesting of the EPS portion of the grant will occur on the following basis:

Compound annual EPS growth performance	Vesting outcome of EPS portion of grant
Below 7% pa	Nil
At 7% pa	25% vesting
7% pa up to 10% pa	Progressive/pro-rata from 25-100%
At or above 10% pa	100% vesting

Part B: FY2014 remuneration disclosures

a) Who this report covers

The following individuals, being the KMPs, had the authority and responsibility for planning, directing and controlling the activities of AHG and its controlled entities during the financial year ended 30 June 2014:

Name	Position
D Griffiths	Chairman of the Board
M Smith	Deputy Chairman of the Board
B Howson	Managing Director
G Groppoli	Non-Executive Director
T Horton	Non-Executive Director
R McEniry	Non-Executive Director
P Stancliffe	Non-Executive Director
H Critchley	Non-Executive Director (appointed 3 April 2014)
E Kavanagh	Chief Information Officer
G Kininmont	GM Finance
P Mirams	Chief Financial Officer
D Rowland	Company Secretary and General Counsel
M Wandmaker	Head of Human Resources (appointed 14 October 2013)
H Williams	Head of Business Development

b) Remuneration governance

The Remuneration and Nomination Committee is a committee of the Board. It is primarily responsible for providing recommendations to the Board on:

- remuneration and incentive policies and practices; and
- specific recommendations on remuneration packages and other terms of employment for executive directors, non-executive directors and certain senior executives.

The Corporate Governance Statement provides further information on the role of this committee. This is available on AHG's website.

The Managing Director, other executive directors and senior executives do not participate in any decision relating to their own remuneration.

c) Executive remuneration strategy and structure

Remuneration strategy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice for delivery of reward. The Board aims to ensure that executive reward practices are aligned with the following key criteria for good reward governance practices such that executive remuneration is:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives, and the creation of shareholder value;
- transparent;
- acceptable to shareholders; and
- cognisant of capital management requirements.

Remuneration structure

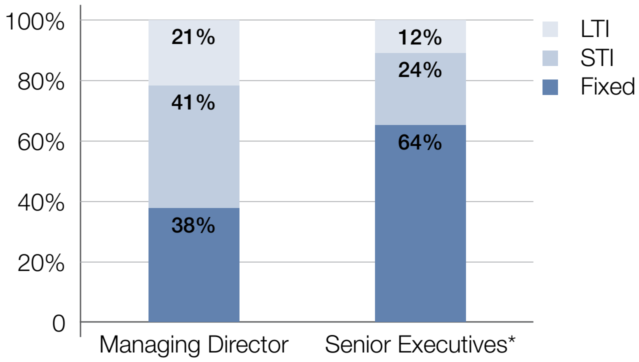
During FY2014, the executive remuneration and reward framework provided a mix of fixed and variable remuneration, and consisted of the following components:

- Fixed remuneration, comprised of base pay, superannuation and benefits;
- Short-term incentives ("STI"); and
- Long-term incentives ("LTI") for selected executives.

The combination of these components comprised the total remuneration paid to KMP. The Remuneration and Nomination Committee considers the level of remuneration and incentives to be paid each year.

Remuneration mixes

In accordance with the Company's objective to ensure that executive remuneration is aligned to company performance, a significant portion of executives' target remuneration is "at risk". The relative proportion of target FY2014 total remuneration packages split between fixed and variable remuneration is shown beside:



* *Average target remuneration mix of Senior Executives*

Fixed remuneration

The remuneration packages for the Managing Director, other executive directors and senior executives contain a fixed component that is not performance-linked. Fixed remuneration generally consists of base pay and benefits such as motor vehicles and life insurance, as well as employer contributions to superannuation funds.

The Company makes superannuation contributions to meet the minimum level of superannuation contributions required under any applicable legislation.

Fixed remuneration for senior executives is determined by the scope of their respective positions, and the knowledge, experience and skills required performing their roles.

The Remuneration and Nomination Committee reviews base pay for executives on an annual basis through a remuneration review process that considers individual, business unit and overall Company performance. There is no guaranteed base pay increases included in any executives' contracts.

Short-term incentives ("STI")

During FY2014, the executives were entitled to STIs payable on the fulfilment of certain financial and non-financial criteria. STIs earned during FY2014 are payable in cash by 30 September 2014. It was envisaged that use of a profit target would ensure that a reward was made available to executives when value was created for shareholders, and when profit was consistent with the business plan. Details of actual STI bonus amounts payable to each executive is set out under the *Details of remuneration for FY2014* section below. Details of AHG's financial performance are set out under the *Link between performance and remuneration outcomes* section below.

Deferral of above-target Financial STI

For Financial STI earned by the Managing Director, achievement above target is payable 50% cash and 50% deferred as Performance Rights. The grant of Performance Rights is subject to shareholder approval at the AGM and they are issued under the rules of the AHG Performance Rights Plan. Vesting of these Performance Rights will be subject to a further one year's service condition. No grant is arising in relation to FY2014.

Each year, the Remuneration and Nomination Committee considers the appropriate financial and non-financial metrics for the STI plan and the level of payout if these metrics are met. This includes setting any caps on the maximum payout under the STI plan, and minimum performance levels required to trigger payment of STIs.

The amount attributable to each executive's STI was dependent on the accountabilities of their role and their impact on the organisation's performance. For FY2014, STI for target performance ranged from 49% for the Managing Director to between 12% and 37% for senior executives:

STI	% of cash remuneration (total annual remuneration excluding LTI)	
	Target performance	Stretch performance
Managing Director		
B Howson (Managing Director)	49%	53%
Senior executives		
E Kavanagh (Chief Information Officer)	18%	18%
G Kininmont (GM Finance)	37%	41%
P Mirams (CFO)	30%	31%
D Rowland (Company Secretary and General Counsel)	18%	18%
M Wandmaker (Head of Human Resources)	12%	12%
H Williams (Head of Business Development)	29%	30%

In FY2014, the Managing Director and Senior Executives who received less than 100% of their target STI entitlements were Bronte Howson (85%), Phil Mirams (94%) and Hamish Williams (88%), based on assessment of performance against the STI criteria they were set.

FY2014 was a record year for the Group in terms of revenue and operating profit achieved, supported by the successful execution of acquisitions and the commencement of their integration. Although being another record result for the Group on the back of FY2013 performance, not all individual objectives were met, which has limited STI awards as set out in the table below. FY2014 STI awards were based on the metrics and weightings as disclosed below. These targets were set by the Remuneration and Nomination Committee, and align to the Company's strategic and business objectives.

	Metric Type	Target Weighting	Metric	Actual Payout	STI not Achieved
Managing Director	Financial	73%	Achievement of target operating NPAT will receive $800,000, with pro-rata payment up to $1,000,000 to stretch operating NPAT.	$695,833	$316,667
	Non-Financial	27%	Strategic metrics relating to business and organisation development, talent and succession management, and compliance and risk management.	$240,000	$60,000
Senior Executives	Financial	40%	Achievement of budget.	$372,505	$Nil
	Non-Financial	60%	Strategic metrics relating to business and organisation development, talent and succession management, and compliance and risk management.	$506,750	$53,250

These metrics vary with each executive's role and are established on an annual basis. The assessment of whether the above criteria are met and the level to which individual bonuses are earned is at the discretion of the Managing Director in relation to his reports and the Remuneration and Nomination Committee in relation to the Managing Director and overall payments. The Managing Director did not achieve all of his non-financial STI in areas including marketing and strategic planning, and the Group fell short of its targets for diversity, which resulted in no STI payments being made in relation to these metrics for FY2014.

Long-Term Incentives ("LTI")

Total expenses from share-based transactions recognised during the period as part of employee benefits expenses were $467,038 (2013: $237,373) related to Performance Rights issued to AHG's Managing Director, Bronte Howson and Senior Executive and Operational Management under the Performance Rights Plans covering FY2013 and FY2014. Grant-date-assessed values are determined as at the date of the AGM. The maximum grant-date-assessed value of the FY2013 LTI is $712,120 over three years (Managing Director only). The maximum grant-date-assessed value of the FY2014 LTI is $1,401,414 over three years (Managing Director plus nine Senior Executive and Operational Management employees). Refer to Note 29.

Details of equity plans currently in operation are as follows:

AHG Tax Exempt Share Plan

AHG has established a $1,000 tax exempt share plan that provides eligible employees (those with more than 3 years service) with an opportunity to share in the growth in value of AHG shares. Under the tax exempt share plan, eligible employees have the opportunity to purchase $1,000 worth of shares in the Company by way of salary sacrifice. The tax exempt share plan seeks to encourage participating employees to improve the performance of the Group and its return to shareholders through equity participation.

The number of shares purchased by eligible employees is based on the 5 day volume weighted average share price.

AHG Executive Share Plan

The AHG Executive Share Plan has been established which would allow directors and certain senior executives the opportunity to salary sacrifice their fees, salary, commission or bonus to purchase AHG shares up to a maximum of $50,000 at a value to be determined.

Management of the Plans

The equity-based Plans outlined above are administered by the Board. During FY2014 the Company changed its share registry service provider and accordingly Link Market Services Limited is now the appointed trustee of the Performance Rights Plan ("Trustee"). The Trustee will, at the direction of the Board (or Board committee), acquire the Company's shares either by way of on-market acquisition or by subscription, and the shares will be held on trust for participants under the Plans.

Should there be any future issues, it is the intention of the Board that the Trustee (or another appointed to act as trustee of the Plans) will either purchase shares on-market or subscribe for new shares using funds provided by the Company and will hold those shares on trust for participants under the Plans. Once a participant satisfies their performance criteria, the Rights issued to that participant vest, and the participant may then direct the Trustee to transfer to him or her that number of shares equal to the number of the participant's Rights vesting.

d) Non-Executive Directors remuneration structure

Fees and payments to non-executive Directors (NEDs) reflect the demands which are made upon, and the responsibilities of, these Directors. NED fees are reviewed annually by the Board. When setting changes to fees and other compensation for NEDs, the Board may take the advice of independent remuneration consultants to ensure NED fees are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of NEDs and are based upon comparative roles in the external market provided by independent remuneration consultants. The Deputy Chairman's fees are also determined independently to the fees of NEDs having regard to additional duties the Deputy Chairman may be required to perform.

NEDs do not receive performance-based pay, however a salary sacrifice plan (AHG Executive Share Plan) for Directors and senior executives was approved by shareholders at the 2007 Annual General Meeting. However, to date, it has not been utilised. If the Group elects to make the AHG Executive Share Plan operable it will enable Directors and senior executives to sacrifice a portion of their Directors' fees, salary, bonus or commission, as the case may be, in exchange for shares in the Company.

NED fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum Director fee pool currently stands at $900,000 per annum and was approved by shareholders at the 2013 Annual General Meeting.

The fees (including superannuation) that were applicable for the year ended 30 June 2014 are outlined in the table below. Fees for the year ending 30 June 2015 will increase by a proposed 2.5%.

Chairman	$176,800
Deputy Chairman	$132,080
Other Non-Executive Directors	$90,688

Additional fees for special duties:

Audit and Risk Management Committee Chairman	$15,080
Audit and Risk Management Committee Member	$7,556
Remuneration and Nomination Committee Chairman	$7,556
Remuneration and Nomination Committee Member	$3,775
Strategy Committee Chairman	$7,556
Strategy Committee Member	$3,775

For FY2015, a Refrigerated Logistics Committee has been established with the NED Chairman of this Committee receiving a fee of $7,556 and other NED members receiving a fee of $3,775.

The Company makes superannuation contributions to meet the minimum level of superannuation contributions required under any applicable legislation.

Payment of Expenses

In addition to remuneration, NEDs are entitled to receive reimbursement for travelling and other expenses that they properly incur in attending Directors' meetings, attending any general meetings of the Company or in connection with the Company's business.

Payment for Extra Services

Any NED called upon to perform extra services or undertake any executive or other work for the Company beyond his or her general duties may be remunerated either by a fixed sum or a salary as determined by the Directors. This may be either in addition to or in substitution for the NED's share in the usual remuneration provided. No NED is currently being remunerated for services undertaken beyond their general duties.

Effect of Cessation of Office

Under the Company's Constitution, with the approval of the Company in general meeting, the Directors may, upon a Director ceasing to hold office or at any time after a Director ceases to hold office, whether by retirement or otherwise, pay to the former Director or any of the legal personal representatives or dependents of the former Director in the case of death, a lump sum in respect of past services of the Director of an amount not exceeding the amount either permitted by the *Corporations Act 2001* or ASX Listing Rules.

The Company may contract with any Director to secure payment of the lump sum to the Director, his or her legal personal representatives or dependants or any of them, unless prohibited by the *Corporations Act 2001* or the ASX Listing Rules. No such amounts were paid during the current financial year.

Financial Benefit

A Director must ensure that the requirements of the *Corporations Act 2001* are complied with in relation to any financial benefit given by the Company to the Director or to any other related party of the Director.

The Company does not make loans to Directors or provide guarantees or security for obligations undertaken by Directors except as may be permitted by the *Corporations Act 2001*.

e) Link between performance and remuneration outcomes

Performance of AHG

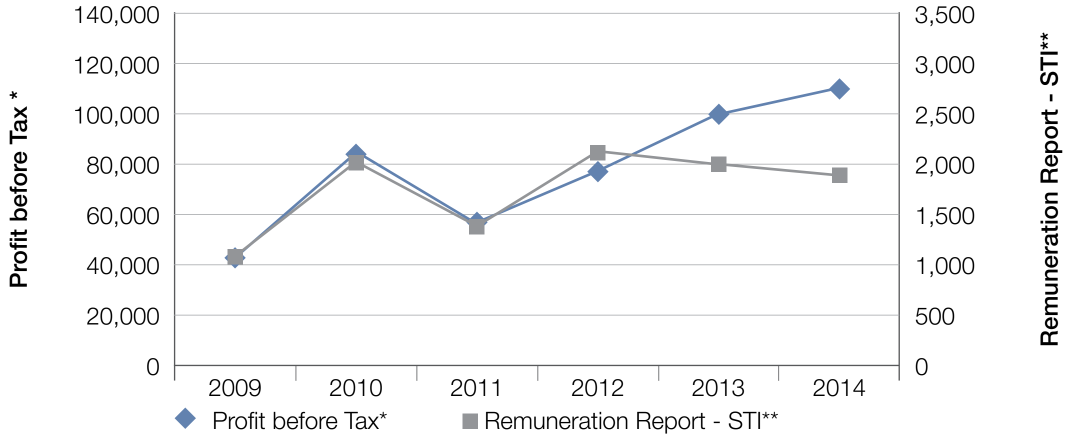
The following table shows key performance indicators for AHG over the past five years:

	2009	2010	2011	2012	2013	2014
Statutory Profit before Tax	42,879	86,914	55,269	81,147	99,230	109,544
CAGR	17.7%					
Operating Profit before Tax*	61,474	79,464	75,123	90,858	107,557	117,527
CAGR	11.8%					
Operating EPS (cents)*	21.70	24.40	22.70	24.60	27.90	29.00
Dividend (cents)	14.00	17.00	17.00	18.00	20.00	21.00
Share Price @ 30 June	$1.43	$2.25	$2.23	$2.47	$3.20	$3.65
CAGR	16.9%					
KMP Total Remuneration	4,734	6,867	7,475	6,910	7,266	6,772
Operating Profit: Total Remun % ratio*	11.2%	12.5%	14.6%	11.5%	10.0%	8.6%
Remuneration Report - STI**	1,102	2,028	1,293	2,228	1,981	1,827
Operating Profit: Remun STI % ratio*	2.6%	3.7%	2.5%	3.7%	2.7%	2.3%

** Non-IFRS Operating excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties.*

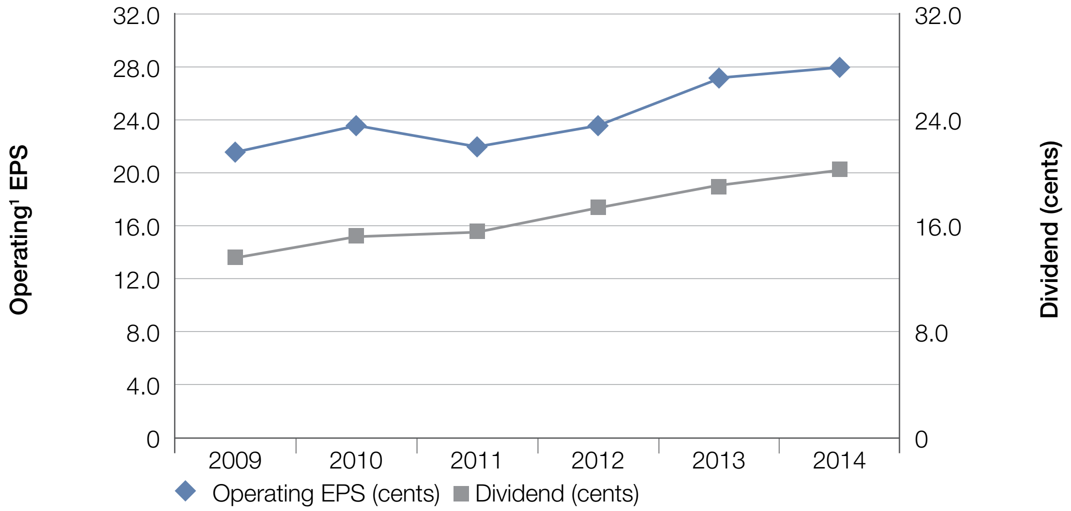
The following graphs illustrate the link between the Company's performance, shareholder wealth and key management personnel remuneration for the year ending 30 June 2014 and the previous five financial years.

The first graph illustrates the link between AHG's profit before tax and payments made under the STI plan.



** Profit before tax is statutory profit from continuing operations before income tax expense.*
*** STI remuneration reflects the STI amounts that were paid out to executives.*

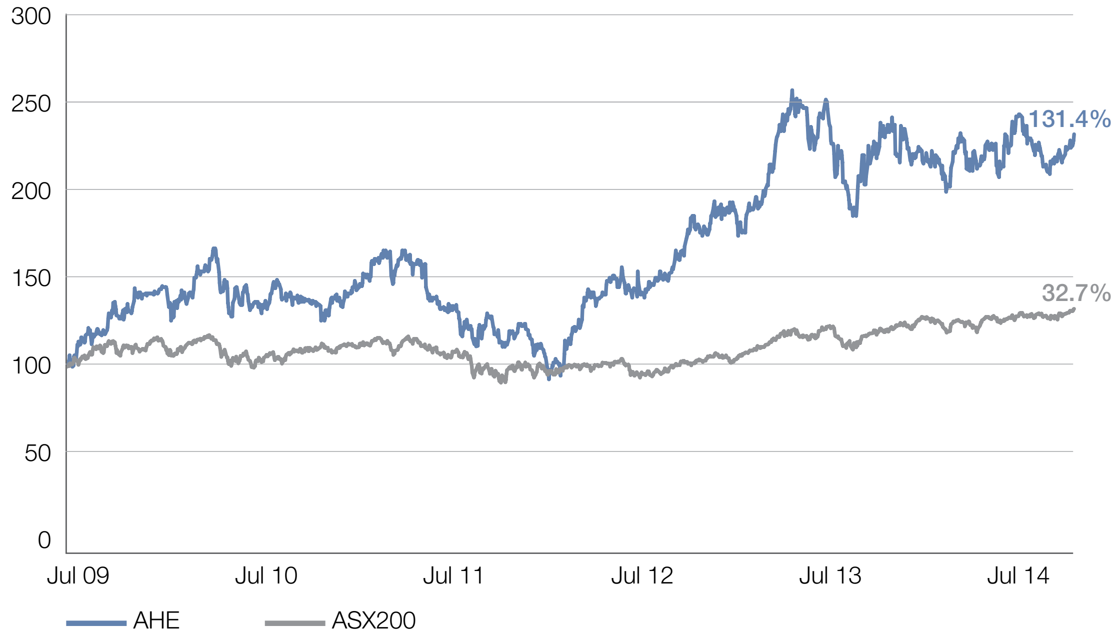
The second graph illustrates the link between AHG's basic Operating[1] earnings per share and dividends and shareholders.



[1] *Non-IFRS Operating excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties.*

DIRECTORS' REPORT

The third graph illustrates the performance of AHG's share price in comparison to the ASX Small Ords Index over the five-year period from July 2009 to July 2014.



f) Details of remuneration for FY2014

Details of the FY2014 remuneration of directors and KMP (as defined in AASB 124 *Related Party Disclosures*) are set out in the following tables. For clarity, Dealer Principals/General Managers of the individual business units of the Group are not deemed to be senior managers or KMP because they do not have authority and responsibility for planning, directing or controlling the activities of the consolidated Group as a whole.

The relative proportion of remuneration that is linked to performance and fixed is as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
Non-Executive Directors						
David Griffiths	100.0%	100.0%	Nil	Nil	Nil	Nil
Giovanni (John) Groppoli	100.0%	100.0%	Nil	Nil	Nil	Nil
Tracey Horton	100.0%	100.0%	Nil	Nil	Nil	Nil
Robert McEniry	100.0%	100.0%	Nil	Nil	Nil	Nil
Michael Smith	100.0%	100.0%	Nil	Nil	Nil	Nil
Peter Stancliffe	100.0%	100.0%	Nil	Nil	Nil	Nil
Howard Critchley[1]	100.0%	n/a	Nil	n/a	Nil	n/a
Executive Directors						
Bronte Howson	40.8%	53.1%	40.4%	38.7%	18.8%	8.2%
Key Executives						
Eugene Kavanagh	79.3%	83.1%	17.2%	16.9%	3.4%	Nil
Gus Kininmont	59.7%	65.4%	37.5%	34.6%	2.8%	Nil
Philip Mirams	66.8%	72.3%	26.8%	27.7%	6.4%	Nil
David Rowland	75.9%	82.2%	18.1%	17.8%	6.0%	Nil
Hamish Williams	75.1%	68.2%	22.1%	24.6%	2.8%	7.2%
Martin Wandmaker[2]	86.3%	n/a	13.7%	n/a	0.0%	Nil

[1] *Appointed 3 April 2014.*

[2] *Appointed 14 October 2013.*

DIRECTORS' REPORT

The below table provides remuneration details for Directors of the Company and key management personnel of the Group for the year ended 30 June 2014:

	Short-term Employment Benefits				Long-term Benefits	Share Based Payments			Post Employment Benefits	Total
	Cash Salary and Fees $	Commission / Bonus Earned and Payable for June 2014 $	Other Non Monetary Benefits $	Termination/ Severance Benefits $	Long Service Leave and LTI Benefits $	Share Plan Benefits Vested (2013) $	Share Plan Benefits (Accrued) (2014) $	Share Plan Benefits Vested (2014) $	Super-annuation $	$
Non-Executive Directors										
David Griffiths	175,662	-	-	-	-	-	-	-	16,249	191,911
Michael Smith	145,072	-	-	-	-	-	-	-	13,419	158,491
Tracey Horton	93,381	-	-	-	-	-	-	-	8,638	102,019
Giovanni (John) Groppoli	89,926	-	-	-	-	-	-	-	8,318	98,244
Peter Stancliffe	89,926	-	-	-	-	-	-	-	8,318	98,244
Robert McEniry	86,465	-	-	-	-	-	-	-	7,998	94,463
Howard Critchley[1]	20,752	-	-	-	-	-	-	-	1,920	22,672
	701,184	-	-	-	-	-	-	-	64,860	766,044
Executive Directors										
Bronte Howson	1,036,776	945,999	10,940	-	(130,697)[3]	-	436,156	-	17,775	2,316,949
	1,036,776	945,999	10,940	-	(130,697)	-	436,156	-	17,775	2,316,949
Total Directors	1,737,960	945,999	10,940	-	(130,697)	-	436,156	-	82,635	3,082,993
Key Executives										
Hamish Williams	635,670	236,084	32,515	-	96,987	-	29,817	-	17,775	1,048,848
Philip Mirams	570,845	242,917	33,020	-	1,888	-	59,635	-	17,775	926,080
Gus Kininmont	284,801	200,838	13,287	-	3,866	-	14,909	-	17,775	535,476
David Rowland	348,530	90,000	9,301	-	760	-	29,817	-	17,775	496,183
Eugene Kavanagh	308,530	76,991	9,532	-	7,331	-	14,909	-	17,775	435,068
Martin Wandmaker[2]	192,146	33,750	2,987	-	326	-	-	-	17,775	246,984
Total Key Executives	2,340,522	880,580	100,642	-	111,158	-	149,087	-	106,650	3,688,639
Total	4,078,482	1,826,579	111,582	-	(19,539)	-	585,243	-	189,285	6,771,632

[1] *Appointed as Director on 3 April 2014.*

[2] *Employment commenced on 14 October 2013.*

[3] *Reflects reduction in average cash-based remuneration rate paid over prior year.*

Comparative details for the year ended 30 June 2013 are as follows:

	Short-term Employment Benefits				Long-term Benefits	Share Based Payments			Post Employment Benefits	Total
	Cash Salary and Fees $	Commission / Bonus Earned and Payable for June 2013 $	Other Non Monetary Benefits $	Termination/ Severance Benefits $	Long Service Leave and LTI Benefits $	Share Plan Benefits Vested (2012) $	Share Plan Benefits (Accrued) (2013) $	Share Plan Benefits Vested (2013) $	Super-annuation $	$
Non-Executive Directors										
David Griffiths	169,294	-	-	-	-	-	-	-	15,236	184,530
Michael Smith	139,812	-	-	-	-	-	-	-	12,583	152,395
Tracey Horton	89,995	-	-	-	-	-	-	-	8,100	98,095
Giovanni (John) Groppoli	86,665	-	-	-	-	-	-	-	7,800	94,465
Peter Stancliffe	86,665	-	-	-	-	-	-	-	7,800	94,465
Robert McEniry	83,330	-	-	-	-	-	-	-	7,500	90,830
	655,761	-	-	-	-	-	-	-	59,018	714,779
Executive Directors										
Bronte Howson	1,056,153	1,123,919	78,373	-	408,211	-	237,373	-	-	2,904,029
	1,056,153	1,123,919	78,373	-	408,211	-	237,373	-	-	2,904,029
Total Directors	1,711,914	1,123,919	78,373	-	408,211	-	237,373	-	59,018	2,904,029
Key Executives										
Hamish Williams[1]	581,462	260,000	69,739	-	128,529	-	-	-	17,250	1,056,981
Philip Mirams	588,184	245,000	33,094	-	1,018	-	-	-	16,470	883,767
Gus Kininmont	284,801	186,702	40,738	-	9,292	-	-	-	18,451	539,985
David Rowland	348,530	90,000	46,514	-	1,189	-	-	-	18,264	504,497
Eugene Kavanagh	303,010	75,000	18,480	-	24,233	-	-	-	24,238	444,961
John Bernard Moroney[2]	184,288	-	11,667	-	-	-	-	-	20,613	216,568
Total Key Executives	2,290,275	856,702	220,232	-	164,261	-	-	-	115,287	3,646,758
Total	4,002,189	1,980,621	298,606	-	572,472	-	237,373	-	174,306	7,265,566

[1] *Resigned as Director on 16 November 2012; continues in executive role as a Key Management Personnel.*
[2] *Employment ceased on 31 January 2013.*

243,407 Rights were issued to AHG's Managing Director, Bronte Howson (as approved by shareholders at the 2013 AGM) and 328,599 Rights were issued to Senior Executive and Operational Management under the AHG Performance Rights Plan during the year ended 30 June 2014. The number of rights was determined based on the independent valuation conducted on 1 July at the commencement of the financial year. The vesting of these FY2014 Performance Rights is based on achievement of performance criteria measured across three financial years to 30 June 2016. The share-based payments expense and employee benefit associated with these Rights (which is calculated based on the grant-date approval of these rights, being the date of the 2013 AGM) is expensed over the three year vesting period. Refer to Note 29 for further details.

DIRECTORS' REPORT

336,700 Rights were issued to AHG's Managing Director, Bronte Howson (as approved by shareholders at the 2012 AGM) under the AHG Performance Rights Plan during the year ended 30 June 2013. The number of rights was determined based on the independent valuation conducted on 1 July at the commencement of the financial year. The vesting of these FY2013 Performance Rights is based on achievement of performance criteria measured across three financial years to 30 June 2015. The share-based payments expense and employee benefit associated with these Rights (which is calculated based on the grant-date approval of these rights, being the date of the 2012 AGM) is expensed over the three year vesting period. Refer to Note 29 for further details.

Deferred Performance Rights								
	Year Granted	No. Granted	Grant date value per share	Vested %	Vested number	Forfeited %	Financial years in which shares may vest	Maximum value yet to vest
Bronte Howson	2013	336,700	$2.12	0%	-	0%	2016	$237,373
	2014	243,407	$2.45	0%	-	0%	2017	$397,565
Philip Mirams	2014	73,022	$2.45	0%	-	0%	2017	$119,269
Hamish Williams	2014	36,511	$2.45	0%	-	0%	2017	$59,635
David Rowland	2014	36,511	$2.45	0%	-	0%	2017	$59,635
Eugene Kavanagh	2014	18,256	$2.45	0%	-	0%	2017	$29,817
Gus Kininmont	2014	18,256	$2.45	0%	-	0%	2017	$29,817

g) Service agreements

Non-Executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The directors also receive a Directors' Manual. Together, the letter and manual summarise the Board policies and terms, including compensation relevant to the office of director.

Executive Directors and KMP

Remuneration and other terms of employment for the executive directors are formalised in an Executive Service Agreement. The agreements for the executive directors provide for performance related cash bonuses and other benefits. The Executive Service Agreements are reviewed annually by the Remuneration and Nomination Committee for each executive director and details are as follows:

	Duration of contract	Notice required to terminate contract*	Fixed remuneration **	Termination benefit ***
Executive Directors				
Bronte Howson	Rolling contract (commenced 01 July 2012)	6 months	$1,144,000	6 months base salary
Key Executives				
Eugene Kavanagh	Rolling contract (commenced 24 December 2002)	3 month	$345,000	6 months base salary
Gus Kininmont	Rolling contract (commenced 27 January 2010)	3 month	$325,000	6 months base salary
Philip Mirams	Rolling contract (commenced 10 May 2012)	3 months	$625,000	6 months base salary
David Rowland	Rolling contract (commenced 11 August 2011)	3 months	$410,000	6 months base salary
Hamish Williams	Rolling contract (commenced 17 January 2005)	3 months	$650,000	6 months base salary
Martin Wandmaker	Rolling contract (commenced 14 October 2013)	3 months	$320,000	6 months base salary

** Notice required to terminate contract can be given mutually by either party, being the employee or AHG Limited.*

*** Fixed remuneration quoted is for the year ended 30 June 2014; it is reviewed annually by the Remuneration and Nomination Committee.*

**** For all new executive hires, or contracts that are materially varied after 1 November 2010, termination benefits will be limited to 12 months fixed remuneration or subject to shareholder approval.*

DIRECTORS' REPORT

Equity instrument disclosures relating to key management personnel

Non-Executive Directors

The number of shares in the company held during the financial year by each director of Automotive Holdings Group Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2014		Balance at start of year	Changes during the year	Balance at the end of the year
Directors	**Beneficial Owners**			
Bronte Howson	Croystone Nominees Pty Ltd as trustee for BKK Unit Trust	5,000,000	(2,000,000)	3,000,000
	BM Howson	530,300	4,298[1]	534,598
	BM & CC Howson	94,00	Nil	94,000
David Griffiths	Darju Pty Ltd; Mrs JM Griffiths, Miss JM Griffiths & Mr TD Griffiths at Lake Avenue Trust	68,647	8,596[1]	77,243
Giovanni (John) Groppoli	IOOF Investment Management Ltd	43,325	2,573[1]	45,898
Peter Stancliffe	PW Stancliffe	34,225	4,298[1]	38,523
Michael Smith	RP Smith	21,575	4,298[1]	25,873
Robert McEniry		Nil	Nil[4]	Nil
Tracey Horton		Nil	Nil	Nil
Howard Critchley		Nil	Nil[2 4]	Nil
Other Key Management Personnel				
Hamish Williams	HC Williams and Associates	201,520	(172,804)[1 5]	28,716
Eugene Kavanagh	E & M Kavanagh	2,374	4,298[1]	6,672
Gus Kininmont	FY Kininmont	2,200	4,298[1]	6,498
David Rowland		Nil	Nil	Nil
Philip Mirams		Nil	Nil	Nil
Martin Wandmaker[3]		Nil	Nil	Nil

[1] *Acquired as part of the Share Placement Plan on 1 May 2014*
[2] *Appointed as Director on 3 April 2014.*
[3] *Employment commenced on 14 October 2013.*
[4] *Shares were acquired post year-end by Howard Critchley (6,250) and Robert McEniry (4,950).*
[5] *Shares were sold on market (during the year) by Hamish Williams (177,102).*

Loans to key management personnel

There were no loans to key management personnel (2013: $Nil).

Other transactions with key management personnel

Related party disclosures relating to key management personnel are set out in Note 28.

Aggregate amounts of each of the above types of other transactions with key management personnel of Automotive Holdings Group Limited:

	Consolidated	
Amounts recognised as distributions to shareholders	**2014 $'000**	2013 $'000
Dividends paid	**819**	1,232

This is the end of the audited remuneration report.

Insurance of Directors and Officers

During the year AHG paid insurance premiums in respect of a Directors’ and Officers’ liability insurance contract. The contract insures each person who is or has been a director or executive officer of the Group against certain liabilities arising in the course of their duties to the Group. The directors have not disclosed details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

The directors and past directors of the Company are party to an *Access, Indemnity and Insurance Deed*, dated 2005, which provides, amongst other things:

- access to Board papers whilst the director is a director of the Company and for seven years after that person ceases to be a director of the Company;
- subject to certain provisions, indemnification against any liability incurred by that director in their capacity as a director of the Company or of a subsidiary of the Company; and
- the Company obtaining a contract insuring a director against certain liabilities.

In addition, directors are entitled to seek independent legal and other professional advice where necessary to perform their duties with the Company meeting the cost of this advice or reimbursing the director as required.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON AUDIT SERVICES

The Group has employed the auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) and affiliated offices for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit & Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Non Audit Services (continued)

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2014:

	Consolidated	
	2014 $	2013 $
Taxation Services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	**423,370**	390,086
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	**18,999**	14,581
Total of Non-Audit Services provided to the Group	**442,369**	404,667

Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* has been received and follows the directors' report.

Auditor

BDO Audit (WA) Pty Ltd was appointed on 14 June 2005. During FY2013, the Board undertook a competitive tender of AHG's external audit services. Following this BDO Audit (WA) Pty Ltd were selected as the Group's auditor with effect from the financial year commencing 1 July 2014. Accordingly, BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the directors and signed for on behalf of the Board by

David C Griffiths
Chairman
Perth, 26 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF AUTOMOTIVE HOLDINGS GROUP LIMITED

As lead auditor of Automotive Holdings Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Automotive Holdings Group Limited and the entities it controlled during the period.

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd

Perth, 26 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated 2014 $'000	2013 $'000 *Restated*
Revenue from continuing operations	3	**4,734,760**	4,312,408
Profit on sale of assets	3	**-**	3,044
Raw materials and inventory expense		**(3,647,985)**	(3,339,649)
Employee benefits expense	4	**(559,645)**	(503,124)
Depreciation and amortisation expense	4	**(30,350)**	(28,557)
Finance costs	4	**(33,332)**	(35,324)
Advertising and promotion		**(40,017)**	(33,988)
Occupancy costs		**(126,238)**	(106,345)
Vehicle preparation and service		**(38,582)**	(35,139)
Supplies and outside services		**(43,227)**	(36,492)
Motor vehicle expense		**(13,647)**	(12,411)
Equipment rental	4	**(15,241)**	(15,274)
Professional services		**(9,316)**	(6,290)
Other expenses		**(66,449)**	(67,025)
Loss on sale of assets	4	**(1,547)**	-
Share of net profit of joint venture partnership accounted for using the equity method		**360**	446
Profit before income tax		**109,544**	96,280
Income tax expense	5	**(33,255)**	(30,150)
Profit for the year before other comprehensive income		**76,289**	66,130
Profit attributable to:			
Owners of Automotive Holdings Group Limited	18	**72,924**	64,802
Non-controlling interest		**3,365**	1,328
		76,289	66,130
Other Comprehensive Income			
Items that may be reclassified to profit or loss (net of tax)			
Unrealised changes in the fair value of cash flow hedges	18	**(1,916)**	3,513
Exchange differences on translation of foreign operations	18	**685**	615
Total comprehensive income for the year (net of tax)		**75,058**	70,258
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		**71,693**	68,931
Non-controlling interest		**3,365**	1,327
		75,058	70,258
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	21	**26.9**	24.9
Diluted earnings per share	21	**26.9**	24.9
Earnings per share is calculated on a weighted average number of shares of:		**270,776,519**	260,683,178

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated 2014 $'000	2013 $'000 *Restated*
CURRENT ASSETS			
Cash and cash equivalents	6	**99,495**	97,430
Trade and other receivables	7	**293,035**	289,082
Inventories	8	**671,920**	689,556
Other current assets	9	**26,852**	18,336
TOTAL CURRENT ASSETS		**1,091,302**	1,094,404
NON CURRENT ASSETS			
Investments accounted for using the equity method		**1,020**	860
Available-for-sale financial assets	10	**6,450**	6,750
Property, plant and equipment	11	**303,944**	186,723
Intangible assets	12	**323,590**	252,047
Deferred tax assets	5	**42,613**	31,516
TOTAL NON CURRENT ASSETS		**677,617**	477,896
TOTAL ASSETS		**1,768,919**	1,572,300
CURRENT LIABILITIES			
Trade and other payables	13	**237,216**	249,110
Interest-bearing loans and borrowings	16	**590,419**	593,269
Income tax payable		**4,431**	8,976
Provisions	14	**57,154**	50,807
TOTAL CURRENT LIABILITIES		**889,220**	902,162
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	16	**192,113**	173,405
Deferred tax liabilities	5	**6,049**	610
Provisions	15	**17,159**	15,103
TOTAL NON CURRENT LIABILITIES		**215,321**	189,118
TOTAL LIABILITIES		**1,104,541**	1,091,280
NET ASSETS		**664,378**	481,020
EQUITY			
Contributed equity	17	**541,532**	384,112
Reserves	18	**1,446**	2,210
Retained profits	18	**107,090**	87,605
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		**650,068**	473,927
Non-controlling interest	19	**14,310**	7,093
TOTAL EQUITY		**664,378**	481,020

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	Contributed Equity	Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2012 (Restated)	**382,282**	**(2,155)**	**72,333**	**452,460**	**3,782**	**456,242**
Profit for the year (after tax)	-	-	64,802	64,802	1,328	66,130
Changes in fair value of cash flow hedges	-	5,019	-	5,019	-	5,019
Exchange differences on translation of foreign operations	-	615	-	615	-	615
Income tax relating to components of other comprehensive income	-	(1,506)	-	(1,506)	-	(1,506)
Total comprehensive income for the year	**-**	**4,128**	**64,802**	**68,930**	**1,328**	**70,258**
Transactions with owners in their capacity as equity holders:						
Contributions of equity, net of transaction costs	1,830	-	-	1,830	4,596	6,426
Dividends provided for or paid	-	-	(49,530)	(49,530)	(2,613)	(52,143)
Employee share scheme	-	237	-	237	-	237
	1,830	**237**	**(49,530)**	**(47,463)**	**1,983**	**(45,480)**
At 30 June 2013 (Restated)	**384,112**	**2,210**	**87,605**	**473,927**	**7,093**	**481,020**

Consolidated	Contributed Equity	Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2013 (Restated)	**384,112**	**2,210**	**87,605**	**473,927**	**7,093**	**481,020**
Profit for the year (after tax)	-	-	72,924	72,924	3,365	76,289
Changes in fair value of cash flow hedges	-	(2,737)	-	(2,737)	-	(2,737)
Exchange differences on translation of foreign operations	-	685	-	685	-	685
Income tax relating to components of other comprehensive income	-	821	-	821	-	821
Total comprehensive income for the year	**-**	**(1,231)**	**72,924**	**71,693**	**3,365**	**75,058**
Transactions with owners in their capacity as equity holders:						
Contributions of equity, net of transaction costs	157,420	-	-	157,420	6,900	164,320
Dividends provided for or paid	-	-	(53,440)	(53,440)	(3,048)	(56,488)
Employee share scheme	-	467	-	467	-	467
	157,420	**467**	**(53,440)**	**104,447**	**3,852**	**108,299**
At 30 June 2014	**541,532**	**1,446**	**107,090**	**650,068**	**14,310**	**664,378**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated 2014 $'000	2013 $'000 *Restated*
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		**5,232,832**	4,698,491
Payments to suppliers and employees (inclusive of GST)		**(5,063,978)**	(4,543,656)
Interest paid and costs of finance		**(33,332)**	(36,826)
Interest received		**2,595**	5,841
Income tax paid		**(35,933)**	(32,085)
Net cash inflow from operating activities	22	**102,184**	91,765
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired	27	**(83,152)**	(54,686)
Payment for property plant and equipment		**(111,378)**	(66,964)
Dividends and distributions received		**604**	728
Proceeds of sale of property, plant and equipment		**9,175**	9,026
Proceeds of sale of investments		**300**	64,688
Payment for purchase of investment (net)		**-**	(5,000)
Net cash outflow from investing activities		**(184,451)**	(52,208)
Cash flows from financing activities			
Net proceeds from borrowings		**(474)**	28,005
Proceeds from issue of shares, net of transaction costs	17	**141,294**	-
Dividends paid to members	20	**(53,440)**	(49,530)
Dividends paid to non-controlling interest		**(3,048)**	(2,613)
Net cash inflow / (outflow) from financing activities		**84,332**	(24,138)
Net increase in cash and cash equivalents		**2,065**	15,419
Cash and cash equivalents at the beginning of the year		**97,430**	82,011
Cash and cash equivalents at the end of the year	6	**99,495**	97,430

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Non-cash financing and investing activities

During the year the consolidated entity acquired plant and equipment with a fair value of $4,730,494 (2013: $5,741,829) by means of finance leases (excluding those assumed in acquisitions) – refer note 11. These acquisitions are not reflected in the statement of cash flows.

During the year the consolidated entity issued 4,297,994 shares with a fair value of $15,000,000 as part of the purchase consideration for the acquisition of Scott's Refrigerated Freightways and JAT Refrigerated Road Services. This consideration is not reflected in the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents to the Notes to the Consolidated Financial Statements

1. Significant changes in the current reporting period

The financial position performance of the Group was particularly affected by the following events and transactions during the reporting period:

- Acquisitions during FY2014 of Jason Mazda, Davie Motors, Husqvarna Motorcycles distribution rights and Scott's Refrigerated Freightways / JAT Refrigerated Road Services (SRF/JAT). These impacted all major line items in both the statements of financial performance and position of the Group at 30 June 2014 compared to 30 June 2013. Refer to Note 27 for further details in relation to each of these individual business combinations;
- During the year the company issued 45,858,259 shares pursuant to an institutional placement, share purchase plan and part-consideration for the acquisition of SRF/JAT, which resulted in an increase in Contributed Equity (note 17). Proceeds were used in relation to the acquisition of SRF/JAT on 30 April 2014 (note 27) and the post balance date event acquisition of the Bradstreet Motor Group (note 35);
- Initial application of AASB 10 saw AHG required to consolidate its non-equity interest in White Motor Corporation for the first time. This included retrospective adjustment to the FY2013 and prior reported results as if these standards had always been in effect. The impact saw restatement of a large majority of balances across both the statements of financial performance and position; the net impact was a reduction of $5.455 million in the Group's net assets compared to that reported in FY2013 (including $1.168 million impact relating to pre FY2013). Refer to Note 39 for further details; and
- Initial application of AASB 11 saw AHG required to consolidate its joint venture interests using equity accounting rather than proportionate consolidation. The impact saw restatement of a large majority of balances across both the statements of financial performance and position, however the net impact was $Nil to the Group's net assets compared to that reported in FY2013. Refer to Note 39 for further details.

Taking all these changes into consideration, AHG reported record Statutory and Operating Non-IFRS revenue and net profit attributable to shareholders for FY2014, per the below table.

Key Financial Data	**Statutory IFRS Result**	**Unusual items***	**Operating Non-IFRS Result**
For the year ending 30 June 2014			
	$'000	$'000	$'000
Revenue	**4,734,760**	**-**	**4,734,760**
EBITDA	170,631	(7,983)	178,614
EBITDA margin %	3.6%		3.8%
Depreciation and amortisation	(30,350)	-	(30,350)
EBIT	140,281	(7,983)	148,264
Interest (net)	(30,737)	-	(30,737)
Profit before tax	109,544	(7,983)	117,527
Tax expense	(33,255)	2,395	(35,650)
Profit after tax	76,289	(5,588)	81,877
Non controlling interest	(3,365)	-	(3,365)
Net profit after tax attributable to shareholders	**72,924**	**(5,588)**	**78,512**
Basic EPS (cents per share)	26.9		29.0

** Unusual items: costs and fees in relation to integration and acquisition-related activites, asset divestments and sale of properties.*

2. Operating segments

The Board has determined that AHG's operating segments be divided between a single reportable automotive segment, two reportable logistics segments comprising of AHG's refrigerated logistics operations and the balance of all of its other logistical operations and a single reportable property segment, per Note 38(i). All segments operate within the geographical area of Australia and New Zealand. Operations in Australia and New Zealand are classified and managed as one geographical area, and therefore geographic disclosures have not been included.

AUTOMOTIVE RETAIL

The automotive segment has 169 dealerships franchise sites operating within the geographical areas of Australia and New Zealand.

AHG's automotive operations exhibit similar economic characteristics. They have similar product offerings and a consistency of customer base. The generic characteristics of these businesses allow AHG to consistently measure operating performance within this segment.

REFRIGERATED LOGISTICS

The refrigerated logistics operations segment comprises AHG's cold storage and transport operations.

OTHER LOGISTICS

The other logistics operations segment comprises AHG's automotive parts warehousing and distribution businesses, motorcycle distribution, bus and truck distribution and vehicle storage and engineering.

PROPERTY

The property segment comprises AHG's direct property interests in land and buildings.

Sales between segments are eliminated on consolidation, as noted in the tables below. There is no significant reliance on any individual major customers within the segment revenues.

2. Operating segments (continued)

Segment Reporting June 2014	Automotive Retail	Refrigerated Logistics	Other Logistics	Total Logistics	Property	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Statutory IFRS Financial Performance Analysis						
Gross revenue	4,333,670	435,191	476,894	912,085	306	5,246,061
Less: intercompany sales	(452,495)	(5,580)	(55,821)	(61,401)	-	(513,896)
Segment revenue	3,881,175	429,611	421,073	850,684	306	4,732,165
Interest earned	2,147	111	336	447	-	2,595
Total revenue						**4,734,760**
EBITDA	**130,027**	**24,712**	**16,599**	**41,311**	**(707)**	**170,631**
Depreciation and amortisation	(15,689)	(11,377)	(3,285)	(14,662)	-	(30,350)
EBIT	**114,338**	**13,335**	**13,314**	**26,649**	**(707)**	**140,281**
Interest expense (net)	(21,404)	(4,134)	71	(4,063)	(5,270)	(30,737)
Profit before tax						**109,544**
Income tax expense						(33,255)
Reportable segment profit after tax						**76,289**
Operating Non-IFRS Financial Performance Analysis						
Total revenue	**3,883,323**	**429,722**	**421,409**	**851,131**	**306**	**4,734,760**
EBITDA before unusual items*	**132,541**	**29,690**	**17,089**	**46,780**	**(707)**	**178,614**
EBIT before unusual items*	**116,852**	**18,313**	**13,805**	**32,118**	**(707)**	**148,264**
Segment result before unusual items*	**95,448**	**14,179**	**13,876**	**28,055**	**(5,977)**	**117,527**
Unusual items*	(2,514)	(4,978)	(491)	(5,469)	-	(7,983)
Reportable segment result net unusual items	**92,934**	**9,201**	**13,386**	**22,587**	**(5,977)**	**109,544**
Statutory Financial Position Analysis						
Segment assets	1,289,061	295,103	150,905	446,008	33,850	1,768,919
Total consolidated assets						**1,768,919**
Segment liabilities	628,117	278,205	153,217	431,423	45,003	1,104,542
Total consolidated liabilities						**1,104,542**
Acquisition of property, plant, equipment and intangibles	**71,841**	**81,551**	**8,073**	**89,624**	**21,965**	**183,430**

** Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties (refer to Note 1 for a reconciliation of Non-IFRS profit to IFRS profit).*

2. Operating segments (continued)

Segment Reporting June 2013 (Restated)	Automotive Retail	Refrigerated Logistics	Other Logistics	Total Logistics	Property	Consolidated
	$'000	$'000	$'000 *Restated*	$'000 *Restated*	$'000	$'000 *Restated*
Statutory IFRS Financial Performance Analysis						
Gross revenue	3,950,580	389,905	431,324	821,229	488	4,772,297
Less: intercompany sales	(413,463)	-	(50,764)	(50,764)	-	(464,227)
Segment revenue	3,537,117	389,905	380,560	770,465	488	4,308,070
Interest earned	3,676	105	558	663	-	4,338
Total revenue						**4,312,408**
EBITDA	**114,397**	**29,605**	**7,260**	**36,865**	**2,073**	**153,335**
Depreciation and amortisation	(14,211)	(11,676)	(2,669)	(14,345)	(1)	(28,557)
EBIT	**100,186**	**17,929**	**4,591**	**22,520**	**2,072**	**124,778**
Interest expense (net)	(20,872)	(4,051)	483	(3,568)	(4,058)	(28,498)
Profit before tax						**96,280**
Income tax expense						(30,150)
Reportable segment profit after tax						**66,130**
Operating Non-IFRS Financial Performance Analysis						
Total revenue	**3,540,793**	**390,010**	**381,118**	**771,128**	**488**	**4,312,408**
EBITDA before unusual items*	**116,653**	**31,872**	**15,001**	**46,874**	**(1,865)**	**161,662**
EBIT before unusual items*	**102,442**	**20,196**	**12,333**	**32,529**	**(1,865)**	**133,105**
Segment result before unusual items*	**81,570**	**16,145**	**12,816**	**28,961**	**(5,924)**	**104,607**
Unusual items*	(2,256)	(2,267)	(7,741)	(10,008)	3,937	(8,327)
Reportable segment result net unusual items	**79,314**	**13,878**	**5,074**	**18,953**	**(1,986)**	**96,280**
Statutory Financial Position Analysis						
Segment assets	1,265,507	145,605	147,883	293,488	13,304	1,572,299
Total consolidated assets						**1,572,299**
Segment liabilities	788,169	129,763	152,958	282,721	20,388	1,091,278
Total consolidated liabilities						**1,091,278**
Acquisition of property, plant, equipment and intangibles	**81,262**	**16,589**	**7,837**	**24,426**	**7,249**	**112,937**

** Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments and sale of properties (refer to Note 1 for a reconciliation of Non-IFRS profit to IFRS profit).*

3. Revenue and other income

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Sales revenue		
Sale of goods	**3,962,844**	3,626,590
Rendering of services	**747,951**	668,189
	4,710,795	4,294,779
Other revenue		
Interest	**2,595**	4,338
Other revenue	**21,370**	13,291
	23,965	17,629
Total Revenue	**4,734,760**	4,312,408

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Other Income		
Net gain on disposal of assets	**-**	3,044
	-	3,044

4. Expenses

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Depreciation		
Vehicles, plant, furniture and equipment	**21,786**	20,824
Buildings	**-**	29
	21,786	20,853
Amortisation		
Capitalised leased assets	**4,168**	3,510
Leasehold improvements	**4,396**	4,194
	8,564	7,704
Finance costs ***(for financial liabilities not at fair value through profit and loss)***		
Interest paid - other	**4,526**	6,698
Interest paid - finance leases	**1,587**	1,657
Interest paid - hire purchase	**2,766**	2,363
Interest paid - floor plan	**24,453**	24,606
	33,332	35,324
Lease payments		
Rental expenses relating to property operating leases	**98,927**	82,643
Rental expenses relating to equipment operating leases	**15,241**	15,274
	114,168	97,917
Employee benefits expense		
Wages, salaries and employee benefits	**522,874**	471,231
Superannuation	**36,304**	31,656
Share-based payments expense	**467**	237
	559,645	503,124
Other expenses		
Bad debts written off	**1,558**	565
Net loss on sale of assets	**1,547**	-
	3,105	565

5. Income tax

INCOME TAX EXPENSE

	Consolidated 2014 $'000	Consolidated 2013 $'000 Restated
Current tax	**35,084**	31,021
Deferred tax	**(1,829)**	(2,580)
Adjustments in respect of current income tax of previous years	**-**	1,709
	33,255	30,150
Income tax expense is attributable to:		
Profit from continuing operations	**33,255**	30,150
	33,255	30,150
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	**(8,021)**	(1,196)
Increase / (decrease) in deferred tax liabilities	**6,192**	(1,384)
	(1,829)	(2,580)

AMOUNTS CHARGED OR CREDITED DIRECTLY TO EQUITY

	Consolidated 2014 $'000	Consolidated 2013 $'000 Restated
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity Net deferred tax - (credited) / debited directly to equity	**(1,558)**	1,747
	(1,558)	1,747

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	Consolidated 2014 $'000	Consolidated 2013 $'000 Restated
Profit from continuing operations before income tax expense	**109,544**	96,280
Corporate tax at the rate of 30% (2013: 30%)	**32,863**	28,884
Non deductible expenses	**252**	609
Research and development claim	**(293)**	-
Non-deductible diminution of investment and impairment of intangibles	**-**	(1,182)
Non-deductible stamp duty attributed to goodwill on acquisition	**433**	130
Income tax expense	**33,255**	28,441
Adjustments in respect of current income tax of previous years	**-**	1,709
Income tax expense	**33,255**	30,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income Tax (continued)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	Consolidated 2014 $'000	Consolidated 2013 $'000 *Restated*
Opening balance 1 July	**31,516**	29,075
Acquisition of subsidiaries	**2,271**	2,239
Credited to income	**8,021**	1,196
Credited / (debited) to equity	**805**	(994)
Closing balance 30 June	**42,613**	31,516
The balance comprises temporary differences attributable to: Amounts recognised in the statement of profit or loss and other comprehensive income		
Doubtful debts	**1,677**	912
Finance leases	**54**	143
Inventory	**2,071**	622
Property, plant & equipment	**4,435**	4,103
Fringe benefits tax	**66**	55
Accrued expenses	**8,467**	6,901
Provisions:		
Employee benefits	**18,290**	15,424
Warranties	**2,903**	2,001
Other provisions	**1,968**	1,030
Other	**1,551**	-
Amounts recognised directly in the statement of financial position		
Share issue expenses	**1,062**	325
Cash flow hedges	**69**	-
Deferred tax assets	**42,613**	**31,516**

Deferred tax liabilities	Consolidated 2014 $'000	Consolidated 2013 $'000 *Restated*
Opening balance 1 July	**610**	1,241
Charged / (credited to) income	**6,192**	(1,384)
Charged to equity	**(753)**	753
Closing balance 30 June	**6,049**	610
The balance comprises temporary differences attributable to: Amounts recognised in the statement of profit or loss and other comprehensive income		
Prepayments	**895**	443
Inventories	**722**	-
Other	**4,432**	(586)
Amounts recognised directly in the statement of financial position		
Cash flow hedges	**-**	753
Deferred tax liabilities	**6,049**	610

Deferred tax assets of $29,209,000 (2013: $21,582,000) and liabilities of $1,617,000 (2013: $610,000) are expected to be settled within 12 months. The balance is expected to be settled after 12 months.

6. Current assets – cash and cash equivalents

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Cash at bank and on hand	**73,985**	71,910
Deposits at call	**25,510**	25,520
	99,495	97,430

The above figures agree to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows.

Cash on hand is non-interest bearing. Cash at bank attracts floating interest rates between 1.25% and 2.16% (2013: 2.10% and 3.50%). The interest rates applicable to deposits at call at 30 June 2014 vary between 2.40% and 4.27% (2013: 3.69% and 4.57%).

The Group's exposure to interest rate risk is disclosed in Note 24.

7. Current assets – trade and other receivables

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Trade receivables	**284,040**	286,917
Allowance for impairment of receivables	**(2,940)**	(3,120)
Derivative financial instruments	**-**	2,510
Other receivables	**11,935**	2,775
	293,035	289,082

IMPAIRED TRADE RECEIVABLES

The Group has recognised a loss of $1,558,000 (2013: $565,000) in respect of impaired trade receivables during the year ended 30 June 2014. The loss has been included in "other expenses" in the profit for the year.

At 30 June 2014 the Group recognised $2,940,000 (2013: $3,120,000) as an allowance for impaired receivables. This amount covers the automotive and logistics businesses and is reflective of the underlying risk of non-recovery of aged receivables. It is assessed that a proportion of these receivables is expected to be recovered.

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Opening balance	**(3,120)**	(2,686)
Translation adjustment	**(4)**	(3)
Allowance for impaired receivables	**(2,007)**	(1,101)
Receivables written off during the year	**1,557**	383
Reversal of amounts provided	**634**	287
Closing balance	**(2,940)**	(3,120)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Current assets – trade and other receivables (continued)

PAST DUE NOT IMPAIRED

As at 30 June 2014, trade receivables of $63,189,000 (2013: $56,999,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Days Past Due		
1 - 30	**45,213**	36,935
31 - 60	**7,965**	14,244
61 - 90	**2,854**	2,466
91 +	**7,157**	3,354
	63,189	56,999

FAIR VALUE AND CREDIT RISK

Due to the short-term nature of receivables, carrying amount is viewed as approximating fair value.

The maximum exposure to credit risk at the reporting date and the Group's approach to risk management are discussed in note 24.

8. Current assets – inventories

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Vehicles inventory - at cost	**584,160**	614,830
Write-down to net realisable value	**(11,505)**	(12,569)
Other inventories - at cost	**107,887**	96,479
Write-down to net realisable value	**(8,622)**	(9,184)
	671,920	689,556

Inventory recognised as an expense (cost of sales) during the year ended 30 June 2014 (including write-down of inventories to net realisable value) amounted to $3,647,985,000 (2013: $3,339,649,000).

9. Current assets – other

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Prepaid expenses and deposits	**26,852**	18,336
	26,852	18,336

10. Non-current assets – available-for-sale financial assets

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Shares in unlisted company and trust	**6,450**	6,750
	6,450	6,750

UNLISTED SECURITIES

Unlisted securities are traded in inactive markets. Refer to Note 24 for further information about the methods used and assumptions applied in determining fair value.

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Opening balance	**6,750**	2,250
Acquisitions	**-**	6,000
Disposals	**(300)**	(1,500)
Closing balance	**6,450**	6,750

IMPAIRMENT AND RISK EXPOSURE

For an analysis of the sensitivity of available-for-sale financial assets to price risk refer to note 24.

11. Non-current assets – property, plant and equipment

CARRYING AMOUNTS MEASURED AT COST LESS ACCUMULATED DEPRECIATION AND AMORTISATION

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Land and buildings	**40,469**	23,057
Accumulated depreciation	**-**	-
	40,469	23,057
Plant and equipment at cost	**233,924**	157,953
Accumulated depreciation	**(96,843)**	(81,861)
	137,081	76,092
Capitalised leased assets	**35,766**	31,970
Accumulated amortisation	**(12,049)**	(9,724)
	23,717	22,246
Leasehold improvements at cost	**68,531**	61,728
Accumulated amortisation	**(20,477)**	(17,154)
	48,054	44,574
Assets under construction	**54,623**	20,754
Total property, plant and equipment	**303,944**	186,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Non-current assets – property, plant and equipment (continued)

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE YEAR

Consolidated June 2014	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve-ments	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2013 (Restated)	23,057	76,092	22,246	44,574	20,754	186,723
Translation adjustment	-	137	-	43	5	185
Additions	18,742	45,872	4,730	8,127	33,864	111,335
Acquisitions through business combinations	-	43,918	1,962	300	-	46,180
Disposals	(1,330)	(8,214)	-	(585)	-	(10,129)
Transfers	-	1,063	(1,053)	(10)	-	-
Depreciation / amortisation	-	(21,787)	(4,168)	(4,395)	-	(30,350)
Carrying amount at 30 June 2014	**40,469**	**137,081**	**23,717**	**48,054**	**54,623**	**303,944**

Consolidated June 2013 (Restated)	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve-ments	Assets under construction	Total
	$'000	$'000 *Restated*	$'000	$'000 *Restated*	$'000	$'000 *Restated*
Carrying amount at 1 July 2012	23,097	67,296	20,801	39,653	7,730	158,577
Translation adjustment	-	87	-	29	12	128
Additions	-	31,736	5,742	3,854	25,902	67,234
Acquisitions through business combinations	-	4,927	-	163	48	5,138
Disposals	19	(8,898)	388	(145)	(7,161)	(15,797)
Transfers	(30)	1,768	(1,175)	5,214	(5,777)	-
Depreciation / amortisation	(29)	(20,824)	(3,510)	(4,194)	-	(28,557)
Carrying amount at 30 June 2013	**23,057**	**76,092**	**22,246**	**44,574**	**20,754**	**186,723**

PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

Leased assets are pledged as security for related finance lease liabilities.

Land and buildings with a carrying amount of $10,646,810 (2013: $10,646,810) are subject to a first mortgage from certain other loans as disclosed in note 16.

Land and buildings with a carrying amount of $29,822,724 (2013: $12,410,223) are pledged as security for non-current liabilities as disclosed in note 16.

Other property, plant and equipment with a carrying amount of $239,757,000 (2013: $141,420,000) are pledged as security for non-current liabilities as disclosed in note 16.

12. Non-current assets – intangible assets

Intangibles (Goodwill & Franchise Rights) are allocated to the Group's Cash Generating Units (CGUs) identified according to business segments; being Automotive Retail, Refrigerated Logistics and Other Logistics operations (note 2). A segment level summary of this intangible allocation is presented below.

	Goodwill	Franchise Rights & Distribution Agreements	Total
	$'000	$'000	$'000
Consolidated 2014		*Restated*	*Restated*
Carrying amount at 1 July 2013	99,722	152,325	252,047
Additions	58,878	12,665	71,543
Carrying amount at 30 June 2014	**158,600**	**164,990**	**323,590**
Consolidated 2013			
Carrying amount at 1 July 2012	79,845	134,936	214,781
Additions	19,877	20,689	40,566
Divestments	0	(3,300)	(3,300)
Carrying amount at 30 June 2013	**99,722**	**152,325**	**252,047**

	Goodwill	Franchise Rights & Distribution Agreements	Total
	$'000	$'000	$'000
Consolidated 2014		*Restated*	*Restated*
Automotive Retail	73,699	152,047	225,746
Refrigerated Logistics	74,116	-	74,116
Other Logistics	10,785	12,943	23,728
Carrying amount at 30 June 2014	**158,600**	**164,990**	**323,590**
Consolidated 2013			
Automotive Retail	68,866	142,382	211,248
Refrigerated Logistics	20,071	-	20,071
Other Logistics	10,785	9,943	20,728
Carrying amount at 30 June 2013	**99,722**	**152,325**	**252,047**

There are no intangible assets associated with the property segment.

IMPAIRMENT TESTING

Goodwill and franchise rights are monitored by management based on operating segment, as disclosed in the above table.

The recoverable amounts of the Group's various CGUs are determined based on value-in-use calculations for these units or its fair value less costs to sell. Value-in-use calculations use cash flow projections based on financial budgets covering a projected five-year period to determine a unit's recoverable amount that is then compared with the carrying value of the assets of that unit. Fair value less costs to sell use the estimated future net consideration to be received on sale.

12. Non-current assets – intangible assets (continued)

Key assumptions used for value-in-use calculations

Calculating value-in-use for each CGU, a pre-tax discount rate of 12% (2013: 12%) is applied, which represents the Group's historical weighted average cost of capital. The growth rate used to project cash flows beyond the following year's approved budget period is 3% (2013: 3%). This growth rate is consistent with forecasts included in industry reports and reflective of impacts of carbon tax and fuel tax credits across the Group.

In the analysis of the value-in-use calculation a number of sensitivity assumptions have been incorporated, including the following:

(i) Sensitivity of discount rates applied. A range of discount rates from 9.5% to 15% (2013: 9.5% to 15%) were tested;

(ii) Breakeven analysis of value-in-use calculations based on estimated future cash flows after extrapolating an appropriate discount rate; and

(iii) Sensitivity analysis of estimated future cash flows against the pre-tax discount rate of 12% (2013: 12%) and the breakeven point.

Impact of possible changes in key assumptions

The recoverability of CGU assets has been reviewed across the automotive retail and logistics business segments incorporating various sensitivity assumptions as discussed above. A review of the results of this testing leads to a conclusion that no change in these key underlying assumptions, within the range assessed, would significantly affect the Group's capacity to recover the carrying amount of its CGU assets.

Impairment charge

As a result of the above impairment testing process at 30 June 2014, no impairment charge (2013: $Nil million) has been brought to account in the year ended 30 June 2014.

13. Current liabilities – trade and other payables

	Consolidated	
	2014 **$'000**	2013 $'000 *Restated*
Trade payables	**111,866**	124,333
Other payables and accruals	**114,421**	116,448
Goods and services tax	**10,700**	8,328
Derivative financial instruments	**228**	1
	237,216	249,110

14. Current liabilities – provisions

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Annual leave	**30,419**	24,972
Long service leave	**21,196**	19,665
Other	**3,248**	3,946
Warranties	**2,291**	2,224
	57,154	50,807

MOVEMENTS IN PROVISIONS AND AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN 12 MONTHS

Please refer to Note 15 for details.

15. Non-current liabilities – provisions

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Warranties	**4,583**	4,447
Long service leave	**8,650**	7,473
Make good provisions	**3,926**	3,183
	17,159	15,103

WARRANTIES

Ongoing provision is made for estimated customer claims in respect of extended warranties provided on certain retail vehicle sales. Warranties provided are typically offered up to a three year period; therefore the reported balance is expected to settle over the next three years. Management estimates the provision based on historical warranty claim information and any recent trends that suggest future claims could differ from historical amounts.

MAKE GOOD PROVISION

At the end of the respective lease term, the Group is required to restore various leased business premises to their condition at the time of entering the lease, subject to fair wear and tear. A provision has been recognised for the present value of the estimated expenditure required to restore various leasehold sites to this condition. These costs have been capitalised as part of the cost of the leasehold and are amortised over the shorter of the term of the lease or the useful life of the leasehold assets.

15. Non-current liabilities – provisions (continued)

MOVEMENTS IN PROVISIONS

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Warranties	Make Good / Other
	$'000 *Restated*	$'000
At 1 July 2013	6,671	7,129
Additional provisions recognised	4,203	45
Payments / other sacrifices of economic benefits	(4,000)	-
At 30 June 2014	**6,874**	**7,174**
Current 2014	2,291	3,248
Non-current 2014	4,583	3,926
	6,874	**7,174**
Current 2013	2,224	3,946
Non-current 2013	4,447	3,183
	6,671	**7,129**

AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN THE NEXT 12 MONTHS

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experiences, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The amount of leave that is not expected to be taken or paid within the next 12 months is $41,291,776 (2013: $35,625,000).

16. Interest-bearing loans and borrowings

CURRENT

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Finance company loans	**565,554**	578,750
Lease liability	**5,848**	5,108
Hire purchase liability	**16,927**	9,411
Other	**2,090**	-
	590,419	593,269

Finance company loans

Finance company loans (floorplan facilities) are in respect of vehicles provided to the Group (note 38(o)) and are secured over these vehicle inventories. The Group has total floorplan facilities amounting to $734,357,998 (2013: $706,087,999). At 30 June 2014 $565,544,000 (2013: $578,750,000) of these facilities were used. The weighted average interest rate applicable at 30 June 2014 on these loans was 4.59% (2013: 4.65%).

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

NON-CURRENT

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Other loans	**119,226**	133,722
Lease liability	**18,049**	17,614
Hire purchase liability	**53,979**	21,269
Amounts owing to manufacturer	**859**	800
	192,113	173,405

Other Loans

$104,000,000 (2013: $125,000,000) are commercial bills secured over certain properties, plant and equipment, receivables, cash and inventories of the Group. Interest is charged at an average rate of 2.71% (2013: 2.89%) for the period of the current bills in place.

$14,425,420 (2013: $7,776,492) are other commercial loans secured over specific properties and plant and equipment. Interest is charged at an average rate of 2.71% (2013: 2.89%).

$500,000 (2013: $500,000) are commercial loans with a five year term. Interest is charged at a variable rate of 7.15% at 30 June 2014 (2013: 7.50%).

$252,949 (2013: $329,500) is a franchise supported working capital loan between Auckland Automotive Collection Limited and UDC Finance Limited. Interest is charged at an average rate of 6.85% (2013: 6.27%).

$Nil (2013: $56,621) is a loan between Auckland Automotive Collection Limited and UDC Finance Limited for minor capital works. Interest is charged at an average rate of Nil% (2013: 6.27%).

$47,735 (2013: $59,196) is a supplier loan to fund minor capital works in fixed operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Interest-bearing loans and borrowings (continued)

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Amounts owing to manufacturer

$858,671 (2013: $800,000) is an unsecured amount owing to a manufacturer and is non-interest bearing.

Fair values

For the majority of borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on these borrowings is either close to current market rates (leases/HP) or the borrowings are of a relatively short-term nature (commercial bills contained within an overarching non-current facility however they roll-over on a short-term basis within this facility during the financial year).

These liabilities are classified as Level 3 financial instruments and fair values in the fair value hierarchy due to the use of unobservable inputs.

	Carrying Value		Fair Value	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Group				
Finance liabilities				
Advances	**119,178**	133,663	**119,178**	133,663
Lease liability	**18,049**	17,614	**18,049**	17,614
Hire purchase liability	**53,979**	21,269	**53,979**	21,269
Amounts owing to manufacturer	**859**	800	**859**	800
Other loans	**48**	59	**48**	59
	192,113	173,405	**192,113**	173,405

INTEREST RATE AND LIQUIDITY RISK

Details regarding interest rate and liquidity risk are disclosed in note 24.

16. Interest-bearing loans and borrowings (continued)

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current interest-bearing liabilities are:

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000 *Restated*
Current			
Floating charge			
Cash and cash equivalents	6	**99,495**	97,430
Trade and other receivables	7	**293,035**	289,082
Inventories	8	**671,920**	689,556
Other current assets	9	**23,413**	14,897
Total current assets pledged as security		**1,087,863**	1,090,965
Non - Current			
First mortgage			
Freehold land and buildings	11	**10,647**	10,647
Finance lease			
Plant and equipment	11	**23,717**	22,246
Floating charge			
Freehold land and buildings	11	**29,823**	12,410
Plant and equipment	11	**239,757**	141,420
Total non-current assets pledged as security		**303,944**	186,723
Total assets pledged as security		**1,391,807**	1,277,688

FACILITIES

Group borrowing facilities and amounts utilised for current and non-current interest-bearing liabilities are:

	Consolidated Utilised $'000	Consolidated Un-utilised $'000	Consolidated Total Facility $'000
Bank overdraft	-	3,000	3,000
Finance company loans	565,554	168,804	734,358
Lease & HP	94,804	67,061	161,865
Commercial loans	121,316	97,684	219,000
Amounts owing to manufacturer	859	-	859
	782,533	336,549	1,119,082
Contingent Liabilities (guarantees)	14,166	5,834	20,000
	796,699	342,383	1,139,082

17. Contributed equity

	Parent		Parent	
	2014 Shares	2013 Shares	**2014 $'000**	2013 $'000
Ordinary shares fully paid	**306,541,437**	260,683,178	**541,532**	384,112
Treasury shares	**-**	-	**-**	-
Total contributed equity	**306,541,437**	260,683,178	**541,532**	384,112

ORDINARY SHARES

On the show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

		No. of Shares	Issue Price	$'000
01/07/12	**Balance at 1 July 2012**	**260,683,178**		**384,112**
30/06/13	**Balance at 30 June 2013**	**260,683,178**		**384,112**
01/04/14	Institutional placement	32,951,290	$ 3.49	115,000
30/04/14	Share issued as part of purchase consideration	4,297,994	$ 3.49	15,000
08/05/14	Share purchase plan	8,608,975	$ 3.49	30,045
	Less: transaction costs arising on share issue equity			(3,750)
	Deferred tax credit recognised directly in equity			1,125
30/06/14	**Balance at 30 June 2014**	**306,541,437**		**541,532**

(a) Institutional Placement

On 1 April 2014 AHG completed an Institutional Placement issuing 32,951,290 shares at $3.49 per share to raise gross proceeds of $115 million. Transaction costs of this placement totalled $3.65 million.

(b) Purchase Consideration

On 30 April 2014 AHG issued 4,297,994 shares as part of the purchase consideration as part of the Scotts Refrigerated Freightways/JAT Refrigerated Road Services acquisition (Note 27).

(c) Share Purchase Plan

On 8 May 2014 AHG completed a Share Purchase Plan issuing 8,608,975 shares. Existing shareholders participated in the opportunity to obtain additional shares at $3.49 per share to raise gross proceeds of $30.05 million. Transaction costs of this placement totalled $0.10 million.

17. Contributed equity (continued)

TREASURY SHARES

		No. of Shares	Issue Price	$'000
01/07/12	**Balance at 1 July 2012**	**(843,882)**		**(1,830)**
16/11/12	AHG Employee Share Plan Trust Acquisition	843,882		1,830
30/06/13	**Balance at 30 June 2013**	**-**		**-**
30/06/14	**Balance at 30 June 2014**	**-**		**-**

(d) Treasury Shares

Treasury shares were shares in AHG Limited that were held by the AHG Employee Share Plans Trust for the purpose of issuing shares under the various AHG share-based payment plans (see note 29 for further information regarding the employee share plan). All Treasury shares have now been issued in accordance with the various AHG share-based payment plans.

18. Retained earnings and reserves

MOVEMENTS IN RETAINED EARNINGS WERE AS FOLLOWS:

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Opening balance at 1 July	**87,605**	72,333
Net profit for the year attributable to members	**72,924**	64,802
Dividends paid to members	**(53,440)**	(49,530)
Closing balance at 30 June	**107,090**	87,605

18. Retained earnings and reserves (continued)

OTHER RESERVES

Consolidated	Share-based Payments Reserve	Hedge Reserve	Foreign Currency Translation	Total
	$'000	$'000	$'000	$'000
At 1 July 2012	-	(1,757)	(398)	(2,155)
Cash flow hedges		5,019		5,019
Exchange differences on translation of foreign operations			615	615
Employee share scheme	237			237
Income tax relating to components of other comprehensive income		(1,506)		(1,506)
At 30 June 2013	**237**	**1,756**	**217**	**2,210**
At 1 July 2013	237	1,756	217	2,210
Cash flow hedges		(2,737)		(2,737)
Exchange differences on translation of foreign operations			685	685
Employee share scheme	467			467
Income tax relating to components of other comprehensive income		821		821
At 30 June 2014	**705**	**(160)**	**902**	**1,446**

NATURE AND PURPOSE OF RESERVES

Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of Performance Rights shares granted to employees but not yet vested.

Hedge revaluation reserve

Changes in the fair value of hedging instruments are taken to this reserve, as described in Note 38(ee). Amounts are recognised in the statement of profit or loss and other comprehensive income when the associated hedge transaction affects the statement of profit or loss and other comprehensive income.

Foreign currency translation reserve

Exchange differences arising on translation of the controlled foreign entity are taken to the foreign currency translation reserve, as described in note 38(j). The reserve is recognised in the statement of profit or loss and other comprehensive income on disposal of the net investment.

19. Non-controlling interest

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Interest in:		
Share Capital	**12,701**	5,801
Retained Profit	**1,609**	1,292
Balance 30 June	**14,310**	7,093

Refer to note 28 for details of the subsidiaries within the AHG Group. There are nine subsidiaries where AHG holds an equity interest between 50.1% and 85%, giving rise to non-controlling interests for the balance to 100% shareholding. There are also four WMC-related subsidiaries where AHG hold a 0% equity interest but a non-controlling interest arises as a result of first-time consolidation under AASB 10 (refer to Note 39 for further details). None of the non-controlling interests held in these subsidiaries are individually material to AHG's consolidated performance or position.

The majority of these arrangements arise from automotive compliance requirements with particular franchises, with little adverse restrictions, risks or consequences for AHG compared to other franchises held without these compliance requirements. In relation to the remaining non-controlling interests, there are no material adverse restrictions, risks or consequences for AHG arising from the non-controlling interest positions held.

20. Dividends paid and proposed

RECOGNISED AMOUNTS

	Consolidated	
Dividends on ordinary shares:	**2014 $'000**	2013 $'000
Final dividend for the year ended 30 June 2013 of 12 cents per fully paid share paid on 2 October 2013 (30 June 2012 of 11 cents per fully paid share paid on 2 October 2012)	**31,282**	28,675
Interim dividend of the half-year ended 31 December 2013 of 8.5 cents per fully paid share paid on 3 April 2014 (31 December 2012 of 8 cents per fully paid share paid on 3 April 2013)	**22,158**	20,855
	53,440	49,530

UNRECOGNISED AMOUNTS

	Consolidated	
Dividends on ordinary shares:	**2014 $'000**	2013 $'000
Since year end, the directors have recommended the payment of a fully franked final dividend of 12.5 cents per share (2013: 12 cents), based on tax paid at 30%. The aggregate amount of dividends to be paid on 2 October 2014 (2013: 2 October 2013) out of the retained profits at 30 June 2014, but not recognised as a liability at year end is	**38,318**	31,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Dividends paid and proposed (continued)

FRANKING CREDIT BALANCE

	Consolidated	
Dividends on ordinary shares:	**2014 $'000**	2013 $'000 *Restated*
Franking credits available for subsequent financial years based on tax rate of 30%	**113,000**	106,770

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the current tax liability; and
- franking debits that will arise from the payment of dividends either proposed at the reporting date, or recommended for payment subsequent to the reporting date but prior to sign-off of these financial statements.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $16,421,863 (2013: $13,406,564).

Tax rates

The tax rate at which paid dividends have been franked is 30% (2013: 30%). Dividends proposed will be franked at 30% (2013: 30%).

21. Earnings per share

BASIC EARNINGS PER SHARE

	Consolidated	
	2014 cents	2013 cents *Restated*
IFRS Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**26.9**	24.9
Diluted earnings per share	**26.9**	24.9
Non-IFRS Earnings per share profit attributable before unusual items* attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**29.0**	27.1
Diluted earnings per share	**29.0**	27.1

** Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to Note 1 for a reconciliation of Non-IFRS profit to IFRS profit).*

21. Earnings per share (continued)

RECOGNISED AMOUNTS

	Consolidated	
Basic Earnings Per Share	**2014 $'000**	2013 $'000 *Restated*
Profit attributable to the ordinary equity holders of the Company from continuing operations excluding unusual items*	**72,924**	64,802
Profit / (loss) attributable to the ordinary equity holders of the Company from unusual items*	**5,588**	5,960
Profit attributable to the ordinary equity holders of the Company from continuing operations in calculating basic earnings per share	**78,512**	70,762

** Unusual items - excludes costs and fees in relation to integration and acquisition-related activities, asset divestments, impairment and sale of properties (refer to Note 1 for a reconciliation of Non-IFRS profit to IFRS profit).*

The Group has no instruments that have a dilutive effect on earnings per share.

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Number	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**270,776,519**	260,683,178

22. Statement of cash flows reconciliation

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Profit for the year after tax	**76,289**	66,130
Add-back: Non operating activity cash flow in profit		
- Distributions received	**(604)**	(428)
- Profit on sale of assets	**-**	(232)
- Loss on sale of assets	**1,547**	-
- Profit on sale of investments	**(785)**	(3,472)
- Direct costs relating to acquisition	**1,023**	(4)
Add-back: Non cash flow in profit		
- Depreciation	**21,787**	20,853
- Amortisation	**8,564**	7,704
Changes in operating assets and liabilities		
Decrease / (Increase) in trade debtors	**29,283**	(23,593)
Decrease / (Increase) in inventories	**8,255**	(15,047)
(Increase) in other current assets	**(159)**	(312)
(Increase) in prepayments	**(5,656)**	(4,527)
(Increase) / decrease in deferred tax assets	**(6,501)**	513
(Increase) in current tax payable	**(4,545)**	(3,911)
Increase / (decrease) in trade creditors	**(26,697)**	37,705
Increase / (decrease) in accruals	**(3,082)**	9,457
Decrease in employee entitlements	**2,006**	4,290
(Increase) in other provisions	**(3,982)**	(2,730)
Decrease / (Increase) in deferred tax liabilities	**5,441**	(631)
Net cash inflow from operating activities	**102,184**	91,765

23. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, contingent liabilities, revenue and expenses. Management continually evaluates its judgements and estimates basing them on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results. The following estimates and assumptions have an element of risk which may result in an adjustment to the carrying amounts of assets and liabilities within the next financial year and are discussed below.

DEMONSTRATOR VEHICLE WRITE-DOWN TO NET REALISABLE VALUE

In determining the amount of write-downs required for demonstrator vehicle inventory, management has made judgements based on the expected net realisable value of that inventory. Historic experience and current knowledge of the products has been used in determining any write-downs to net realisable value. Details regarding the write-down of vehicles to net realisable value are shown at note 8.

USED VEHICLE WRITE-DOWN TO NET REALISABLE VALUE

In determining the amount of write-downs required for used vehicle inventory, management has, in consultation with published independent used vehicle valuations, made judgements based on the expected net realisable value of that inventory. Historic experience, current knowledge of the products and the valuations from an independent used car publication has been used in determining any write downs to net realisable value. Details regarding the write-down of vehicles to net realisable value are shown at note 8.

IMPAIRMENT OF INTANGIBLES WITH INDEFINITE USEFUL LIVES

The Group determines whether intangibles with indefinite useful lives are impaired at least at each reporting date under the criteria set out in AASB 136 *Impairment of Assets*. This requires an estimation of the recoverable amount of the cash generating units, to which the intangible is allocated, using a value-in-use discounted cash flow methodology. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives, including sensitivity analysis, are discussed in note 12.

WARRANTIES

The Group uses a third party in the majority of circumstances to determine the level of provision required for mechanical warranties. Where the Group does not use a third party, judgements have been made in respect of the expected performance of the vehicles delivered, number of customers who will use the warranty and how often, and the cost of fulfilling the performance of the mechanical warranty. The related carrying amounts are disclosed in notes 14 and 15.

CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN 50%

In the judgement of the Group, the controlling activity of the WMC entities is the decision and authority surrounding the ability to commit these entities to acquire inventory for importation and distribution by the WMC entities in Australia and New Zealand. This activity is dependent on the ability of the WMC entities to fund these inventory acquisitions; and this funding process and authority is ultimately controlled by AHG. It is on this basis that the Group has judged it has control over the WMC entities despite having a non-controlling equity interest of 0% (2013: 0%). Refer to note 39 for further details.

24. Financial risk management objectives and policies

The Group's principal financial instruments comprise; receivables; payables; commercial borrowings; available-for-sale investments and cash (including overdrafts) and short term deposits.

RISK EXPOSURE AND RESPONSES

The Group's activities expose it to a variety of financial risks – *foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk*. The Group's overall risk management framework focuses on the effective management of its financial risks arising through the automotive retail and logistics businesses. The management program establishes sound policy to minimise financial risk and in particular, any uncertainty faced due to volatility of Group cash flows. The Group uses different methods to measure different types of risk to which it is exposed – these include; sensitivity analysis in the case of interest rate risk; and ageing analysis for credit risk across its receivable balance from both a business unit and Group perspective. In addition the Group undertakes cash flow analysis at regular intervals to manage its liquidity risk and augment its annual cash flow budgeting process.

Risk management is monitored by the Audit & Risk Management Committee which advises the Board and reports on the status of business risks through application of integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

In addition, the Group has implemented a Financial Risk Management Framework that seeks to:

- identify actual and potential financial exposures, through timely information flow within the Group;
- ensure effective management processes are followed for the financial risks identified and any exposure is contained within acceptable levels to avoid / minimise losses;
- deliver managed outcomes in terms of Australian dollar cash flows, employing an approach that focuses on risk minimisation and moderation of cash flow volatility;
- safeguard the Group's financial resources by adhering to authorised credit parameters, appropriate levels of credit authority, operational controls and credit guidelines;
- maintain the adequacy and appropriateness of selected treasury facilities and lines of credit in order to minimise the Group's financial exposure whilst meeting its short and long-term liquidity needs;
- ensure that accounting policies adopted for the treasury function are in accordance with generally accepted accounting practices; and
- ensure that the taxation treatment of treasury products is in accordance with income tax regulations.

Under the Group's Treasury Policy, a Treasury Committee has been established comprising the Head of Business Development, Chief Financial Officer, General Manager - Finance, Company Secretary and an external treasury adviser. This Committee meets regularly, at least on a quarterly basis, to review internal and external reports, with minutes circulated to the Board after each meeting. The Committee's responsibilities include:

- discussing current industry and financial market trends, views and expectations;
- supervision of financial market activities and exposures in terms of the potential impact on the Group and Policy;
- reviewing current debt structures, with a view to any top-up and/or restructuring opportunities that may exist or may be permitted;
- discussing and recommending appropriate strategies for both short-term defensive and long-term strategic hedging; and
- periodically reviewing required changes to the Policy and making recommendation to the Audit & Risk Management Committee (who in turn make recommendations to the Board where required).

24. Financial risk management objectives and policies (continued)

RISK EXPOSURE AND RESPONSES (continued)

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Financial Assets		
Cash and cash equivalents	**99,495**	97,430
Trade and other receivables	**293,035**	286,572
Available-for-sale financial assets	**6,450**	6,750
Derivative financial assets	**-**	2,510
	398,980	393,262
Financial Liabilities at amortised cost		
Trade and other payables	**236,987**	249,108
Interest-bearing loans and borrowings	**782,532**	766,674
Derivative financial liabilities	**229**	1
	1,019,748	1,015,783

The carrying amounts of assets pledged as security against current and non-current borrowings are reflected in note 16. Refer to note 25 for details of derivative financial instruments included in trade and other receivables and trade and other payables.

MARKET RISK

Interest rate risk

In the context of Group activities, interest rate risk arises from exposure in respect of:

- inventory financing arrangements via its floor-plan financing for its dealership group;
- surplus cash within the Group businesses (including monies on deposit); and
- specific debt financing as a result of acquisitions or strategic developments of the Group.

The key elements of the Group approach to managing interest rate risk are to:

- support working capital requirements at a cost of funds that is market competitive;
- manage daily cash position to ensure funds are available to meet operating expenditure and reduce the incidence of bank account overdrafts;
- monitor counterparty covenants and compliance ratios;
- manage any substantial surplus of Australian dollar funds; and
- minimise the overall cost of funds through prudent, effective and efficient management of borrowings and investments.

The Group's main interest rate risk arises from its cash and short and long-term borrowings. Borrowings sourced at variable rates expose the Group to *cash flow* interest rate risk. Borrowings sourced at fixed rates expose the Group to *fair value* interest rate risk. Group policy is to maintain an appropriate level of core non-trade facilities at a fixed rate. This is achieved through a fixed interest borrowing structure. In particular, the Group finances its long-term plant and equipment purchases through fixed rate finance lease and hire purchase facilities.

In the case of general corporate debt, this will be assessed in terms of budget and forecast expenditure and investment requirements.

24. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Within the fixed interest borrowing structure, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees to exchange, at specified intervals (e.g. monthly) the difference between fixed contract rates and floating rate interest amounts by reference to the agreed notional principal amounts. Fixed rate borrowings are carried at amortised cost and are not subject to variable interest rate risk. The fixed rate borrowings under interest rate swaps amounted to $50.00 million (2013: $15.00 million) at 30 June 2014, at a weighted average interest rate of 2.68% (2013: 2.96%).

During 2013 and 2014, the Group's borrowings were principally denominated in Australian dollars. The following table reflects the net debt position subject to variable interest rate risk.

Consolidated 2014		$'000	$'000	- 25Bps		- 50Bps	
	Weighted Average Interest Rate [1]	Notional Amount	Carrying Amount	Profit (after tax)	Equity (after tax)	Profit (after tax)	Equity (after tax)
Financial Assets							
Cash and cash equivalents	1.69%		99,495	(174)		(348)	
Financial Liabilities							
Vehicle borrowings	4.62%		(565,554)	990		1,979	
Derivatives - cash flow hedges	2.68%		(8)		-		-
Other borrowings	2.70%		(104,253)	182		365	
Total Increase / (Decrease)		-	(570,320)	998	-	1,996	-

Consolidated 2013 (Restated)		$'000	$'000	- 25Bps		- 50Bps	
	Weighted Average Interest Rate [1]	Notional Amount	Carrying Amount	Profit (after tax)	Equity (after tax)	Profit (after tax)	Equity (after tax)
Financial Assets							
Cash and cash equivalents	2.73%		97,430	(171)		(341)	
Financial Liabilities							
Vehicle borrowings	4.65%		(578,750)	1,013		2,025	
Derivatives - cash flow hedges	2.96%		(1)		-		-
Other borrowings	3.83%		(135,330)	237		474	
Total Increase / (Decrease)			(616,651)	1,079	-	2,158	-

[1] *Based on weighted average interest rates in effect at 30 June, excluding fees.*

Group Sensitivity

The above table for the year ended 30 June 2014 reflects a sensitivity analysis on potential interest rate movements of up of 25 and 50 basis points (bps to relevant floating borrowing balances as at reporting date); there exists ongoing volatility in the current market regarding expectations of likely interest rate movements, the quantum of such movements and the direction of these movements. Accordingly, the above tables equally reflect the impact for both interest rate decreases and increases on the Group's financial performance.

24. Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to foreign exchange risk arising from the currency exposures centred on the purchase of inventory (and associated trade payables and finance company loans) and, accordingly, had entered into forward exchange contracts to buy EUR9.82 million (2013: EUR15.55 million) and USD $1.38 million (2013: USD $0.50 million) as of 30 June 2014.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency. The risk is measured using cash flow forecasting and sensitivity analysis. The Group's Treasury Committee assists the Group subsidiaries in managing their foreign exchange risk exposure through the use of forward exchange contracts such as detailed above. All material short-term foreign exchange exposures are hedged and therefore changes in exchange rates will have an immaterial impact on profit or loss or equity.

PRICE RISK

The Group holds available-for-sale financial assets in One Way Traffic Pty Ltd (Carsguide.com.au) and AHG Property Syndicate No 1 Unit Trust (launched by Australasian Property Investments). These are unlisted securities and are immaterial in terms of the possible impact on profit or loss or total equity.

CREDIT RISK

Credit risk is managed at both the business unit and Group level. Credit risk arises predominantly from credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The objective of the Group's credit risk policy is to contain the potential for losses arising from customer unwillingness and inability or failure to discharge outstanding debts to the Group. The Group's credit risk policy ensures:

- the development of credit approval procedures;
- analysis of aged debtor balances; and
- collection of delinquent debtor accounts.

Specifically, the Group's credit risk arises from:

- fleet customer purchases where deferred payment terms have been negotiated; and
- concentration of high volume/frequency fixed operation customers in like industries;

The key elements of the Group's approach to managing credit risk are to:

- review aged trade debtors on a regular basis from a business and Group perspective;
- enforce cash on delivery (COD) sales of retail and fleet vehicles and documentation of deferred payment terms to approved fleet customers where these have been negotiated; and
- enforce trading terms and requirement of COD until trade accounts are finalised.

There are no significant concentrations of credit risk through exposure to individual customers.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised over leaf.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

Maximum Credit Risk	**Consolidated**	
	2014 $'000	2013 $'000 *Restated*
Deposits	**8,158**	11,598
Vehicle debtors	**65,633**	73,264
Parts and service debtors	**158,437**	156,534
Factory receivables	**37,761**	32,143
Finance and insurance receivables	**14,051**	13,378
Allowance for impairment of trade receivables	**(2,940)**	(3,120)
Total trade receivables	**281,100**	283,797

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Credit Quality of Total Trade Receivables	**Consolidated**	
	2014 $'000	2013 $'000 *Restated*
Counterparties with external credit ratings		
AA	**16,805**	14,183
A	**7,040**	5,180
BBB	**4,984**	5,011
BB	**9,446**	9,938
B	**3,363**	3,826
CCC	**235**	340
	41,873	38,478
Counterparties without external credit ratings		
Group 1	**62,166**	76,571
Group 2	**151,135**	150,372
Group 3	**28,866**	21,496
	242,167	248,439
Total trade receivables	**284,040**	286,917
Cash and cash equivalents		
AA	**74,474**	72,392
BBB	**25,021**	25,038
	99,495	97,430

Group 1 - new customers (less than 6 months).
Group 2 - existing customers (more than 6 months) with no defaults in the past.
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

24. Financial risk management objectives and policies (continued)

LIQUIDITY RISK

The objective of the Group's liquidity risk policy is to ensure that it has adequate financing facilities and operating cash flows available to meet its financial commitments.

The Group's liquidity risk management approach is to identify and manage its financial commitments on the following basis:

- long-term liquidity management involving the structuring of the Group's statement of financial position and debt maturity profile to protect against liquidity problems in the future; and
- maintain flexible funding arrangements with financiers so as to allow for additional lines of credit to be established as required.

The following table provides a maturity profile for the Group's financial liabilities. The amounts disclosed in the table are the gross contractual undiscounted cash flows required to settle the respective liabilities.

Gross Contractual Liability Cash Flow Outgoings ($'000)						
Consolidated 2014	**Carrying Amount**	**1 - 12 months**	**1 - 2 years**	**2 - 5 years**	**5 + years**	**Total Gross Cash flow**
Used car VIL borrowings	55,739	56,030	-	-	-	56,030
New car floor-plan*	509,815	512,284	-	-	-	512,284
Trade payables	111,866	110,638	723	3	502	111,866
Other payables and accruals	125,350	123,931	497	561	361	125,350
Finance lease liabilities	23,897	5,851	6,278	11,768	-	23,897
Hire purchase liabilities	70,906	16,904	13,669	40,332	-	70,906
External loans	122,174	13,498	108,640	36	-	122,174
	1,019,748	839,138	129,807	52,700	863	1,022,508

Gross Contractual Liability Cash Flow Outgoings ($'000)						
Consolidated 2013 (Restated)	**Carrying Amount**	**1 - 12 months**	**1 - 2 years**	**2 - 5 years**	**5 + years**	**Total Gross Cash flow**
Used car VIL borrowings	51,679	51,957	-	-	-	51,957
New car floor-plan*	527,027	529,818	-	-	-	529,818
Trade payables	130,314	129,679	634	-	-	130,314
Other payables and accruals	125,332	123,751	442	635	504	125,332
Finance lease liabilities	22,722	5,143	4,593	12,987	-	22,722
Hire purchase liabilities	30,680	9,404	6,919	14,343	14	30,680
External loans	135,371	99	126	135,146	-	135,371
	1,023,125	849,851	12,714	163,111	518	1,026,194

** The Group finances the acquisition of its new vehicle inventory via a bailment arrangement, with multiple financiers, known as floor-plan financing. Under its floor-plan financing arrangement, the Group's total inventory borrowings are comprised of individually secured loans against specific items of inventory. Generally, upon finalisation of a retail sale and receipt of retail customer funds (COD delivery) in respect of an item of inventory, the Group discharges the specific amount owing under its floor-plan financing arrangement. In this way, cash flow required to meet the Group's floor-plan financing obligations is available as part of the Group's working capital cycle.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

FAIR VALUE MEASUREMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period (current bid price). These instruments are included in level 1. $Nil at 30 June 2014 (2013: Nil).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The group has level 2 derivative financial instruments at fair value comprising derivative assets of $Nil (2013: $2,510,000) and derivative liabilities of $229,000 (2013: $1,000).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted securities. Specific valuation techniques used to value financial instruments include discounted cash flow analysis and other techniques.

As of 30 June 2014, there were two level 3 investments held, being an unlisted equity investment in One Way Traffic Pty Ltd (Carsguide.com.au) with a fair value of $2.25 million (2013: $2.25 million) and unlisted units held in the AHG Property Syndicate No. 1 Unit Trust with a fair value of $4.20 million (2013: $4.50 million).

The fair values of these unlisted investments are individually determined based on the present value of net cash inflows from future profits and subsequent disposal of the securities. These net cash inflows are discounted to their present value using a pre-tax discount rate of 12.0% that reflects a current market assessment of the time value of money and the risks specific to those assets. If the estimated risk-adjusted discount rate was 10% higher or lower, the fair value (and equity reserves) would increase/decrease by $0.42 million (2013: $0.45 million).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting their future contractual cash flows at the current market interest rate of 2.70% that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying value amount, as the impact of discounting is not significant.

25. Derivative financial instruments

	Consolidated	
	2014 $'000	2013 $'000
Current assets		
Interest-rate swap contracts (included in Receivables note 7)	**-**	-
Forward foreign exchange contracts (included in Receivables note 7)	**-**	2,510
	-	2,510
Current liabilities		
Interest-rate swap contracts (included in Receivables note 13)	**8**	1
Forward foreign exchange contracts (included in Receivables note 13)	**221**	-
	229	1

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 24).

(i) Interest rate swaps – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 2.71% (2013: 2.90%) (excluding fees). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable interest rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 48% (2013: 11%) of the variable loan principal outstanding. The average fixed interest rate is 2.68% (2013: 2.96%). The contracts require settlement of net interest receivable or payable on a monthly basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the statement of profit or loss and comprehensive income when the hedged interest expense is recognised. In the year ended 30 June 2014 a loss of $0.01 million (2013: loss of $0.69 million) was reclassified into the statement of profit or loss and other comprehensive income and included in finance costs. There was no hedge ineffectiveness in the current year.

(ii) Forward exchange contracts – cash flow hedges

Components of the Other Logistics segment purchase inventory in Euros and US Dollars. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase Euros and US Dollars. These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement recognised in the statement of financial position by removing the related amount from other comprehensive income.

During the year ended 30 June 2014 $1.76 million (2013: $1.20 million) was reclassified from other comprehensive income and included in the cost of sales.

(b) Risk exposures and fair value measurements

Information about the Group's exposure to foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 24.

26. Capital management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern so that the Group can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the parent entity monitor capital on the basis of the gearing ratio; however there are industry-specific funding arrangements (finance company loans) which see this monitoring occur on both a traditional gearing ratio basis as well as an automotive industry specific gearing ratio.

1. Traditional Gearing Ratio

Traditional gearing ratios are calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

	Consolidated	
Gearing Ratio - Traditional	**2014 $'000**	2013 $'000 *Restated*
Total borrowings	**782,532**	766,674
Less: cash and cash equivalents	**(99,495)**	(97,430)
Net debt	**683,037**	669,244
Total equity	**664,378**	481,020
Total capital under management	**1,347,415**	1,150,264
Gearing ratio	**50.7%**	58.2%

26. Capital management (continued)

2. Automotive Industry Gearing Ratio

The automotive retail industry utilises a relatively unique funding structure in relation to its vehicle inventory holdings, whereby the majority of inventory is specifically financeable. On this basis, the Group considers that the exclusion of these finance company loans from net debt and total assets reflects a more appropriate gearing ratio specific to the automotive industry and more reflective of the substance behind the traditional gearing ratio.

	Consolidated	
Gearing Ratio - Automotive Industry	**2014 $'000**	2013 $'000 *Restated*
Current debt	**590,419**	593,269
Less: cash and cash equivalents	**(565,554)**	(578,750)
Current debt excluding finance company loans	**24,865**	14,519
Less: cash and cash equivalents	**(99,495)**	(97,430)
Net cash excluding finance company loans	**(74,630)**	(82,911)
Non-current debt	**192,113**	173,405
Net debt excluding finance company loans and cash	**117,483**	90,494
Total assets	**1,768,919**	1,572,300
Less: cash and cash equivalents	**(99,495)**	(97,430)
Less: finance company loans	**(565,554)**	(578,750)
Total assets less finance company loans and cash	**1,103,870**	896,120
Gearing Ratio	**10.6%**	10.1%

AHG has complied with the financial covenants of its borrowings facilities during the 2014 and 2013 reporting periods.

27. Business combinations

A. JASON MAZDA

On 26 July 2013 Automotive Holdings Group Limited acquired certain business assets and liabilities of Jason Mazda, an automotive retail operation in Osborne Park, Perth for a consideration of $12.616 million The acquisition expands AHG's automotive operations in Western Australia.

The business contributed revenues of $44.894 million and a net profit before tax of $3.219 million for the year ended 30 June 2014 before acquisition and integration costs. It is expected that AHG would have reported $4,740.81 billion in consolidated revenues and $72.989 million consolidated profit after tax attributable to members, for the year ended 30 June 2014, had this acquisition occurred at the beginning of the reporting period.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	12,616
Total purchase consideration	12,616

	Fair Value $'000
Vehicle inventories (net of bailment)	(38)
Parts inventories	44
Other assets	710
Deferred tax assets	172
	888
Trade and other payables	(53)
Employee entitlements	(420)
	(473)
Net identifiable assets acquired	415
Add: goodwill	4,067
Add: franchise rights	8,134
Net assets acquired	12,616

i. Goodwill

The goodwill is attributable to synergistic benefits through combined economies of scale of the acquired business with AHG's existing automotive retail operations. It is only deductible for tax purposes upon any future sale of this business.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisition, nor any contingent liabilities or non-controlling interests to be accounted for.

Integration-related costs (technology, personnel, occupancy) and acquisition-related costs (stamp duty, professional services) of $0.74 million are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2014.

27. Business combinations (continued)

B. DAVIE MOTORS

On 2 September 2013 Automotive Holdings Group Limited acquired certain business assets and liabilities of Davie Motors, an automotive retail operation in Manukau, Auckland for consideration of $2.248 million. The acquisition expands AHG's automotive retail operations in New Zealand.

The business contributed revenues of $54.014 million and a net profit before tax of $0.790 million for the year ended 30 June 2014 before acquisition and integration costs. It is expected that AHG would have reported $4,748.63 billion in consolidated revenues and $73.106 million consolidated profit after tax attributable to members, for the year ended 30 June 2014, had this acquisition occurred at the beginning of the reporting period.

Details of the purchase consideration, the net assets acquired and intangible assets identified are as follows:

	$'000
Purchase consideration	
Cash paid	2,248
Total purchase consideration	2,248

	Fair Value $'000
Vehicle inventories (net of bailment)	673
Parts inventories	347
Other assets	37
Deferred tax assets	551
	1,608
Trade and other payables	(100)
Employee entitlements	(199)
	(299)
Net identifiable assets acquired	1,309
Add: goodwill	313
Add: franchise rights	626
Net assets acquired	2,248

i. Goodwill

The goodwill is attributable to the workforce, profitability of the acquired business and the synergistic opportunities it offers with AHG's existing automotive retail operations. It is only deductible for tax purposes upon any future sale of this business.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisition, nor any contingent liabilities or non-controlling interests to be accounted for.

Integration-related costs (technology, personnel, occupancy) and acquisition-related costs (stamp duty, professional services) of $0.15 million are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Business combinations (continued)

C. HUSQVARNA

On 1 January 2014, Automotive Holdings Group Limited acquired the distribution rights to exclusively distribute Husqvarna Motorcycles in Australia and New Zealand for consideration of $3.00 million. The acquisition expands AHG's motorcycle retail operations in Australia and New Zealand.

The business contributed revenues of $9.815 million and a net profit before tax of $0.027 million for the year ended 30 June 2014 before acquisition and integration costs. It is expected that AHG would have reported $4,747.18 billion in consolidated revenues and $73.006 million consolidated profit after tax attributable to members, for the year ended 30 June 2014, had this acquisition occurred at the beginning of the reporting period.

Details of the purchase consideration, the net assets acquired and intangible assets identified are as follows:

	$'000
Purchase consideration	
Cash paid	3,000
Total purchase consideration	3,000

	Fair Value $'000
Franchise rights	3,000
Net assets acquired	3,000

i. Goodwill

There is no goodwill attributable to this acquisition.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisition, nor any contingent liabilities or non-controlling interests to be accounted for.

Integration-related costs (technology, personnel, occupancy) and acquisition-related costs (stamp duty, professional services) of $0.01 million are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2014.

27. Business combinations (continued)

D. SCOTT'S REFRIGERATED FREIGHTWAYS / JAT REFRIGERATED ROAD SERVICES

On 30 April 2014 Automotive Holdings Group Limited acquired certain business assets and liabilities of Scott's Refrigerated Freightways and JAT Refrigerated Road Services, transport and cold storage (logistics) operations in New South Wales and Queensland for consideration of $109.680 million, less assumed debt of $28.676 million for net purchase consideration of $81.004 million. The acquisition expands AHG's refrigerated logistics (transport and cold storage) operations in Australia.

The business contributed revenues of $39.757 million and net profit before tax of $2.290 million for the year ended 30 June 2014 before acquisition and integration costs. It is expected that AHG would have reported $4,936.15 billion in consolidated revenues and $84.437 million consolidated net profit after tax attributable to members, for the year ended 30 June 2014, had the acquisition occurred at the beginning of the reporting period.

Details of the purchase consideration, the net assets acquired and intangible assets identified are as follows:

	$'000
Purchase consideration	
Cash paid	66,010
Fair Value of Shares Issued (4,297,994 @ $3.49)	15,000
Asset finance liabilities assumed	28,676
Less balances acquired: Cash	(6)
Total purchase consideration	109,680

As part of the consideration for the purchase of SRF/JAT, shares in AHG were issued to the vendors. The shares are subject to a Voluntary Escrow agreement commencing 30 April 2014, with 1.4 million shares being escrowed for 4 months and the remainder for 12 months.

	Fair Value $'000
Trade and other debtors	30,367
Other inventory	1,128
Property, plant and equipment	45,937
Deferred tax assets	1,849
	79,281
Trade and other payables	(18,132)
Employee entitlements	(5,514)
	(23,646)
Net identifiable assets acquired	55,635
Add: goodwill	54,045
Net assets acquired	109,680

D. SCOTT'S REFRIGERATED FREIGHTWAYS / JAT REFRIGERATED ROAD SERVICES (continued)

i. Goodwill

The goodwill is attributable to the workforce, profitability of the acquired business and the synergistic opportunities it offers with AHG's Refrigerated Logistics operations. It is only deductible for tax purposes upon any future sale of this business.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisition, nor any contingent liabilities or non-controlling interests to be accounted for.

Integration-related costs (technology, personnel, occupancy) and acquisition-related costs (stamp duty, professional services) of $4.87 million are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2014.

iii. Information not disclosed as not yet available

The Group has reported provisional amounts for goodwill and property plant and equipment acquired as part of the purchase of SRF / JAT (see above). The amounts proportionally attribute to goodwill is consistent with the Group's treatment of like amounts previously acquired in relation to Refrigerated Logistics acquisitions.

28. Related party disclosures

SUBSIDIARIES

Name Of Entity	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
Corporate			
AHG Services (NSW) Pty Ltd	Australia	100%	100%
AHG Services (WA) Pty Ltd	Australia	100%	100%
AHG Services (Vic) Pty Ltd	Australia	100%	100%
AHG Services (Qld) Pty Ltd	Australia	100%	100%
ACN 150 616 890 Pty Ltd	Australia	100%	100%
ACN 150 616 747 Pty Ltd	Australia	100%	100%
AHG Training Pty Ltd	Australia	100%	100%
Logistics			
Rand Transport (1986) Pty Ltd	Australia	100%	100%
Rand Transport Pty Ltd	Australia	100%	100%
Rand Transport Unit Trust	Australia	100%	100%
Motorcycle Distributors Pty Ltd	Australia	100%	100%
Butmac Pty Ltd	Australia	100%	100%
Motorbike Unit Trust	Australia	100%	100%
Janasen Pty Ltd	Australia	100%	100%
VMS Pty Ltd	Australia	100%	100%
Vehicle Storage & Engineering Pty Ltd	Australia	100%	100%
Shemapel 2005 Pty Ltd	Australia	100%	100%
Covs Parts Pty Ltd	Australia	100%	100%
Vehicle Parts (WA) Pty Ltd	Australia	50%	50%
Zupps Parts Pty Ltd	Australia	100%	100%

28. Related party disclosures (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
Logistics (continued)			
Castlegate Enterprises Pty Ltd	Australia	100%	100%
AHG Management Co Pty Ltd	Australia	100%	100%
AHG International Pty Ltd	Australia	100%	100%
HQVA Pty Ltd	Australia	100%	100%
Scotts Refrigerated Pty Ltd	Australia	100%	100%
JAT Refrigerated Road Services Pty Ltd	Australia	100%	100%
WMC Bus Pty Ltd	Australia	0%	0%
WMC Pty Ltd	Australia	0%	0%
JAC Unit Trust	Australia	0%	0%
LDV Pty Ltd	Australia	0%	0%
LWC Limited	New Zealand	100%	100%
LWC International Limited	New Zealand	100%	100%
KTM New Zealand Limited	New Zealand	74%	74%
Automotive			
Auckland Auto Collection Limited	New Zealand	100%	100%
AHG Finance 2005 Pty Ltd	Australia	100%	100%
AHG Finance Pty Ltd	Australia	100%	100%
AHG Finance Unit Trust	Australia	100%	100%
MBSA Motors Pty Ltd	Australia	100%	100%
AHG Property Head Trust 1 Unit Trust	Australia	100%	100%
ACN 132 712 111 Pty Ltd	Australia	100%	100%
AHG Property Sub Trust 1 Unit Trust	Australia	100%	100%
AHG Property Sub Trust 2 Unit Trust	Australia	100%	100%
AHG Property Pty Ltd	Australia	100%	100%
Allpike Autos Pty Ltd	Australia	100%	100%
Big Rock 2005 Pty Ltd	Australia	80%	80%
Big Rock Pty Ltd	Australia	100%	100%
Big Rock Unit Trust	Australia	100%	100%
Chellingworth Pty Ltd	Australia	100%	100%
AUT 6 Pty Ltd	Australia	100%	100%
Mounts Bay Unit Trust	Australia	100%	100%
City Motors (1981) Pty Ltd	Australia	100%	100%
Lionteam Pty Ltd	Australia	100%	100%
City Motors Unit Trust	Australia	100%	100%
Dual Autos Pty Ltd	Australia	100%	100%
Duncan Autos 2005 Pty Ltd	Australia	100%	100%
Duncan Autos Pty Ltd	Australia	100%	100%
Duncan Autos Unit Trust	Australia	100%	100%
Giant Autos (1997) Pty Ltd	Australia	100%	100%
Giant Autos Pty Ltd	Australia	100%	100%
Giant Autos Unit Trust	Australia	100%	100%
Grand Autos 2005 Pty Ltd	Australia	80%	80%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
Automotive (continued)			
SWGT Pty Ltd	Australia	100%	100%
SWGT Unit Trust	Australia	100%	100%
North City 2005 Pty Ltd	Australia	100%	100%
North City (1981) Pty Ltd	Australia	100%	100%
North City Unit Trust	Australia	100%	100%
Northside Nissan (1986) Pty Ltd	Australia	100%	100%
Northside Autos 2005 Pty Ltd	Australia	100%	100%
Northside Nissan Unit Trust	Australia	100%	100%
Nuford Ford Pty Ltd	Australia	100%	100%
Kingspoint Pty Ltd	Australia	100%	100%
New Dealership Unit Trust	Australia	100%	100%
Melville Autos 2005 Pty Ltd	Australia	100%	100%
Melville Autos Pty Ltd	Australia	100%	100%
Melville Autos Unit Trust	Australia	100%	100%
Osborne Park Autos Pty Ltd	Australia	100%	100%
Janetto Holdings Pty Ltd	Australia	100%	100%
Osborne Park Unit Trust	Australia	100%	100%
Perth Auto Alliance Pty Ltd	Australia	100%	100%
Skipper Trucks Pty Ltd	Australia	100%	100%
Geraldine Nominees Pty Ltd	Australia	100%	100%
Belmont Unit Trust	Australia	100%	100%
Southside Autos 2005 Pty Ltd	Australia	100%	100%
Southside Autos (1981) Pty Ltd	Australia	100%	100%
Southside Unit Trust	Australia	100%	100%
Total Autos 2005 Pty Ltd	Australia	100%	100%
Total Autos (1990) Pty Ltd	Australia	100%	100%
Total Autos Unit Trust No. 2	Australia	100%	100%
WA Trucks Pty Ltd	Australia	100%	100%
Falconet Pty Ltd	Australia	100%	100%
Truck Unit Trust	Australia	100%	100%
AHG 1 Pty Ltd	Australia	100%	100%
Ferntree Gully Autos Pty Ltd	Australia	80%	90%
ACM Autos Pty Ltd	Australia	80%	85%
ACM Liverpool Pty Ltd	Australia	100%	100%
Automotive Holdings Group (NSW) Pty Ltd	Australia	100%	100%
Castle Hill Autos No. 1 Pty Ltd	Australia	100%	100%
Highland Autos Pty Ltd	Australia	80%	80%
Highland Kackell Pty Ltd	Australia	100%	100%
MCM Autos Pty Ltd	Australia	80%	85%

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
Automotive (continued)			
MCM Sutherland Pty Ltd	Australia	100%	100%
Automotive Holdings Group (Qld) Pty Ltd	Australia	100%	100%
Southeast Automotive Group Pty Ltd	Australia	100%	100%
Southern Automotive Group Pty Ltd	Australia	100%	100%
Southwest Automotive Group Pty Ltd	Australia	100%	100%
Zupp Holdings Pty Ltd	Australia	100%	100%
Zupps Aspley Pty Ltd	Australia	100%	100%
Zupps Gold Coast Pty Ltd	Australia	100%	100%
Zupps Mt Gravatt Pty Ltd	Australia	100%	100%
Zupps Southside Pty Ltd	Australia	100%	100%
Mornington Auto Group (2012) Pty Ltd	Australia	100%	100%
Melbourne City Autos (2012) Pty Ltd	Australia	100%	100%
Automotive Holdings Group (Victoria) Pty Ltd	Australia	100%	100%
Brisbane Commercial Vehicles Pty Ltd	Australia	100%	100%
CFD (2012) Pty Ltd	Australia	100%	100%
Newcastle Commercial Vehicles Pty Ltd	Australia	100%	100%
AHG Automotive Mining and Industrial Solutions Pty Ltd	Australia	100%	100%
AHG 2013 Shelf Company No 7 Pty Ltd	Australia	100%	100%
AHG Northwest Pty Ltd	Australia	100%	100%
360 Finance Pty Ltd	Australia	50.1%	50.1%
360 Financial Services Australia Pty Ltd	Australia	100%	100%
OPM (2012) Pty Ltd	Australia	100%	100%
PT (2013) Pty Ltd	Australia	80%	80%
360 Insurance Pty Ltd	Australia	100%	-
Novated Direct Pty Ltd	Australia	100%	-
Rent Two Buy Pty Ltd	Australia	100%	-
Drive A While Pty Ltd	Australia	100%	-

The consolidated financial statements incorporate the assets, liabilities and results of the above subsidiaries in accordance with the accounting policy described in note 38(c). All controlled entities are either directly controlled by AHG or wholly-owned within the consolidated entity, have ordinary class shares and are incorporated in Australia or New Zealand. The Deed of Cross Guarantee (refer Note 34) relieves wholly-owned entities from lodging financial reports under Class Order 98/1418 (as amended) issued by ASIC.

28. Related party disclosures (continued)

ULTIMATE PARENT

The parent entity in the wholly-owned group is Automotive Holdings Group Limited.

KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated	
	2014 $'000	2013 $'000
Short-term employee benefits	**6,017**	6,281
Long-term employee benefits	**(20)**	573
Share-based payments (vested)	**585**	237
Post-employment benefits	**189**	174
	6,771	7,265

Refer to Note 29 for further details on share-based payments scheme with key management personnel.

TRANSACTIONS WITH RELATED PARTIES

During the year to 30 June 2014 there were $Nil (2013: $Nil) transactions between entities within the wholly-owned Group and related parties.

TRANSACTIONS OF DIRECTORS AND DIRECTOR RELATED ENTITIES CONCERNING SHARES

Transactions relating to ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

OTHER TRANSACTIONS OF DIRECTORS AND DIRECTOR RELATED ENTITIES

Subsidiaries may, from time to time, sell motor vehicles, parts and servicing of motor vehicles for use to Directors of entities in the Consolidated Entity or their Director-related entities on terms and conditions consistent with a normal employee relationship.

Detailed remuneration disclosures in relation to key management personnel are provided in the Directors' Report under the heading 'Remuneration Report'.

GUARANTEE BY EXECUTIVE DIRECTORS

Vehicle registration requirements in Queensland require a personal guarantee and indemnity be granted by the directors of the relevant operating company. The nature of the obligation is to indemnify the State of Queensland against any loss and damage it may suffer as a result of AHG subsidiaries' failure to comply with relevant vehicle licensing requirements connected to AHG's automotive business. This personal obligation (provided by the executive directors) is indemnified by AHG Limited under the terms of the Access Indemnity and Insurance Deed (AIID) entered into between AHG and those individuals in their capacity as director and officer of AHG Limited and all its Group entities.

29. Share based payment plans

AHG PERFORMANCE RIGHTS PLAN

The AHG Performance Rights Plan (Plan), approved by Shareholders on 29 November 2007, awards eligible senior executives of the Company, as determined by the Board from time to time, with rights to acquire shares in the Company (Rights). The vesting of these Rights will be subject to certain specific performance criteria. Summary of the terms of the Plan are as follows:

Type of Plan

Awards under the Plan will be structured as Rights to acquire ordinary shares in the Company for nil consideration, provided specified performance criteria decided by the Board are met within defined time restrictions.

The Plan rules allow participation by any executive director of the Company and other senior executives of the Company deemed to be eligible by the Board. Awards under the Plan will be expressed as a number of Rights to acquire a certain number of ordinary shares in the Company (generally one share for every Right).

Purchase Price

Plan participants will not be required to pay any amount in respect of the award of the Rights or on acquisition of the shares pursuant to the exercise of Rights.

Number of Rights to be Issued

The Board will determine the number of Rights to be granted to each participant through an assessment of market remuneration practice, performance against budget and in line with the Company's executive remuneration strategy. The number of Rights to be awarded to eligible executives is based on the fair value of a LTI Performance Right as at 1 July in the relevant financial year as independently calculated. The Board will call on recommendations from the Remuneration and Nomination Committee.

Vesting

Subject to certain performance criteria being satisfied (see below) Rights will vest on 30 September each year (after the finalisation of the Company's yearly audited financial statements) during the applicable performance period. In the normal course, the exact number of Rights that will vest will be determined by reference to whether the performance criteria have been achieved.

The Board has retained discretion under the Plan to permit variations to the terms on which Rights are issued (including to permit early vesting of the Rights) in some limited circumstances, particularly where a "cessation event" or "change of control" event occurs. "Cessation events" include (among other things) the death, retirement or redundancy of a participant. "Control" has the meaning given to it in section 50AA of the *Corporations Act 2001*.

Performance Criteria

Performance criteria will be designed to align the performance of senior executives with the interests of shareholders. While performance hurdles will be determined by the Board at its discretion, TSR and EPS have been used as measures of performance for senior and operational executives.

TSR will be determined on the basis of the total shareholder return (including dividends) during the relevant performance period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

The issue of FY2013 Performance Rights under a Long Term Incentive Scheme (LTI) to AHG's Managing Director, Bronte Howson, was approved by shareholders at the Group's AGM on 16 November 2012. The issue of FY2014 Performance Rights under a Long Term Incentive Scheme (LTI) to AHG's Managing Director, Bronte Howson, and selected senior and operational executives was approved by shareholders at the Group's AGM on 15 November 2013. These Performance Rights have been issued in accordance with AHG's existing Performance Rights Plan.

LTI

This is the monetary value of Performance Rights to be issued on the following basis:

- Subject to shareholder approval at each annual AGM.
- Issued under the rules of the AHG Performance Rights Plan.
- Based on performance assessed over a three year vesting period against measures approved by the Board with no subsequent re-testing.
- Performance Rights granted prior to departure can be retained post departure subject to compliance with service agreement terms including non-compete restrictions.
- Performance Rights will vest subject to performance achieved against a relative Total Shareholder Return (TSR) hurdle (50% weighting) and an Earnings per Share (EPS) compound annual growth rate (50% weighting), the details of which are outlined below.

Company's TSR relative to Peer Group (refer Remuneration Report for details)	Vesting outcome of TSR portion of grant
< 50th percentile	Nil
At 50th percentile	25% vesting
> 50th percentile but ≤ 75th percentile	Progressive / pro-rata from 25% to 100%
≥ 75th percentile	100% vesting

Compound annual EPS growth performance (off prior year baseline Operating EPS)	Vesting outcome of EPS portion of grant
< 7 % pa	Nil
At 7% pa	25% vesting
7% pa up to 10% pa	Progressive / pro-rata from 25% to 100%
At or above 10% pa	100% vesting

Cap

The aggregate number of shares subject to outstanding Rights (that is, Rights that have not yet been exercised and that have not lapsed) that have been awarded under all of the Company's equity incentive plans will not exceed 5% of the issued share capital.

LTI Issue Value – FY2013

Vesting of the Managing Director's FY2013 Performance Rights (as approved by shareholders at the 2012 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2015. Those Rights that do vest will be issued during the year ended 30 June 2016. The value of the Managing Director's LTI for 2013 is $0.667 million. The amount is represented by 336,700 Performance Rights at an issue value of $1.98 per Right. The issue value was calculated by independent consultants PwC using a Black-Scholes option price model and is based around AHG's share price at 1 July 2012. This and other model inputs to the valuation methodology are disclosed below.

29. Share based payment plans (continued)

LTI Issue Value – FY2014

Vesting of the Managing Director's, senior executives' and operational executives' FY2014 Performance Rights (as approved by shareholders at the 2013 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2016. Those Rights that do vest will be issued during the year ended 30 June 2017. The value of the Managing Director's, senior executives' and operational executives' LTI for 2014 is $1.567 million. The amount is represented by 572,006 Performance Rights at an issue value of $2.7389 per Right. The issue value was calculated by independent consultants PwC using a Black-Scholes option price model and is based around AHG's share price at 1 July 2013. This and other model inputs to the valuation methodology are disclosed below.

Accounting Fair Value of Performance Rights granted

1. TSR component

The assessed fair value at grant date of the LTI is $1.82 per share (2013: $1.62). The fair value at grant date is independently determined using a Monte Carlo simulation model that takes into account the issue price, the vesting term of the shares, the impact of dilution, the share price at grant date, the expected volatility, the expected dividend yield and the risk free interest rate.

2. EPS component

The assessed fair value at grant date of the LTI is $3.08 per share (2013: $2.61). The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the vesting term of the share, the impact of dilution, the share price at grant date and the expected dividend yield.

Rights are granted for no consideration and vest 50:50 based on i) AHG's TSR ranking within a peer group of 20 selected companies over a three year period; and ii) AHG's EPS growth rate.

The model inputs for the LTI granted during the 2014 and 2013 included:

	FY2014	FY2013
Performance assessment start date:	**1 July 2013**	1 July 2012
Issue value (1 July, calculated by PwC):	**$2.7389**	$1.98
Grant date (AGM):	**15 November 2013**	16 November 2012
Expiry date:	**30 June 2016**	30 June 2015
Share price at grant date (AGM):	**$3.75**	$3.25
Expected price volatility of AHG's shares:	**30%**	42%
Expected dividend yield:	**7.50%**	7.50%
Risk-free interest rate:	**3.00%**	3.50%

The expected price volatility is based on the historic volatility of the Company.

Total expenses arising from share-based transactions recognised during the period as part of employee benefits expenses were $467,038 (2013: $237,373) related to the Performance Rights. The maximum grant-date-assessed value of the 2014 LTI is $1,401,415 (2013: $712,120) over three years.

29. Share based payment plans (continued)

Deferred Performance Rights								
	Year Granted	No. Granted	Grant date value per share	Vested %	Vested number	Forfeited %	Financial years in which shares may vest	Maximum value yet vested
Bronte Howson	2013	336,700	$2.12	0%	-	0%	2016	$237,373
	2014	243,407	$2.45	0%	-	0%	2017	$397,565
Philip Mirams	2014	73,022	$2.45	0%	-	0%	2017	$119,269
Hamish Williams	2014	36,511	$2.45	0%	-	0%	2017	$59,635
David Rowland	2014	36,511	$2.45	0%	-	0%	2017	$59,635
Eugene Kavanagh	2014	18,256	$2.45	0%	-	0%	2017	$29,817
Gus Kininmont	2014	18,256	$2.45	0%	-	0%	2017	$29,817

AHG TAX EXEMPT SHARE PLAN

AHG has also introduced a tax exempt share plan that provides eligible employees with more than 3 years service with an opportunity to share in the growth in value of AHG shares and to encourage them to improve the performance of the Group and its return to shareholders by the issue of $1,000 of shares which are purchased by the employee by way of salary sacrifice.

The number of shares to be purchased by eligible employees is based on the 5 day volume weighted average share price.

AHG EXECUTIVE SHARE PLAN

The AHG Executive Share Plan has been established but is not operational. Should the plan become operational, it will allow directors and certain senior executives the opportunity to salary sacrifice their fees, salary, commission or bonus to purchase AHG shares up to a maximum of $50,000 at a value to be determined.

The Group has formed a trust to administer the Group's share-based payment plans and employee schemes. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

Shares will be issued by the trust to eligible participants in the plans and schemes. Shares held by the trust and not yet issued to employees at the end of the reporting period are disclosed as treasury shares and deducted from contributed equity (Note 17).

30. Joint Operations

A Group subsidiary has entered into a joint operation called Vehicle Parts (WA) Pty Ltd for the distribution of Subaru Parts within Western Australia. The Company has a 50% (2013: 50%) participating interest in this joint operation and is entitled to 50% of its profit (refer note 28 for further details).

Under the previous accounting standard for joint ventures, the Company's interest was accounted for using the proportionate consolidation method, under which it consolidated 50% of the assets employed and liabilities assumed in the jointly controlled operation. Under AASB 11 *Joint Arrangements*, this interest is now classified as a joint venture and is accounted for as a single line item in both the statement of profit or loss and statement of financial position. Refer to note 38(c) and note 39 for further details surrounding this change in accounting policy.

This interest is not material to the AHG consolidated financial position or performance. There are no capital expenditure commitments and no contingent liabilities associated with this operation.

31. Parent entity information

The following details information related to the parent entity, Automotive Holdings Group Limited, at 30 June 2014. The information presented is in line with the Group's accounting policies as presented in Note 38.

	Parent	
	2014 $'000	2013 $'000
Current assets	**390,975**	284,100
Non current assets	**296,686**	264,519
Total assets	**687,661**	548,619
Current liabilities	**(1,623)**	924
Non-current liabilities	**111,219**	135,788
Total liabilities	**109,596**	136,712
Contributed equity	**541,531**	384,112
Reserves		
- Cash flow hedge reserve	**(228)**	3,262
Retained profits	**36,763**	24,533
Total equity	**578,066**	411,907
Profit for the year	**61,749**	58,552
Other comprehensive income/(loss) for the year	**(1,916)**	3,513
Total comprehensive income for the year	**59,833**	62,065

Profit for the year is net of impairment to investments in subsidiary entities of $Nil (2013: $Nil).

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial trade arrangements entered into by its controlled entities. It is not practicable to ascertain or estimate the maximum amount for which the parent entity may become liable in respect thereof. At 30 June 2014 no controlled entity was in default in respect of any arrangement guaranteed by the parent entity and all amounts owed have been brought to account as liabilities in the financial statements.

Cross guarantees have been given by AHG and controlled entities as described in note 34. Where appropriate the parent entity has recognised impairment adjustments equivalent to the deficiency of net assets of controlled entities. No contingent liabilities exist in respect of joint operations (note 30). Capital commitments of the parent in relation to property, plant and equipment are the same as those consolidated capital commitments disclosed in note 33. Contingent liabilities of the parent are disclosed in note 34.

32. Company details

AHG's registered office and principal place of business is 21 Old Aberdeen Place, West Perth, WA 6005.

33. Commitments

CAPITAL COMMITMENTS

	Consolidated	
	2014 $'000	2013 $'000
Property, plant and equipment	**42,284**	38,650

FINANCE LEASE COMMITMENTS

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Within one year	**6,199**	6,407
Later than one year but not later than five years	**18,848**	19,880
Total lease payments	**25,047**	26,287
Future finance charges	**(1,150)**	(3,565)
Lease liability	**23,897**	22,722
Representing lease liabilities:		
Current	**5,848**	5,108
Non-current	**18,049**	17,614
	23,897	22,722

HIRE PURCHASE COMMITMENTS

	Consolidated	
	2014 $'000	2013 $'000 *Restated*
Within one year	**17,103**	11,327
Later than one year but not later than five years	**55,308**	23,876
Later than five years	**-**	14
Total lease payments	**72,411**	35,217
Future finance charges	**(1,505)**	(4,537)
HP liability	**70,906**	30,680
Representing HP liabilities:		
Current	**16,927**	9,411
Non-current	**53,979**	21,269
	70,906	30,680

33. Commitments (continued)

OPERATING LEASE COMMITMENTS

	Consolidated	
	2013 $'000	2012 $'000 *Restated*
Within one year	**121,601**	102,490
Later than one year but not later than five years	**351,115**	290,039
Later than five years	**579,349**	263,702
	1,052,065	656,231

REMUNERATION COMMITMENTS

	Consolidated	
	2014 $'000	2013 $'000
Within one year	**1,910**	1,129

34. Contingencies

A liability exists for after sales service and finance rebates but the amount cannot be quantified. In the opinion of the directors the amount is not material to the financial statements.

Unsecured guarantees, indemnities and undertakings have been given by AHG in the normal course of business in respect of banking and financial trade arrangements entered into by its controlled entities. The total of these guarantees is $14,166,000. At 30 June 2014 no controlled entity was in default in respect of any arrangement guaranteed by AHG.

The Group has a contingent asset by virtue of it having lodged a claim for compensation under the *Land Administration Act (WA) 1997*. The claim is for potential loss of business and associated costs arising as a consequence of the state government's taking of land by way of compulsory purchase order. The amount of any contingent asset cannot be quantified at this time.

At 30 June 2014, trusts within the Group had entered into sale and buyback agreements for a number of vehicles. At this date the directors of the trustee companies are of the opinion that the repurchase price of these vehicles, net of the relevant provision at 30 June 2014, is below their expected selling price.

DEED OF CROSS GUARANTEE

Unless separately detailed below, Automotive Holdings Group Limited (the parent entity) has entered into a Deed of Cross Guarantee with each of its eligible wholly-owned Australian subsidiaries (the Closed Group), under which each member of the Closed Group guarantees the debts of other members of the Closed Group. By entering into this Deed of Cross Guarantee it allows the Group to take advantage of Class Order 98/1418 relief from accounting requirements for wholly-owned subsidiaries.

There are no material differences in the Statement of Profit or Loss and Other Comprehensive Income or Statement of Financial Performance between the amounts shown for the consolidated group and amounts for the members of the Closed Group.

Refer to the table at note 28 (subsidiaries) which details the Group's corporate structure, including those entities that are wholly-owned, but also those entities that are not, who are eligible to form part of the Extended Closed Group where they are controlled by AHG.

34. Contingencies (continued)

Since 30 June 2014, but before finalising these accounts, the following subsidiaries are in the process of being added to the Deed of Cross Guarantee by Assumption Deed (contemplated by the Deed of Cross Guarantee):

- AHG Newcastle Pty Ltd
- Bradstreet Properties Pty Ltd
- NSW Vehicle Wholesale Pty Ltd
- Maitland City Motor Group Pty Ltd
- Sabalan Pty Ltd
- Bradstreet Motors Pty Ltd
- Cardiff Car City Pty Ltd
- Widevalley Pty Ltd
- Altheo Investments Pty Ltd

The parent entity has determined that there is no material deficiency not disclosed elsewhere in this Report in any member of the Closed Group and therefore, there is no further liability that should be recognised in relation to these guarantees in the books of the parent.

35. Events after the reporting date

In July 2014 Automotive Holdings Group extended its commercial debt facilities by a further $45 million with two of its financiers. The extension expands AHG's financial capacity to undertake further acquisitions and support ongoing investment in its existing operations. Also in July 2014 Automotive Holdings Group increased its ownership of 360 Finance Pty Ltd by 10% to 60.1%.

On 19 August 2014 Automotive Holdings Group announced it had completed the settlement of Bradstreet Motor Group located in Newcastle Region in New South Wales for consideration of ~$73 million. The acquisition expands AHG's automotive retail operations in New South Wales.

The initial accounting for this acquisition is incomplete at the time of authorisation of the issue of these financial statements. This is due to a combination of the short timeframe between acquisition and issue of these financial statements, in conjunction with required transition restructuring from the incumbent's arrangement and circumstances on divestment to AHG and manufacturer requirements as part of the acquisition agreement. Initial accounting details will be provided in AHG's 31 December 2014 half-year reporting.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years, or
- The result of those operations in future financial years, or
- The Group's state of affairs in future financial years.

36. Auditor's remuneration

	Consolidated	
	2014 $	2013 $
During the year the following services were paid or payable to the auditor of the parent entity, its related practices and non related audit firms:		
Audit Services		
Fees paid or payable to BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**597,279**	717,200
Fees paid or payable to affiliated offices of BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**99,800**	278,250
	697,079	995,450
Advisory Services		
Fees paid or payable to BDO Audit (WA) Pty Ltd		
Advice and provision of support services for AHG's internal Audit function	**-**	-
Taxation Services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	**423,370**	390,086
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	**18,999**	14,581
Total of Non-Audit Services provided to the Group	**442,369**	404,667

37. Economic dependency

The Group is dependent on various vehicle manufacturers for the supply of new vehicles and replacement parts and motorcycles for sale.

Various subsidiaries have dealer agreements with manufacturers. The dealer agreements are franchise agreements for the purpose of the Franchising Code of Conduct which confers on the parties certain rights and obligations in respect of termination, assignment and mediation that override any conflicting provisions in the dealer agreements.

Dealership agreements usually run for a fixed term, typically between 3 and 5 years, often with no automatic right of renewal. There is a risk that these arrangements may not be renewed which would have a detrimental effect on the future financial performance of the Group. The manufacturers and distributors usually include a termination clause which provides them with the ability to terminate the agreements on short notice. If a franchise is terminated, it would have a detrimental effect on the future financial performance of the Group.

38. Summary of significant accounting policies

Contents to the summary of significant accounting policies

Basis of Preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all financial years unless otherwise stated. The financial statements are for the consolidated entity consisting of Automotive Holdings Group Limited, its subsidiaries and joint ventures.

The parent entity, Automotive Holdings Group Limited, is a listed public company, incorporated and domiciled in Australia. The financial report is presented in Australian currency.

38. Summary of significant accounting policies (continued)

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 200*1. Automotive Holdings Group Limited is a for-profit entity for the purpose of preparing the financial statements.

These financial statements have been approved for issue by the Board of Directors on 26 September 2014.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

(a) Compliance with IFRS

These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) New Accounting Standards and Interpretations

New and amended accounting standards

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associated and Joint Ventures*, AASB 127 *Seperate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards*;
- AASB 2012-10 *Amendments to Australian Accounting Standard – Transition Guidance and the Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011–8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*.

The adoption of AASB 10 and AASB 11 resulted in changes in accounting policies and adjustments to the amounts in the financial statements. These are explained and summarised in Note 1 and Note 39.

Early adoption

There are no standards available for early adoption that have been early adopted in the current financial year.

Accounting standards issued not yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2014 and have not been adopted in preparing the financial report for the year ended 30 June 2014. In all cases the entity intends to apply these standards applicable from the period first commencing after the effective date as indicated over:

38. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. These include the requirements relating to: • Classification and measurement of financial liabilities; and • De-recognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods commencing on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments. The entity has financial assets classified as available-for-sale. When AASB 9 is first adopted, the entity will reclassify these into the fair value through profit or loss category. On 1 July 2018, the cumulative fair value changes in the available-for-sale reserve will be reclassified into retained earnings and subsequent fair value changes will be recognised in profit or loss. These changes apply prospectively so comparatives do not need to be restated. There are no fair value changes to existing available-for-sale financial assets that would be reclassified to retained earnings were the standard to be immediately effective. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2018	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

38. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes three amendments to AASB 9: • Adding the new hedge accounting requirements into AASB 9 • Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2018, and Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting.	Annual reporting periods beginning on or after 1 January 2018	The application date of AASB 9 has been deferred to 1 January 2018. The entity has not yet made an assessment of the impact of these amendments. The entity enters into derivatives to manage foreign currency and interest rates. Under the amendment, the entity is likely to qualify and will elect to apply cash flow hedge accounting. When this amendment applies, the fair value changes relating to the effective portion of the derivatives will be recognised in other comprehensive income and reclassified to profit or loss when the hedged forecast cash flow affects profit or loss, or if the transaction results in the recognition of a non-financial asset or liability, the gain or loss recognised in other comprehensive income is included in the initial carrying amount of the non-financial asset or liability. These changes apply prospectively so comparatives do not need to be restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
IFRS 15 (issued June 2014)	Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risk and rewards as is currently the case under IAS 18 *Revenue*.	Annual reporting periods beginning on or after 1 January 2017	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard. However, the entity does not anticipate that a significant change will arise.

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Automotive Holdings Group Limited, the ultimate parent entity, as at 30 June 2014 and the results of all controlled entities for the year then ended. Automotive Holdings Group Limited and its controlled entities together are referred to in these financial statements as the Group or Consolidated Entity. Subsidiaries are all those entities where the Group is exposed to, or has the rights to variable returns from its involvement with the entity and the ability to affect those returns through its power the direct the activities of the entities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The effects of all transactions between entities in the Group are eliminated in full.

Non-controlling interest

Non-controlling interests are allocated their share of net profit or loss after tax in the consolidated statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Joint Arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. AHG Limited only has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated balance sheet.

38. Summary of significant accounting policies (continued)

(c) Principles of Consolidation (continued)

Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of AHG Limited.

Share Trust

The Group has formed a trust to administer the Group's employee share scheme. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group. Shares held by the trust are disclosed as treasury shares and deducted from contributed equity.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. It is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risk and rewards are considered to have passed to the buyer upon the delivery of goods to the customer.

Rendering of services

Revenue from the rendering of a service is recognised in the period in which the service is provided.

Commissions

Commissions are recognised in the period in which the related sale of goods or rendering of service is recognised.

Interest income

Interest income is recognised as interest accrues using the effective interest rate method. The effective interest rate method uses the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(f) Income Tax – refer note 5

The income tax expense for the period is the tax payable on the current period's taxable income based on a corporate taxation rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation:

Automotive Holdings Group Limited (the head entity) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single consolidated entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that is relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Refer to (gg) (ii) for further details.

38. Summary of significant accounting policies (continued)

(g) Business Combinations

The purchase method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets transferred, shares issued or liabilities undertaken at the date of the acquisition. Costs directly attributable to the acquisition are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount assessed as its value-in-use or, for assets held for sale, its fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and are not larger than an operating segment.

For the purpose of assessing value–in-use, the estimated future cash flows of a cash generating unit are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

For the purpose of assessing fair value less costs to sell, the estimated future net consideration to be received on sale is used.

(i) Segment Reporting – refer note 2

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entities chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Group has determined that its chief operating decision-maker is its Managing Director and through this role, the Board.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the following respects:

- Nature of the products and services;
- Nature of the production process;
- Type or class of customer for the products or services;
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(i) Segment Reporting – refer note 2 (continued)

Operating segments that meet the quantitative criteria as prescribed in AASB 8 Operating Segments are reported separately. This has resulted in the separate disclosure of the Group's refrigerated logistics operations from within the total Logistics Division.

The Board has determined that AHG's operating segments be divided between a single reportable automotive segment, two reportable logistics segments comprising AHG's transport and cold storage operations and the balance of all of its other logistical operations, and a single reportable property segment.

(j) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Australian dollars, which is AHG's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit for the year, except when deferred in equity as part of the net investment in a foreign operation.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate of the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as other comprehensive income (foreign currency translation reserve).

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. On disposal of a foreign entity the cumulative exchange difference recognised in the foreign currency translation reserve relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(k) Cash and Cash Equivalents – refer note 6

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

38. Summary of significant accounting policies (continued)

(l) Banking Transactions

Outstanding cheques are recorded as payables whilst outstanding deposits are shown as receivables.

(m) Trade Receivables – refer note 7

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount and the present value of estimated future cash flows are discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in profit for the period within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

(n) Inventories – refer note 8

New motor vehicles are stated at the lower of cost (purchase price less any discounts or rebates) and net realisable value (estimated selling price in the ordinary course of business less costs to sell). Demonstrator vehicles are written down to net realisable value. Costs are assigned to individual vehicles on the basis of specific identification.

Used motor vehicles are stated at the lower of cost and net realisable value on a unit by unit basis. Net realisable value has been determined by reference to the likely net realisable value given the age and condition of the vehicle at reporting date. Costs are assigned to individual vehicles on the basis of specific identification.

Parts and associated products are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost.

Work in progress is stated at cost. Cost includes labour incurred to date and consumables utilised during the service. Costs are assigned to individual customers on the basis of specific identification.

(o) New Motor Vehicle Stock and Related Bailment

Motor vehicles secured under bailment plans are provided to the Group under bailment agreements between the floor-plan loan providers and entities within the Group. The Group obtains title to the vehicles immediately prior to sale. The floor-plan providers treat the vehicles from a practical point of view as forming part of the Group's trading stock. Both the inventory value and the corresponding floor-plan obligation have been included in the financial statements although ownership of such inventory rests with the floor-plan financiers.

(p) Investments and Other Financial Assets

The Group classifies its investments or other financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments or other financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(p) Investments and Other Financial Assets (continued)

Available-For-Sale Financial Assets – refer note 10

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss and other comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and pricing models to reflect the issuer's specific circumstances.

Purchases and sales of investments are recognised on the trade-date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables – refer note 7

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the carrying value of the asset is adjusted accordingly.

38. Summary of significant accounting policies (continued)

(q) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Assumptions used are based on observable market prices and rates at reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(r) Property, Plant and Equipment – refer note 11

Property, plant and equipment (excluding land) is measured on a historical cost basis and is depreciated on a straight line basis over its estimated useful economic life, as follows:

Category	Life
Buildings	40 years
Plant & equipment (including motor vehicles and computer software)	2½ – 20 years

Historical cost includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Land and buildings are shown at cost less subsequent depreciation for buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease (including option periods) or the estimated useful life of the improvement to the Group, whichever is the shorter. Assets under construction are not amortised until they are completed and transferred to their appropriate asset category.

38. Summary of significant accounting policies (continued)

(s) Leased Assets – refer note 11

Leasing of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the leases inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments (note 33). They are amortised over the anticipated life of the relevant lease. Lease payments are allocated between interest expense and reduction in the lease liability to achieve a constant rate on the finance balance outstanding.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 33). Operating lease assets are not capitalised and rental payments are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(t) Intangibles – refer note 12

Goodwill on acquisition

The difference between the purchase consideration and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised. Instead, goodwill is tested for impairment at each reporting date, or more frequently if events or change in circumstances indicate that it might be impaired and is carried at cost less any accumulated impairment losses. Impairment of goodwill cannot be reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash generating unit grouped within the lowest level at which goodwill is monitored for internal management purposes.

Franchise rights

The Group has franchise agreements with manufacturers for the distribution of new vehicles and parts. These franchise rights agreements have varying terms and periods of renewal. The Group considers that the franchise agreements will be renewed indefinitely and accordingly no amortisation is charged on these assets. The Group assesses the franchise rights for impairment on a periodic basis, but at least at each reporting date and where there are indications of impairment the franchise rights values are adjusted to their recoverable amounts.

(u) Trade and Other Payables – refer note 13

These amounts represent liabilities for goods and services provided to the Group prior to the reporting date and which are unpaid at reporting date. The amounts are generally unsecured and are usually paid within 30 days of recognition. Amounts are recognised initially at fair value and subsequently at amortised cost.

(v) Interest Bearing Loans and Borrowings – refer note 16

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the estimated term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. This policy also applies to inter-company borrowings within the Group.

38. Summary of significant accounting policies (continued)

(w) Finance Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. These costs include:

- interest on bank overdrafts, short and long-term borrowings;
- interest on new vehicle bailment arrangements; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings

(x) Provisions – refer notes 14 and 15

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

An extended mechanical warranty is offered on the majority of the Group's retail used vehicle sales. The majority of the Group's operations pay a fee to an independent third party to administer the warranty program and an amount is set aside as a provision for future warrantable repairs in respect of all policies taken up. All warrantable repairs are submitted to the administrator for approval and, once approved, are charged against the provision. Where an independent third party is not used to determine the warranty provision the Group makes a best estimate of the expenditure required to settle the present obligation at reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate the risks specific to the liability.

(y) Employee Benefits – refer notes 14 and 15

Short-term obligations

The provision for employee entitlements, salaries (including non-monetary benefits) and annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Leave entitlements are recognised in the provision for employee benefits. All other short-term obligations are recognised as payables.

Other long-term employee benefit obligations

Where the liability for annual or long service leave is expected to be settled more than 12 months from the reporting date, the associated obligations are still presented as a current liability in the statement of financial performance if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. For those annual leave and long service leave liabilities that are a non current liability within employee entitlements, they are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after agreed adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(y) Employee Benefits – refer notes 14 and 15 (continued)

Share-based payments

Share-based compensation benefits are provided to eligible senior executives of the Company via the AHG Performance Rights Plan. Information relating to this scheme is set out in note 29.

The fair value of Performance Rights are recognised as an employee benefit expense based on the probability of certain executives meeting performance hurdles during a performance period.

At each reporting date, the Group revises its estimate of the number of Performance Rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimates.

(z) Contributed Equity – refer note 17

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Consideration paid for treasury shares is deducted from equity attributable to owners until the shares are re-issued.

(aa) Dividends – refer note 20

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(bb) Earnings per Share – refer note 21

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year (excluding treasury shares).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: the after income tax effect of interest and other financing costs associated with the conversion of dilutive potential ordinary shares (the numerator); and the weighted average number of shares assumed to have been issued in relation to these dilutive potential ordinary shares (the denominator).

(cc) Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(dd) Financial Guarantee Contracts – refer notes 28 and 34

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payment that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions as part of the cost of the investment.

38. Summary of significant accounting policies (continued)

(ee) Derivatives and Hedging Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges);
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in shareholders' equity are show in note 18.

(i) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income within other income or other expense.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss and other comprehensive income within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the statement of profit or loss and other comprehensive income within 'raw materials and inventory expense'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory) the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the statement of profit or loss and other comprehensive income as raw materials and inventory expense.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statement of profit or loss and other comprehensive income.

(ff) Non-Current Assets (or Disposal Groups) Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of derecognition.

38. Summary of significant accounting policies (continued)

(ff) Non-Current Assets (or Disposal Groups) Held for Sale (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial performance. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial performance.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical areas of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations

(gg) Parent Entity Financial Information – refer note 31

The financial information for the parent entity, AHG Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investment in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of AHG Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss and other comprehensive income rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidated legislation

Automotive Holdings Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Automotive Holdings Group Limited and the controlled entities in the tax consolidated group continue to account for their own income tax expense, current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer.

In addition to its own income tax expense, current and deferred tax amounts, Automotive Holdings Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding arrangement with the tax consolidated entities are recognised as accounts receivable from or payable to other entities in the Group.

39. Changes in Accounting Policy

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

As a result of the initial application (effective 1/7/2013) of AASB 10 *Consolidated Financial Statements* and of AASB 11 *Joint Arrangements* the Group has reviewed the accounting for its investments in other entities. In accordance with the transitional provisions of AASB 10 and AASB 11, these Standards have been applied retrospectively and the comparative period has been restated.

In prior years, the consolidated group of White Motor Corporation entities (WMC) were not required to be consolidated by AHG in accordance with the applicable Accounting Standards in effect at that time. While AHG does not hold an equity interest in WMC, the new standards broaden the definition of control and therefore require WMC to be consolidated. AHG holds an option to acquire 50% of WMC.

AASB 10 introduced a single 'control model' for all entities, and the Group has determined that the WMC entities that were previously not consolidated under AASB 127 will now be retrospectively consolidated under AASB 10 from the date that control was obtained. This resulted in a decrease of $1.68 million in retained earnings at the beginning of the comparative period (1/7/2012). Comparative FY2013 figures have also been restated to reflect the consolidation of AHG's WMC interests. This retrospective application does not have a material effect on the statement of financial position at the beginning of the comparative period, as disclosed in more detail in the table below.

Under AASB 11, investments in Joint Arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. In accordance with AASB 11, the Group has determined that a jointly controlled entity, Vehicle Parts (WA) Pty Ltd that was previously accounted for using the proportionate consolidation method, will now be retrospectively equity accounted for under AASB 11. This has resulted in the Group's proportionate share of assets and liabilities of Vehicle Parts (WA) Pty Ltd being derecognised on 1 July 2012 and $0.55 million being recognised as the initial investment being equity accounted. Comparative figures have been restated accordingly. This retrospective application does not have a material effect on the statement of financial position at the beginning of the comparative period.

	2013 Reported $'000	Impact of AASB 10 $'000	Impact of AASB 11 $'000	2013 Restated $'000	Net Movement $'000	Net Movement %
Investments accounted for using the equity method	-	-	860	860	860	-
Total Assets	1,580,995	(8,438)	(257)	1,572,300	(8,695)	(0.5%)
Total Liabilities	1,094,520	(2,983)	(257)	1,091,280	(3,240)	(0.3%)
Net Assets	486,475	(5,455)	-	481,020	(5,455)	(1.1%)
Retained Earnings	92,258	(3,650)	-	87,608	(3,650)	
Non-Controlling Interests	8,897	(1,805)	-	7,092	(1,805)	
Total Equity	486,475	(5,455)	-	481,020	(5,455)	(1.1%)

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising; the statement of profit or loss and other comprehensive income; statement of financial position; statement of cash flows; statement of changes in equity; and accompanying notes, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The directors have been given declarations by the chief executive officer and chief financial officer required by section 295A.

At the date of this declaration there are reasonable grounds to believe that the companies which are parties to the Deed of Cross Guarantee (see Note 34 to the annual accounts) will, as the consolidated entity will, be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the Deed of Cross Guarantee.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

David C Griffiths
Chairman
Perth, 26 September 2014

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER DECLARATION

DECLARATION BY

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

TO THE DIRECTORS OF AHG LIMITED

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The Chief Executive Officer and Chief Financial Officer, as required by section 295A of the C*orporations Act 2001*, declare that, in their opinion, for the financial year ended 30 June 2014:

1. The financial records of the company/disclosing entity have been properly maintained in accordance with section 286 of the *Corporations Act 2001*.
2. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity.
3. Any other matters prescribed by the Regulations for the purposes of section 295A have been satisfied in relation to the financial statements and notes for the financial year.
4. The financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

This declaration is signed by the Chief Executive Officer and Chief Financial Officer:

BM Howson **P Mirams**

Perth, 26 September 2014

INDEPENDENT AUDITOR'S REPORT

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Automotive Holdings Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Automotive Holdings Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 38, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Automotive Holdings Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Automotive Holdings Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 38.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Automotive Holdings Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien
Director

Perth, 26 September 2014

SHAREHOLDER AND OPTIONHOLDER INFORMATION

The shareholder information set out below was applicable at 15 September 2014.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	No. of Shareholders
1 - 1,000	831
1,001 - 5,000	1,867
5,001 - 10,000	936
10,001 - 100,000	1,045
100,001 and over	98
	4,777

The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 15 September 2014 was 409 holders holding 5,550 shares.

B. Equity Security Holders

The names of the twenty largest holders of fully paid ordinary shares are listed below:

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited	60,904,350	19.87
JP Morgan Nominees Australia Limited	43,588,807	14.22
HSBC Custody Nominees (Australia) Limited	21,781,598	7.11
National Nominees Limited	19,798,642	6.46
Auto Management Pty Ltd <<Branchi Family Account>>	17,658,389	5.76
Citicorp Nominees Pty Limited	16,447,863	5.37
Mr VC Wheatley and Mrs JE Wheatley <<Pulo Road Super Fund>>	6,904,298	2.25
AC McGrath & Co Pty Ltd	6,801,063	2.22
Zero Nominees Pty Ltd	6,102,400	1.99
Argo Investments Limited	5,184,593	1.69
RBC Investor Services Australia Nominees Pty Limited <<BKCUST A/C>>	3,996,021	1.30
BNP Paribas Noms Pty Ltd <<DRP>>	3,888,421	1.27
Mr Damon Stuart Wheatley	3,723,799	1.21
Mrs Michelle Victoria Harris	3,489,362	1.14
AMP Life Limited	3,335,044	1.09
BDS Holdings Pty Limited	3,008,596	0.98
Croystone Nominees Pty Ltd <<BBK Unit Account>>	3,000,000	0.98
Milton Corporation Limited	2,578,342	0.84
Aust Executor Trustees Ltd <<No 1 Account>>	2,259,571	0.74
Brispot Nominees Pty Ltd <<House Head Nominee No 1 A/C>>	1,833,528	0.60

C. Substantial holders

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited and its associated entities	60,904,350	19.87
Robert John Branchi and associated entities	17,658,389	5.76

* *WFM Motors Pty Ltd and NGP Investments (both entities associated with Nicholas George Politis) are also substantial shareholders due to their relevant interest in the securities held by A.P. Eagers Limited.*

D. Voting Rights

The voting rights attaching to the Ordinary shares are set out below:

- On a show of hands, each member has 1 vote;
- On a poll, each member has 1 vote for each share the member holds;
- The vote may be exercised in person or by proxy, body corporate, representative or attorney;
- If a share is held jointly and more than 1 member votes in respect of that share, only the vote of the member whose name appears first in the register counts.

Automotive Holdings Group

CORPORATE DIRECTORY

REGISTERED OFFICE AND HEAD OFFICE

Automotive Holdings Group Limited
ABN 35 111 470 038
21 Old Aberdeen Place
West Perth WA 6005

Tel: +61 8 9422 7676
Fax: +61 8 9422 7686
Email: info@ahg.com.au
Web: ahg.com.au
Investor Relations Web Site: ahgir.com.au

EXECUTIVE DIRECTOR

Bronte Howson
Managing Director

NON EXECUTIVE DIRECTORS

David Griffiths *(Chair)*

Michael Smith *(Deputy Chair)*

Howard Critchley

John Groppoli

Tracey Horton

Robert McEniry

Peter Stancliffe

COMPANY SECRETARY

David Rowland

SHARE REGISTRY

Link Market Services Limited
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Sydney South NSW 1235

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AUTOMOTIVE HOLDINGS GROUP