ANNUAL REPORT 2017

AHG
Automotive Holdings Group

AHG
Automotive Holdings Group

CONTENTS

AHG East Coast Corporate Office and warehouse facility Prestons NSW

About AHG

AHG is Australasia's largest automotive retailing and logistics group.

The Company holds 180 automotive retail franchises at 111 dealership locations* representing 29 passenger vehicle manufacturers and twelve commercial vehicle and truck makers.

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

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

In 2017 AHG employs more than 8,300 staff* across its automotive and logistics divisions and proudly supports more than 300 charitable, community and sporting organisations.

*(*At 28 September 2017)*

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.

AGM

The 2017 Annual General Meeting of Automotive Holdings Group Limited will be held at:

Crown Perth (Botanicals Rooms), Great Eastern Highway, Burswood, Western Australia from 10am (WST) on Friday 24 November 2017.

About this report

This annual report is a summary of the operations, activities and financial position at 30 June 2017 of Automotive Holdings Group Limited (ABN 35 111 470 038) and its subsidiary companies.

In this annual report references to "AHG", "the Group", "Group", "we", "us", "our" and "ours" refer to Automotive Holdings Group Limited unless otherwise stated. References to a "year" are to the financial year ended 30 June 2017 unless otherwise stated. All dollar figures are expressed in Australian currency unless otherwise stated.

AHG is committed to reducing the environmental effects of producing its annual reports and printed copies are only posted to shareholders who have elected to receive them. The printer's production process is 100% carbon neutral.

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

Group Financial Highlights

Automotive Holdings Group Limited again delivered record revenues in the 2016-2017 Financial Year.

Consolidated Financial Performance	FY2017 ($m)	FY2016 ($m)	% change
Statutory IFRS Profit after Tax Reconciliation			
Statutory Net Profit after Tax	**55.5**	**90.1**	**(38.4%)**
Costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback).	31.8	7.1	
Operating[1] Net Profit after Tax (Non-IFRS)	**87.3**	**97.2**	**(10.2%)**
Statutory Earnings Per Share *(cps)*	17.0	29.4	(42.2%)
Operating[1] Performance (Non-IFRS)			
Revenue	**6,082**	**5,626**	**8.1%**
EBITDA	216.0	225.5	(4.2%)
EBITDA %	3.6%	4.0%	
EBIT	169.0	182.1	(7.2%)
EBIT %	2.8%	3.2%	
Operating[1] Net Profit after Tax (Non-IFRS)	**87.3**	**97.2**	**(10.2%)**
Operating[1] Earnings Per Share (cps)	26.7	31.7	(15.8%)
Operating[1] Interest Cover (times)	4.3	5.0	

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

HIGHLIGHTS

- Record Group revenue of $6.08 billion ($5.63 billion pcp)
- Operating[1] (Non-IFRS) EBITDA of $216.0 million ($225.5 million pcp)
- Operating[1] (Non-IFRS) EBITDA margin 3.6% (4.0% pcp)
- Operating[1] (Non-IFRS) NPAT of $87.3 million ($97.2 million pcp)
- Operating[1] (Non-IFRS) EPS 26.7 cents (31.7 cents pcp)
- Statutory NPAT of $55.5 million ($90.1 million pcp)
- Statutory EPS 17.0 cents (29.4 cents pcp)
- Final dividend of 9.5 cents; full-year dividend 19.0 cps fully franked (22.5 pcp)
- Auto acquisitions announced and/or completed in FY2017: Doncaster JLR, City Mazda (Melbourne), Audi Centre Newcastle, Newcastle Skoda, Carlins Auctions, Essendon Ford, Essendon Mitsubishi, Daimler Trucks Laverton
- Opened **easyauto123** warehouse locations at Seven Hills (NSW) and Canning Vale (WA)

Key financial data (Operating[1]) (Non-IFRS)	FY2017 ($m)	FY2016 ($m)
Revenue	**6,081.7**	5,626.0
EBITDA	**216.0**	225.5
NPAT	**87.3**	97.2
Total assets	**2,385.4**	2,191.4
Net debt (excluding floorplan)	**258.7**	274.0
Shareholders' equity	**802.3**	719.5

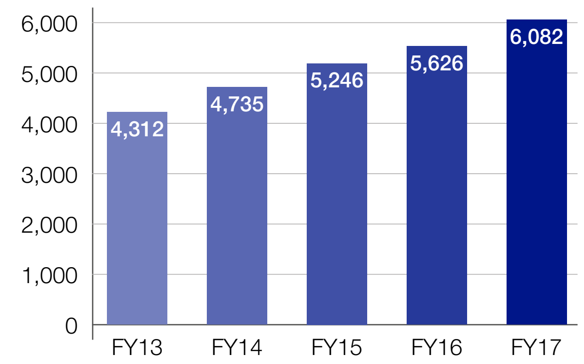
Key share data	FY2017 cents	FY2016 cents
EPS[1] (Non-IFRS)	**26.7**	31.7
Dividends per share	**19.0**	22.5
NTA per share	**87.2**	83.9

Key ratios	FY2017	FY2016
ROCE[1] (Non-IFRS)	**8.9%**	11.0%
Gearing (excluding floorplan)	**24.4%**	27.6%

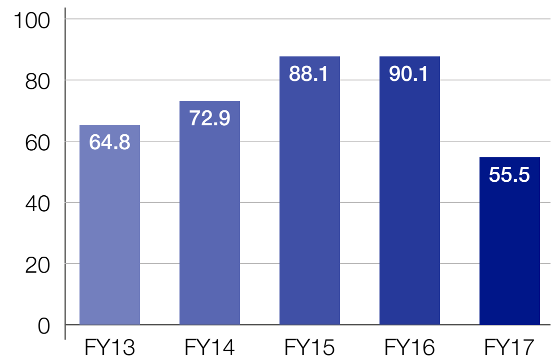
Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

Group Financial Highlights (continued)

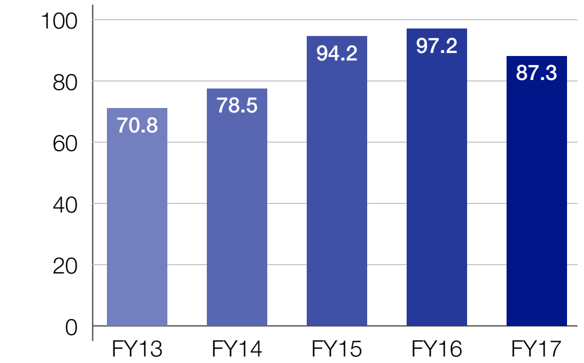
Revenue ($m)



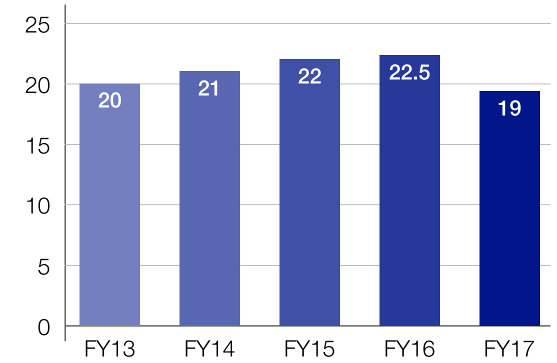
Statutory NPAT ($m)



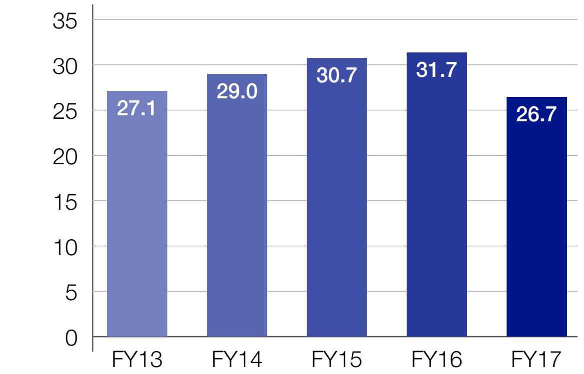
Operating[1] NPAT ($m)



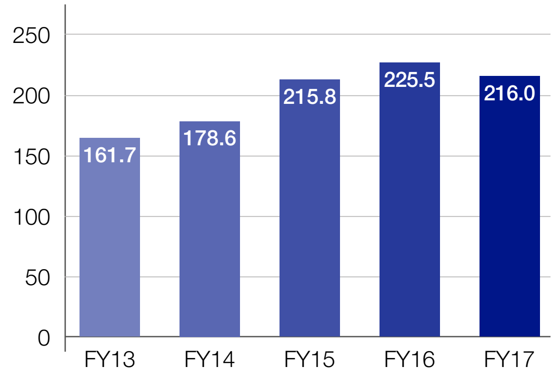
Statutory Dividends (cps)



Operating[1] EPS (cps)



Operating[1] EBITDA ($m)



Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

FAST FACTS - Financial Year 2017

111
Dealership locations

86,372
New vehicles sold

45,257
Used vehicles sold

180
Franchises held

9,222
KTM and Husqvarna motorcycles sold

~8,300
Group Employees

~110,000
AMCAP SKUs*
(*Stock Keeping Unit)

Refrigerated Logistics Fleet

- ~600 prime movers and rigid vehicles
- ~1,200 road trailers
- ~550 rail containers
- ~500,000km covered each day

Chairman's Message

On behalf of the Board of Directors of Automotive Holdings Group, it is my pleasure to present the Company's 2017 Annual Report to Shareholders.

Group revenue for FY2017 was $6.1 billion, an increase of 8.1% on the preceding financial year. Operating[1] NPAT decreased 10.2% to $87.3 million.

The Group's Statutory profit after tax, before taking into account $39.8 million of unusual items, was $55.5 million, a decrease of 38.4% on the previous year.

Shareholders received a fully-franked full year dividend of 19.0 cents per share, compared with 22.5 cents for the previous year. The return to Shareholders reflects the Company's profit position and is consistent with AHG's dividend policy of paying 65 to 75 percent of operating profit.

The Company's balance sheet remained strong following the August-September 2016 capital raising that provided additional capacity to support the Group's core strategy of delivering long term stable earnings through organic growth, Greenfield developments and strategic acquisitions.

Market conditions were challenging in some areas, with the subdued economy in Western Australia, tightened credit conditions in the automotive industry and a slower than expected recovery in Refrigerated Logistics over the full year. To counter these headwinds management was able to lower costs, focus on cash, strengthen the balance sheet, and prepare the company for the opportunities and challenges that lie ahead.

Once again, the Group's scale, broad portfolio of Automotive brands and the performance of AHG's east coast and New Zealand dealership locations allowed the Company to mitigate the effects of these challenges.

While our important Western Australian division has experienced disappointing results reflecting the subdued local economy, there is now mounting evidence that the Western Australian economy has stabilised and is beginning to show the "green shoots" of improvement, which leaves AHG well-placed to benefit from any uplift.

The Group has also significantly advanced its Refrigerated Logistics transformation program such that the benefits that were seen in the second half of FY2017 are expected to be improved on in FY2018 and beyond.

Improvements in these areas and the cost-out program will be important to the Group in the coming year to offset the loss of income from changes to the automotive retail finance and insurance sector.

The Board has spent a significant amount of time looking at issues of industry change, and at succession planning, to identify the people, assets, skills and culture the Company will need to allow the Group to succeed.

An important first step has been the appointment of John McConnell as Managing Director/CEO, the appointment of Paul Morris as Chief Operating Officer Franchised Automotive, Simon Ramsay as General Manager Trucks and Tony Salerno as Executive General Manager of our exciting big shed used-car rollout of **easyauto123**. The Board is very pleased with these appointments and is continuing the momentum by looking at its own skills and membership to ensure that it has the qualities to grow shareholder value in the coming years. Consistent with good governance your Board will continue to plan for Director renewal and, where appropriate, new appointments.

Under the new team the Automotive and Truck divisions have been restructured to maximise the benefits of the Group's scale and focus on being a partner of choice for manufacturers. It has also accelerated the roll-out of the **easyauto123** used car model and is integrating the acquisition of the majority stake in the Carlins Auctions business.

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

The Refrigerated Logistics transformation has pushed ahead with plans to improve its marketing and margins and its extensive cost-out and efficiency program. The benefits were seen in the second half of FY2017 with an Operating[1] EBITDA uplift of 68% (pcp) and good year-end momentum which should show further improved performance in FY2018 and beyond. Should the Board be able to deliver a transaction that reflected the future value of the business it would, of course, seriously consider the sale of the business.

This annual report includes details of the significant investment in sustainability made by the Company across its operations to ensure the continued success of our businesses. The Board and the management team will maintain a strong focus on governance, environmental management and workplace health and safety and a renewed focus on workforce diversity.

The Board congratulates management and the entire workforce on their combined commitment to the wellbeing of their employees as reflected in this report by improvements in rates of lost time injuries, incident reports and return to work programs.

The Company is positioned to benefit from the restructure and further investment in its Automotive division and the continuation of the transformation program in Refrigerated Logistics.

The outlook for new vehicle sales in Australia and New Zealand remains strong with both markets heading for record results in the 2017 calendar year at the time of writing. The Group remains confident in its used car strategy and digital initiatives.

The Company will also continue its growth strategy, including Greenfield developments, redevelopments and acquisitions in the automotive industry where the benefits of such investments have been clearly identified.

We start this year with a headwind from the changes in the insurance and finance industries which are expected to reduce income from these areas so it will be important that the Group remains focused on improving earnings in the areas we have identified. The Board and management are confident that we will be able to do so.

The Board and management will continue to review underperforming businesses and will actively manage AHG's portfolio of assets to drive Shareholder value.

As Chairman of the Board, I thank my fellow Directors and the Company's senior management teams for their support and our workforce of more than 8,300 people who contribute to the success of your Company every day. The Board sincerely appreciates their contributions.

Your Directors look forward to providing Shareholders with an update on the current financial year at the Company's Annual General Meeting in November.

David C Griffiths

Chairman

AUTOMOTIVE HOLDINGS GROUP

Managing Director's Review

The Company is in a stronger position to address the short term challenges in Automotive and take advantage of the opportunities for further industry consolidation. Our Logistics businesses are producing solid results. We are delivering on our strategic objectives to reposition AHG for future growth.

The year in review was a challenging period in the Group's Automotive division, given the decline in the new vehicle market in Western Australia and the tightening of consumer credit conditions, which impacted on finance and insurance income. However the Company clearly benefited from the performance of its east coast and New Zealand dealerships.

Over the course of the year the Company commenced the restructuring of the Automotive division and implemented a number of cost reduction initiatives that will mitigate changes to insurance commission in FY2018. The restructure is underpinned by ongoing improvements in our relationships with manufacturers and our commitment to further enhancing the customer experience across sales and service.

We are also confident of revenue growth in our **easyauto123** fixed-price used car warehouse model.

In May 2017 the Company announced the appointments of Paul Morris to the newly created role of Chief Operating Officer of Franchised Automotive and Simon Ramsay to the new role of General Manager Trucks.

Paul is responsible for all of AHG's franchised automotive operations and has more than 20 years' experience in automotive retail in Australia and internationally. Simon Ramsay has almost 20 years' experience with AHG and transitioned from the role of dealer principal of Daimler Trucks Perth.

There are significant synergies and opportunities to be had by forming the franchised dealerships and national truck structures.

The Company accelerated the roll-out of the **easyauto123** model in conjunction with the acquisition in July 2017 of a majority stake in the Carlins auction and wholesale business. The model is resonating with customers without affecting used car sales at AHG's franchised dealerships.

Refrigerated Logistics delivered a strong performance in the second half of the year as the restructuring of the division began delivering expected improvements.

The transformation program delivered a single management structure across the operations of Rand, Harris, Scott's and JAT. The costs of the transformation were largely complete in FY2017 and will deliver significant full-year savings in the current financial year.

The Company's Other Logistics businesses, which include the AMCAP parts distribution business and the importation and distribution of KTM and Husqvarna motorcycles, performed ahead of FY2016.

FINANCIAL HIGHLIGHTS

The full-year results were consistent with the trading update provided to the market by the Company in May 2017.

Group revenue totalled $6.08 billion, an increase of 8.1% on FY2016 but the Company's underlying and statutory earnings were lower.

Operating[1] Earnings per Share decreased 15.8% (pcp) to 26.7 cents and Shareholders received a full year dividend of 19.0 cents per share (22.5 cents pcp).

Statutory NPAT was $55.5 million, down 38.4% on the previous year primarily due to one-off costs associated with the Refrigerated Logistics transformation program and the restructuring of the Company's operations, including cost-down initiatives as we outlined in the May trading update.

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

*Raymond Chen and Anna Otdelnova at **easyauto123** Seven Hills in Sydney*

AUTOMOTIVE

Revenue from the Automotive division was up 10.8% to $5.23 billion.

Operating[1] EBITDA was down 3.9% to $171.0 million, delivering an Operating[1] profit before tax of $124.2 million, down 8.5% (pcp) primarily due to the decline in the Western Australian market. Incorporated in this result was a significant reduction in the contribution from the Group's online broking business 360 Finance.

On a positive note, both the Australian and New Zealand markets reported records sales of new vehicles in the 2016 calendar year and are on track to exceed those marks again in CY2017.

AHG's scale, broad portfolio of brands and strategic dealership locations ensure the Company is able to benefit from market growth and, as evidenced in FY2017, to largely withstand the weaker economic conditions experienced in Western Australia.

The Group's used car operations performed strongly, with significant organic growth and the expansion of the **easyauto123** fixed-price used car warehouse model from one pilot location to a second in Sydney's Seven Hills in April 2017 and a third at Canning Vale, south of Perth, in May 2017. A fourth warehouse opened at Brooklyn in Melbourne's inner west in August and a fifth is planned in Brisbane this year.

AHG is also working in the digital space to engage both buyers and sellers in the Australian private to private (P2P) market, which is estimated to be in the order of $15 billion annually.

The Company completed a number of strategic acquisitions during the year in review, delivering further growth in scale and revenue. The acquisitions comprised the Lance Dixon Jaguar Land Rover dealership at Doncaster in Melbourne's inner eastern suburbs, the City Mazda dealership in South Melbourne, the Audi and Skoda dealerships in Newcastle, and the Essendon Ford and Mitsubishi dealerships and Daimler Trucks Laverton in Melbourne's west.

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division reported a strong performance in the second half of the year, with EBITDA up 68% on last year as the restructuring of the division began delivering expected improvements.

The business is continuing to implement a substantial transformation program to restructure the division, upgrade technology platforms, and leverage operational efficiencies and drive productivity and cost reductions. The program achieved headcount reductions above target, a significant reduction in pallet costs, improved use of fleet assets with a corresponding reduction in the use of sub-contractors, and the consolidation of facilities. With the exit momentum from FY2017 it is expected that performance will continue to improve as transformation benefits accrue. We remain committed to enhancing Shareholder value from this division.

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Managing Director's Review (continued)

OTHER LOGISTICS

Operating[1] profit before tax in Other Logistics improved 115.6% on the previous year although revenues from continuing operations decreased by 13.8%, reflecting the divestment of the former Covs business.

The AMCAP business continues to trade consistently; the motorcycle business delivered a strong performance fuelled by market demand and a strong foreign exchange position, and the GTB/VSE business showed improved performance from increased client demand and productivity gains.

Following a strategic review of our bus distribution business (AHG International) we have taken provisions in our FY2017 financial statements, which are reflected in the unusual items, to facilitate a restructure of the operations of this business in FY2018.

PEOPLE AND CULTURE

AHG is proud of its workforce and values the contribution made each day by more than 8,300 employees who represent the Company.

The automotive retail and logistics sectors remain male-dominated industries and AHG remains committed to investing in programs that allow women to build rewarding careers in a broad range of roles.

During the year in review the Company retained its focus on diversity, staff retention and training and development. Details of the relevant initiatives are referenced further in this report.

WORKPLACE HEALTH SAFETY AND ENVIRONMENT

The AHG Workplace Health, Safety and Environment strategy was implemented in 2014 and is regularly reviewed. It underpins principles that guide decisions and behaviours designed to secure a workplace free of risk and injury.

Management welcomes the ongoing commitment of the Group's business leaders to support the strategy, which has delivered encouraging improvements in the rates of lost time injuries, incident reports and return to work programs.

The Company is committed to conducting its business operations in the most environmentally responsible manner possible. During the year in review the Group achieved significant reductions in its environmental footprint through a range of initiatives, detailed further in this report, including water and waste recycling, the installation of building management systems, installation of and conversion to LED lighting, and the use of solar power.

OUTLOOK

At the time of writing this report, management is cautiously optimistic in its outlook based on AHG's strong balance sheet and diverse business operations.

The outlook for the Group in FY2018 is for a modest uplift in operating performance based on realising the benefits of AHG's cost reduction programs and the ongoing improvement in Refrigerated Logistics, and expectations that the Western Australian economy is stabilising and that the Company is well placed to benefit from any recovery in the state.

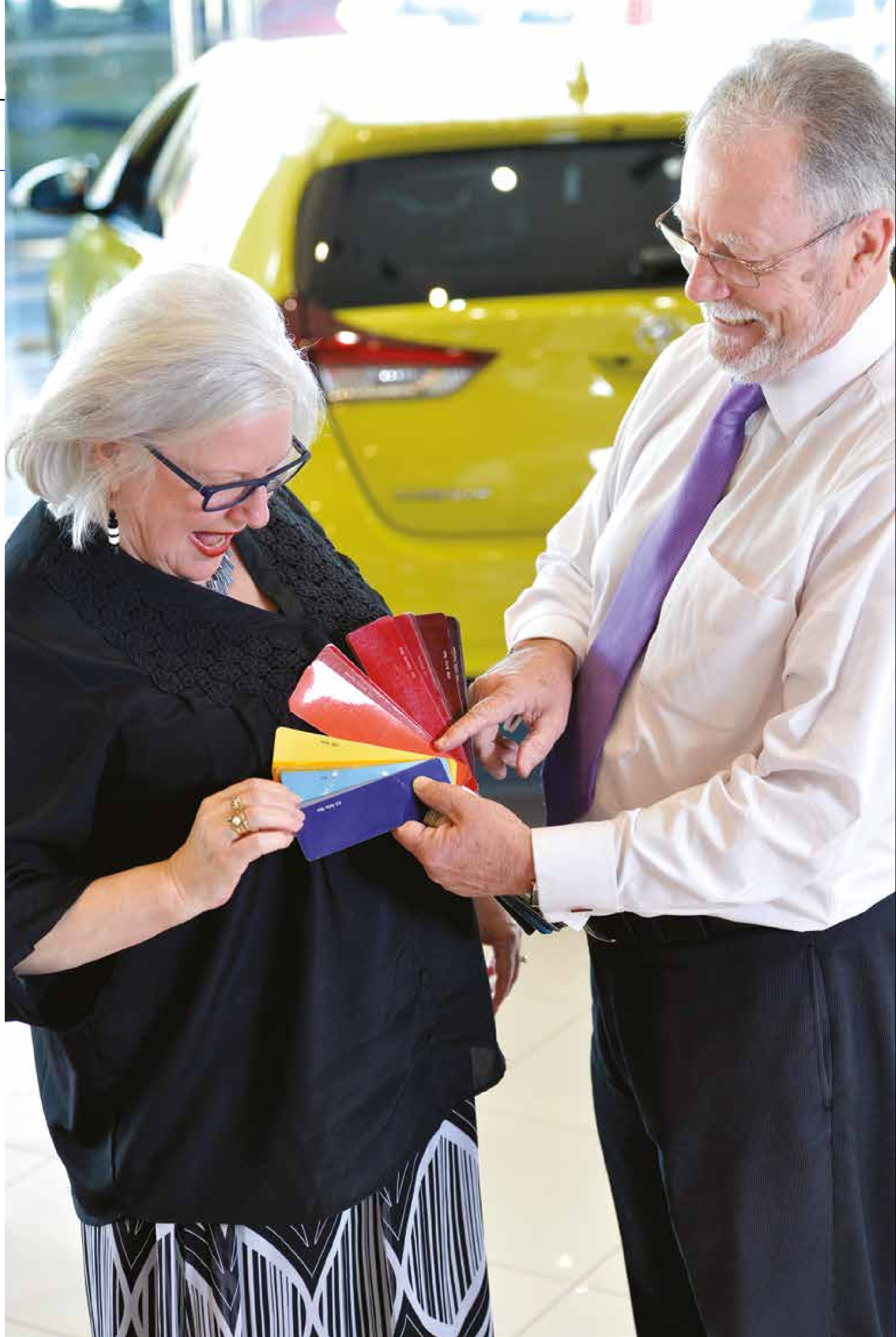
The anticipated uplift is expected to mitigate the impact of regulatory changes to FY2018 insurance income in the Automotive division. The Company has previously advised the market that the changes to flex finance commission payments in FY2019 are expected to have little impact on earnings and we remain of that view.

The Company is delivering on its strategic objectives to position AHG for future growth.

Along with the Chairman, I look forward to providing Shareholders with a further update at the Company's Annual General Meeting in November.

John McConnell
Managing Director

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)



Operating and Financial Review

Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about AHG's business strategies and future prospects.

This 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 that could be prejudicial to AHG (e.g. commercially sensitive, confidential or material capable of giving a third party a competitive advantage) has not been included.

This diversified nature of AHG's business operations 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 services 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 efficiencies and shareholder value.

The Group invests significant time and resources in the development, implementation and maintenance of individual strategic roadmaps across its operations, overlaid with alignment to the wider consolidated AHG strategic objectives.

A common thread across the business models and strategies is the ability of the Group to leverage one of its key strengths, the talent of its people. Business unit leaders are empowered to make appropriate decisions to grow their respective business operations and control their cost structures. This approach allows AHG to attract and retain its most talented employees, and to provide excellence in customer service.

GROUP FINANCIAL PERFORMANCE

Key Financial Data	Statutory IFRS Result 2017	Unusual items* 2017	Operating Non-IFRS Result 2017	Operating Non-IFRS Result 2016
For the year ending 30 June 2017	*$'000*	*$'000*	*$'000*	*$'000*
Revenue	**6,081,745**	**-**	**6,081,745**	**5,625,999**
EBITDA	176,169	39,786	215,955	225,488
EBITDA Margin (%)	2.9%		3.6%	4.0%
Depreciation and amortisation	(46,920)	-	(46,920)	(43,386)
EBIT	129,249	39,786	169,035	182,102
Interest (net)	(39,255)	-	(39,255)	(36,580)
Profit before tax	89,994	39,786	129,780	145,522
Tax expense	(28,901)	(8,034)	(36,935)	(41,460)
Profit after tax	61,093	31,752	92,845	104,062
Non-controlling interest	(5,554)	-	(5,554)	(6,815)
Net profit after tax attributable to shareholders	**55,539**	**31,752**	**87,291**	**97,247**
Basic EPS (cents per share)	17.0		26.7	31.7

* ***Unusual items:*** *costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and/or restructures of assets and operations, impairment of assets, transformation activities and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)*

Revenue

Group revenue increased 8.1% to $6.08 billion (2016: $5.63 billion), driven by acquisitions across Victoria and NSW (Automotive segment), offset by organic weakness in WA (Automotive segment) and reduced revenue due to prior year divestment of Covs (February 2016 – Other Logistics segment).

EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation)

Operating non-IFRS margins decreased year-on-year to 3.6% (2016: 4.0%), with Automotive performance lower due to finance and insurance impacts and the weak WA market, while Refrigerated Logistics saw a small decrease off a higher fixed cost base and Other Logistics saw an increase off strong performance in KTM and Husqvarna.

Depreciation and Amortisation

Depreciation and amortisation for the year was $46.92 million (2016: $43.39 million), an increase of 8.1%. This was primarily due to ongoing investment in organic Refrigerated Logistics operations (premises, vehicle fleet and container assets), and 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 $39.25 million (2016: $36.58 million), an increase of 7.3%. The increase was due to higher floorplan finance costs from the acquisitions, mitigated by a combination of lower interest on borrowings post equity raise and a consistent focus on inventory/cash management.

Non-controlling Interests

Profit attributable to non-controlling interests decreased to $5.55 million (2016: $6.82 million), down 18.5%. 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 decrease related to AHG acquiring the final interest in 360 Finance (August 2016) offset by acquisitions and organic performances by these entities during FY2017.

Profit before Tax

AHG earned a statutory profit after tax of $55.54 million (2016: $90.07 million) for the year, a decrease of 38.4%. Operating Non-IFRS profit (before unusual items) after tax was $87.29 million (2016: $97.25 million), a decrease of 10.2%.

Dividends

A fully franked final dividend of 9.5 cents per share was declared, taking the full year dividend to 19.0 cents per share fully franked, a decrease of 3.5 cents (15.6%).

Operating and Financial Review (continued)

GROUP FINANCIAL POSITION

	FY2017	FY2016
Total Assets	$2.39 billion	$2.19 billion
Total Liabilities	$1.58 billion	$1.47 billion
Total Equity	$0.80 billion	$0.72 billion

TOTAL ASSETS

Total assets increased by $0.20 billion from $2.19 billion to $2.39 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, increased $71.69 million to $899.80 million (2016: $828.11 million). This was attributed to acquisitions completed during FY2017 and the growth of **easyauto123** operations, plus timing of manufacturer supplies. AHG applies policies around its inventory management to mitigate potential obsolescence.

Receivables increased $23.76 million, from $333.61 million to $357.37 million. This was influenced by acquisitions completed during FY2017 and an increase in the Refrigerated Logistics segment. Average debtor days decreased slightly over the prior year (21.4 days compared to 21.6 days), aided by AHG's dedicated centralised Credit Control department which monitors outstanding debtors on a continual basis.

Property, plant and equipment increased $42.09 million to $401.13 million (2016: $359.04 million), due to a combination of ongoing investment in Group operational requirements (e.g. Refrigerated Logistics), acquisitions executed, as well as property developments at Automotive Retail sites either completed or under construction at the end of FY2017.

Intangible assets increased $50.91 million to $513.17 million (2016: $462.26 million) linked to acquisitions of Doncaster Autos, City Mazda, Daimler Trucks Laverton, Newcastle Audi/Skoda and Essendon Ford/ Mitsubishi executed during FY2017, and completion of provisional accounting for FY2016 acquisitions of Western Pacific Automotive, Knox Mitsubishi and Sinclair Hyundai (Penrith), offset by impairment of $3.02 million linked to specific Automotive operations where impairment indicators were present such that the recoverable amount of goodwill and/or franchise rights was considered to be below its carrying value.

TOTAL LIABILITIES

Total liabilities increased by $0.11 billion to $1.58 billion (2016: $1.47 billion) during FY2017.

Trade and other payables increased $62.88 million to $322.80 million (2016: $259.92 million) due to timing around payment of year-end liabilities covering creditors, subcontractors and payroll accruals.

Interest-bearing liabilities rose $48.36 million to $1.14 billion (2016: $1.09 billion) due to a combination of increased finance company loans (organic and acquisitions/Greenfields), increased lease/hire purchase commitments (property, plant and equipment investment) offset by decrease in commercial borrowings (equity raise and cash management).

Total current and non-current provisions increased $3.71 million to $100.74 million (2016: $97.03 million), attributed to increased employee provisions (expanded employee numbers linked to acquisitions offset by organic employee number reductions) and natural increases in existing employee service periods and entitlements.

TOTAL EQUITY

Total equity increased by $0.08 billion to $0.80 billion, reflecting the equity raise of $0.11 billion conducted August/September 2016, offset by net retained profit reduction between FY2017 statutory performance and dividends paid.

FUNDING AND CAPITAL MANAGEMENT (INCL. 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 (Floorplan)

Finance company facilities of $1.07 billion (2016: $937.26 million) were available to AHG as at 30 June 2017, of which $788.72 million (2016: $711.51 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 $552.04 million (2016: $602.43 million) of these facilities available to the Group as at 30 June 2017, of which $382.89 million (2016: $408.53 million) had been utilised (including Guarantees - refer note 34). AHG reduced its Commercial Bill facilities by $50.0 million during FY2017. Lease Finance facilities expanded in conjunction with acquisitions during FY2017.

Capital Management Metrics

	FY2017	FY2016
Gearing Ratio *(source: note 26.2 Capital Management)* (net debt excluding finance company loans and cash) / (net debt + equity excluding finance company loans and cash)	24.4%	27.6%
Gearing Ratio *(source: note 26.1 Capital Management)* (net debt excluding cash) / (net debt excluding cash + equity)	56.6%	57.8%
Interest Cover (times) *(source: note 2 Operating Segments)*		
• Operating[1]	4.31	4.98
• Statutory	3.29	4.75
(EBIT / Net Interest expense)		

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

Net debt (borrowing excluding finance company loans and cash and cash equivalents) decreased by $15.29 million to $258.73 million (2016: $274.02 million). This decrease reflected:

- Operating Cash Flows of $140.94 million (2016: $139.81 million), up $1.13 million;
- Payment for acquisitions (net of divestments) of $60.73 million, up from $53.01 million paid in pcp;
- Payment for property, plant and equipment (net of proceeds of sale of property, plant and equipment) of $79.86 million, up from $59.42 million paid in pcp;
- Equity raise (net of costs) of $111.60 million (nil pcp); and
- Dividends paid to shareholders during FY2017 totalling $74.62 million (2016: $68.97 million), off higher shares on issue post equity raise and net 0.5 cents higher dividend rate. Total declared dividend for FY2017 is 19.0 cents (FY2016: 22.5 cents), with the final dividend component of 9.5 cents to be paid in October.

The Group's balance sheet position continues to support further growth opportunities, supported by strong operating cash flows.

Operating and Financial Review (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, Audi, Bentley, Chrysler, Citroën, Dodge, Fiat, Ford, FPV, Holden, HSV, Hyundai, Infiniti, Isuzu UTE, Jaguar, Jeep, Kia, Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Peugeot, Porsche, Sköda, Subaru, Suzuki, Toyota, Volkswagen.

Truck and commercial vehicle brands:

Fiat Professional, Freightliner, Fuso, Higer, Hino, Iveco, LDV, Mercedes-Benz, Mercedes-Benz Vans, Rosa, Volkswagen Commercial, Yutong.

AHG also operates in the used car and wholesale sectors through its **easyauto123** fixed price used car warehouse model and the Carlins Auctions business.

COMPETITIVE ADVANTAGES:

Business model – multi-franchise 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 teams, and the ability to attract and retain key employees.

Relationships – 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.

BUSINESS MODEL AND STRATEGIES

AHG operates a network of franchised car, truck and bus dealerships across Australia and New Zealand in both established and growth areas. The majority of the Group's dealerships are located relatively closely within "retail hubs", creating a destination for buyers and generating efficiencies in shared services and fixed operations.

The franchised dealerships sell both new and used cars. AHG's fixed price used car warehouse model, which operates as **easyauto123**, sells only pre-owned vehicles, complemented by the Carlins Auctions business.

Carlins has strong sourcing channels to access used vehicle stock and AHG has retail expertise and a broad range of sales channels. The combined operations present the opportunity to work with fleet management organisations, leasing companies, corporate fleet operators, government departments, banks, finance companies and others to offer a national fleet remarketing platform.

The Group remains active in the "private to private" market through its digital strategies and the operations of its wholly-owned 360 Financial Services business, which operates independently from the dealer network to provide customers with access to financial services through online channels.

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

- Capture of additional new and used vehicle retail market share;
- Being the "partner of choice" for manufacturers;
- Maximising the benefits of the Group's scale through appropriate shared services to realise operating efficiencies to a lower cost base;
- Sustained growth of AHG's higher margin parts and service businesses with a strong emphasis on the retention of service customers;
- 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 the Group to meet the changing developments of the industry and the shifting needs and purchasing behaviour of customers; and
- Enhancement of AHG's current dealership portfolio by strategic acquisition (including Greenfield) and improving or disposing of underperforming dealerships.

For a list of AHG's acquisitions, redevelopments and Greenfield developments since listing see: http://www.ahgir.com.au/corporate-profile/timeline

BUSINESS SEGMENT - AUTOMOTIVE RETAIL

	FY2017	FY2016	Movement
	$'000	*$'000*	*%*
Automotive Retail			
Revenue	**5,234,468**	4,724,800	10.8%
Statutory IFRS Performance			
EBITDA	**153,401**	178,559	(14.1%)
EBITDA %	**2.9%**	3.8%	
EBIT	**133,454**	159,742	(16.5%)
Profit before Tax	**106,549**	136,365	(21.9%)
Operating[1] Non-IFRS Performance			
EBITDA	**171,017**	177,940	(3.9%)
EBITDA %	**3.3%**	3.8%	
EBIT	**151,070**	159,123	(5.1%)
Profit before Tax	**124,165**	135,746	(8.5%)

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

- Revenue up 10.8% primarily from acquisitions
- EBITDA and EBIT margins lower due to F&I impact and weak WA market
- Significant reduction in contribution from 360 Finance (online finance broking business)
- Strong growth in Victoria with recent acquisitions
- Operating[1] Profit Before Tax down 8.5%

Automotive Retail operations accounted for 86% (FY2016: 84%) of Revenue and 87% (FY2016: 82%) of Statutory EBITDA for FY2017. The FY2017 revenue of $5.23 billion (FY2016: $4.72 billion) was a record achievement for the segment.

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.

The division provides temperature controlled transport and cold storage services across mainland Australia with national route coverage and an integrated network of cold store facilities.

The combined businesses operate a permanently-monitored fleet of vehicles that covers approximately 500,000km every day and includes:

- ~600 prime movers and rigid delivery vehicles
- ~1,200 road trailers
- ~550 rail containers

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.

BUSINESS MODEL AND STRATEGIES

During FY2017, AHG continued a Refrigerated Logistics transformation program to drive EBITDA improvement for this segment. The program involved the implementation of a revised organisational structure and single operating model, generating significant cost reductions and productivity improvements.

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 national temperature-controlled long-haul transport, cold storage and refrigerated distribution, differentiate AHG Refrigerated Logistics from other providers by offering an integrated suite of nationwide refrigerated road, rail, cross-docking, cold store and distribution services supported by the implementation of sophisticated IT systems.

The fragmented nature of the broader industry sector provides the Group with a competitive advantage, given AHG's investment in state-of-the-art depots and cold storage facilities in each state, the fleet of modern equipment and its reputation for reliability.

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.

BUSINESS SEGMENT - REFRIGERATED LOGISTICS

	FY2017	FY2016	Movement
	$'000	*$'000*	*%*
Refrigerated Logistics			
Revenue	**570,735**	580,420	(1.7%)
Statutory IFRS Performance			
EBITDA	**23,763**	37,101	(35.9%)
EBITDA %	**4.2%**	6.4%	
EBIT	**(527)**	15,628	(103.4%)
Profit / (loss) before Tax	**(8,465)**	8,114	(204.3%)
Operating[1] Non-IFRS Performance			
EBITDA	**35,050**	37,160	(5.7%)
EBITDA %	**6.1%**	6.4%	
EBIT	**10,760**	15,687	(31.4%)
Profit before Tax	**2,822**	8,173	(65.5%)

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

- Strong H2 $17.1m Operating[1] EBITDA versus $10.2m in H2 FY2016
- Revenues continued to build, albeit lower than PCP
- Margins reflect higher fixed cost base from investment in cold stores and equipment and lower revenue
- Exit momentum continued into FY2018 where full year savings accrue

Refrigerated Logistics operations were lower than FY2016 across all metrics, as it underwent a significant transformation program during FY2017. Lower margins were reflective of a higher fixed cost base from investment in cold stores and equipment combined with lower revenue (1.7%) compared to FY2016.

The transformation program, however, is seeing performance continuing to improve as the transformation benefits accrue, with exit momentum continuing from FY2017 into FY2018 as full year savings are realised.

Refrigerated Logistics operations accounted for 9% (FY2016: 10%) of Revenue and 13% (FY2016: 17%) of Statutory EBITDA for FY2017.

OTHER LOGISTICS

AHG's Other Logistics business units provide further diversification and offer opportunities to develop business relationships across the Group's client bases.

AMCAP operates warehousing and distribution of automotive parts and accessories.

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.

COMPETITIVE ADVANTAGES:

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

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

Facilities – state of the art distribution centres.

BUSINESS MODEL AND STRATEGIES

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;
- KTM and HQVA: 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; and
- VSE/GTB: storage of vehicles that builds on existing relationships with manufacturers, bodybuilding activities that supply complementary AHG businesses and third party customers, and building on automotive retail (truck) experiences to identify new opportunities and business relationships.

The Other Logistics division, which includes the AMCAP parts distribution business and the importation and distribution of KTM and Husqvarna motorcycles, performed ahead of FY2016.

Overall performance in Other Logistics is focused on businesses that can leverage their operations across the Group's activities.

The FY2017 result reflected consistent trading in AMCAP's operations, improved performance from GTB through client demand and productivity gains, and a strong performance in KTM and Husqvarna operations from market demand and stronger foreign exchange rates.

BUSINESS SEGMENT - OTHER LOGISTICS

	FY2017	FY2016	Movement
	$'000	*$'000*	*%*
Other Logistics			
Revenue	**276,222**	320,459	(13.8%)
Statutory IFRS Performance			
EBITDA	**3,327**	1,035	221.5%
EBITDA %	**1.2%**	0.3%	
EBIT	**644**	(2,061)	131.3%
Profit/(Loss) before Tax	**(394)**	(4,068)	90.3%
Operating[1] Non-IFRS Performance			
EBITDA	**14,210**	9,968	42.6%
EBITDA %	**5.1%**	3.1%	
EBIT	**11,527**	6,872	67.7%
Profit before Tax	**10,489**	4,865	115.6%

Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

- Reduction in revenue reflects divestment of Covs
- Strong performance in KTM and Husqvarna off stronger AUD/EUR FX position and market demand
- Improved performance in GTB from client demand and productivity gains
- AMCAP trading consistent

Other Logistics operations were lower than FY2016 on a Revenue basis however higher than FY2016 across all profit measures. During FY2016 AHG divested Covs Parts, which was the primary contributing factor behind both these movements.

FY2017 also saw strong performance in KTM and Husqvarna off stronger AUD/EUR FX position and market demand, while GTB experienced improved performance from client demand and productivity gains. AMCAP traded consistently.

Other Logistics operations accounted for 5% (FY2016: 6%) of Revenue and 2% (FY2016: 1%) of Statutory EBITDA for FY2017.

Following a strategic review of our bus distribution business (AHG International) we have taken provisions in our FY2017 financial statements, which are reflected in the unusual items, to facilitate a restructure of the operations of this business in FY2018.

PROPERTY

The Company continued its successful working relationship with Charter Hall and successfully launched the Direct Automotive Trust No 2 which delivered material rent savings to its automotive operations.

Direct investment was maintained in energy efficient technologies including LED and Solar, which delivered and increased the Group's our solar generation capacity.

The continued tightening of industrial yields and rents enabled the Property team to negotiate material rent savings for Refrigerated Logistics.

Operating and Financial Review (continued)

The following projects were delivered in the 2016/17 financial year:

WA	Osborne Park	Mazda	New Dealership	$13.0m
	Cannington	Mitsubishi & VW	Workshop Extension	$ 2.5m
	Canningvale	**easyauto123**	New Site	$ 1.3m
	Clarkson	Nissan	New Dealership	$ 5.0m
	Newman	Service centre	New Truck Workshop	$ 6.0m
NSW	Prestons	AHG	Corporate Office & Warehouse	$32.0m
	Sutherland	Nissan	New Dealership	$ 4.0m
	Newcastle	Mazda & Subaru	New Dealership	$ 6.0m
	Seven Hills	**easyauto123**	New Site	$ 1.0m
	Liverpool	Subaru	New Dealership	$ 3.0m
	Coffs Harbour	Hino / Iveco	New Truck Workshop	$ 2.0m
QLD	Browns Plains	Mazda	New Dealership	$ 9.0m
	Aspley	Hyundai/Mitsubishi	New Dealership	$13.0m
VIC	Derrimut/Drystone	AHG Logistics	New temp-controlled site	$18.0m

WORKPLACE HEALTH AND SAFETY

The AHG Workplace Health, Safety and Environment five year strategy, implemented in 2014, continues to underpin the principles which help guide decisions and behaviours in regards to securing a workplace free of risk and injury. In line with these commitments FY2017 was another strong year for AHG across all business units.

The Company has continued to develop and enhance its Workplace Health and Safety systems, as well as identify strategies for injury prevention, enhanced health and wellbeing and improved injury management outcomes.

AHG continues to demonstrate that management is committed to improving workplace health and safety, and recognises that sound WHS performance contributes to overall business success. AHG ensures Senior Management, Dealer Principals and Managers carry accountability for leading health and safety programs in their areas of responsibility, characterised by:

- Safety Leaders being evident and available at all levels of the organisation;
- Establishing specific KPIs to support the monitoring of WHS performance;
- WHSE being valued and considered in decision making;
- A culture of communicating, reporting, learning and continual growth;
- Employees choosing to work safely and not being dependent on safety policies and rules;
- Managers being held accountable for areas under their control; and
- A high level of trust between employees and management.

The foundation of AHG's safety program continues to be the consistent application of the standard AS/NZS 4804:2001 Occupational Health and Safety Management System. The alignment of AS/NZS 4804 with the recognised standard audit tool AS/NZS 4801 provides a suitable framework for the evaluation of the health and safety system and the effectiveness of such systems to deliver consistently high safety standards and injury and illness prevention in the workplace. Our businesses have continued to undertake the AS/NZS 4801 Audit with accreditations again achieved in more than 95% of those businesses audited while 78% achieved Silver and 16% achieved Gold Certification.

In line with the continued WHS maturity in the business, AHG continues to embed the five year Work, Health, Safety and Environmental strategic plan. The plan encompasses five key areas of focus including:

- Alignment and strengthening of WHSE managements systems across the Group;
- Cultural change through employee and management engagement;
- Targeting of key injury areas, namely manual tasks, slips, trips and falls, and vehicle accidents;
- Establishment of core training programs; and
- The enhancement of AHG's environmental footprint.

With the continued growth of AHG, including the **easyauto123** operation, and new dealerships, it has been an ongoing focus to build common systems to support the health and safety needs of our employees, customers, contractors and community throughout our business locations. This has been achieved through the following strategies:

- Continued implementation and review of the Data Station WHSE program in line with AS 4804 requirements at new Dealerships;
- Revision and dissemination of the Health and Safety Policies;
- Development and implementation of the National WHSE Steering Committee;
- AS/NZS 4801 Audits completed at a number of Dealerships, Refrigerated Logistics and AMCAP businesses;
- Safety Management Plans being developed, implemented and reviewed in each State;
- Consolidation of the High Risk activity register across the Group;
- Implementation of the recommendations out of the cultural awareness survey;
- Development of Traffic management plans for each Dealership;
- Development and implementation of the Velpic induction program; and
- Development and implementation of core e-learning WHSE modules.

In respect to the National WHSE Steering Committee, AHG continues to foster a truly aligned consultative mechanism, including involvement of members of the Executive Leadership Group to ensure:

- AHG's overarching health and safety policies are consistent across the Group;
- An annual improvement plan is prepared each year;
- Evaluation of the Group's health and safety performance and identification of opportunities for improvement; and
- Approval of all corporate health and safety activities to enable their implementation.

Financial Year 2017 results continue to show a very healthy trend. The AHG Lost Time Injury Frequency Rate (LTIFR) of 5.2 is down by 20% on FY2016 (down over 30% in the last three years) and an Incident Rate (IR) of 1.03 is down 20% (down 29% in the last three years) across all businesses. Western Australian Automotive, along with Victoria Automotive, New South Wales Automotive, Queensland Automotive, AMCAP, and VSE/GTB all outperformed 2016 results.

Positive performance indicators for FY2017 again show a pleasing trend across three significant WHS areas. Health and Safety Committee participation across the group increased by 7% (701) on FY2016 figures, toolbox talks were consistent with (4,150) undertaken and workplace inspections also rose by 8% (3,361). These numbers illustrate the commitment and dedication to ensure AHG continues to mature across the Group.

The WHS team at AHG continues to innovate in respect to proactive safety and reduction of injuries by partnering with a number of companies to reduce known risk. Hand injuries continue to be number one in regards to the number of injuries sustained within the Group. In FY2016 AHG continued to implement the new range of gloves specifically designed for mechanics. This initiative has seen further reductions in finger injuries in the last 12 months despite an increase in employee numbers. It should also be noted that back injuries as a result of manual handling have reduced by over 30% in the past three years, due mainly to the introduction of mechanical assistance and improved education around lifting and carrying.

Further work in the area of safety management, traffic management and emergency management planning have assisted in the continued development of the AHG risk register and subsequent development and implementation of over 30 safe work method statements for high risk activities. The AHG Logistics team formally communicated the new Safety Management Plan, which aims to reduce accidents around AHG Logistics and third party sites.

The development and implementation of e-learning WHS modules for staff and contractors continues to be a focus with continued use of the Velpic induction program for AHG workers, Rapid Induct for Contractors and site specific inductions for Contractors, including new workers and work experience students. Further E Learning modules developed include manual tasks and fire extinguisher training. Modules currently under construction included Work Health and Safety for supervisors, managers and a master class for Dealer Principals, as well as incident and accident investigation.

Operating and Financial Review (continued)

CHAIN OF RESPONSIBILITY

If you consign, pack, load or receive goods as part of your business, you could be held legally liable for breaches of the Heavy Vehicle National Law (HVNL) even though you have no direct role in driving or operating a heavy vehicle. In addition, corporate entities, directors, partners and managers are accountable for the actions of people under their control. This is the 'chain of responsibility' (COR).

The aim of COR is to make sure everyone in the supply chain shares equal responsibility for ensuring breaches of the HVNL do not occur. Under COR laws if you exercise (or have the capability of exercising) control or influence over any transport task, you are part of the supply chain and therefore have a responsibility to ensure the HVNL is complied with.

The AHG Logistics 'On Road Compliance' Team has been working closely with Senior Management and the Board to provide key performance indicators and trends specific to the area of 'Chain of Responsibility' and Fitness for Work. This has included developing metrics and targets in the following critical disciplines:

- Maintenance management;
- Mass management;
- Fatigue management;
- Speed management; and
- Drug and alcohol testing.

These key metrics enable AHG Logistics to monitor compliance against agreed standards, and to implement corrective actions where required. Current trending in these metrics shows high levels of compliance within the Group.

INJURY MANAGEMENT

AHG continues to support all staff in dedicated return to work programs after suffering an injury at work. AHG provides a culture of acceptance for workplace rehabilitation and has processes in place to support an early and safe return to work of any staff member who has an injury or illness.

AHG's positive injury management program has seen significant results, including a reduction in days lost from work of more than 36% in the last three years.

ENVIRONMENT

Environmental management continued to be a major focus for AHG in FY2017. In line with our commitment to conducting our operations in an environmentally responsible manner, AHG's approach this year has reflected our strong commitment to fostering the sustainable use of the earth's resources, therefore minimising the impact of the organisation's operations on the local community, flora and fauna.

The Group continues 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 FY2017, much work has been completed to achieve significant reductions in its environmental footprint. FY2017 has seen the Group continuing to work responsibly and logically in this important area, in line with our Environmental Policy objectives these being:

- Meeting its legislative obligations in respect to environmental management;
- Establishing environmental measures and targets and incorporating these into business plans to ensure continuous improvement;
- Holding all business units accountable for implementing environmental programs including Green Stamp Accreditation in their areas of responsibility;
- Working responsibly to minimise any negative impacts we may have on the environment, through efficient use of resources, and reduction in emissions and waste;
- Fostering initiatives and ownership of environmental activities by our workers and contractors, thereby promoting a strong environmentally aware business culture;
- Where required by law monitor potential emissions; and
- Renewing environmental measures and targets to ensure continuous improvement.

The work undertaken includes solar paneling being installed at a further eight facilities, mainly new and refurbished dealerships across the country, including the Liverpool hub redevelopments in NSW, Mazda Osborne Park Dealership in WA, Browns Plains Mazda and Aspley Mitsubishi/Hyundai Dealerships in Queensland. The Group is currently working in partnership with energy monitoring engineers to improve further the proactive identification, assessment and control of inefficient facilities.

FY2017 also saw the installation of a further five water recycling systems across the country including Brown's Plains Mazda in Queensland, Daimler Laverton in Victoria, Mazda Osborne Park and Giant Autos in WA and the Liverpool redevelopments in NSW that reduce the amount of water used and provide water for surrounding gardens. AHG has also committed to including base specifications in all new and refurbished buildings (where feasible) in respect to water saving, such as flushing of toilets.

AHG has also committed to the installation of LED lighting at all new and refurbished Dealerships including the Liverpool redevelopment, Browns Plains Mazda, as well as Osborne Park Mazda and Giant Autos confirms the progress made to provide long-term benefits of fitting new and refurbished dealerships to comply with ISO energy efficiency standards.

AHG continued to install 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 installed a further two BMS systems in FY2017, (at Hoxton Park and Daimler in Laverton) bringing the total to a healthy 54 facilities.

The Group also continues to work closely with our preferred providers to recycle tyres and batteries through disposal contracts set to EPA standards, as well as cardboard, oil, oil filters, oil rags, metal, timber (pallets) and steel recycling. Improved reporting due to consolidation of providers now provides opportunities for further efficiencies in waste reduction and recycling, currently the AHG average state recycling rate is at 34%, with a range between 21% and 43%. The aim is to reach 50% with new contracts awarded in the coming year. The procurement team has also refined the program which has again reduced the number of hazardous substances in the workplace through a consolidated chemical management program for our car detailers. A new printer usage policy has been implemented which will see the use of duplex settings to reduce the amount of paper used, this is anticipated to save on average fifteen tonnes per annum.

AHG continues to utilise the fuel manager Statistical Inventory Reporting Analysis (SIRA) system which complies with Australian state EPA agency requirements. It continues to deliver a simple and efficient solution to underground wet stock tank management with a prime focus on protecting the environment through monitoring and reporting requirements. Furthermore, AHG continues to decommission older Underground Petroleum Storage Systems (UPSS) in an effort to eliminate the risk of contamination through leakage.

The Group's automotive dealerships across Australia and New Zealand have again continued 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. Again a number of Dealerships within the Group attained Green stamp Advantage, the highest awarded level of accreditation, including newer Dealerships such as Daimler Trucks Perth, Clarkson Nissan, Paceway Mitsubishi and Westpoint Star as well as existing Dealerships such as Lansvale Holden, John Andrew Ford and Mazda, McGrath Nissan, Mazda, Subaru, Allpike Peugeot, Melville Mitsubishi, Rockingham Hyundai, Rockingham Mitsubishi and Titan Ford.

PEOPLE AND CULTURE

Key areas of focus during FY2017 included:

- Improving the retention rates of staff at all levels of the organisation:
- Providing the right level of training and development opportunities for all employees; and
- Improving the breadth of diversity within our workforce, with particular reference to increasing participation rates of women.

Improving our retention levels across the group involved a review of the way that AHG recruit, induct, train, remunerate and develop our employees. These activities were supported by insights gained from our recent employee survey that is conducted every two years. On this occasion, the survey was conducted in July 2016 and our engagement remains high when compared to previous surveys and external benchmarks of similar sized firms in Australia and New Zealand.

Key areas of focus arising from the survey include:

- Providing more development opportunities for staff;
- Improving the way we communicate our pay and staff benefits; and
- Ensuring that learning and development opportunities are available to staff.

Plans have been developed within each business unit and across each state to address these opportunities with progress being monitored on a quarterly basis. The survey will again be conducted in the second half of the financial year 2018.

There has been significant progress in the way AHG recruits individuals into the company with the appointment of a dedicated in-house recruitment specialist who is better able to support hiring managers by pooling candidates for similar roles. This has reduced the time to fill vacancies and improved the quality of hires. The recent adoption of technology has also improved efficiency and provided a better experience for candidates.

In support of providing learning and development opportunities, AHG continues to invest in on-line learning and has added a number of new training courses to our existing training library. On-line learning is well received by employees as it enables training to be completed at a time that suits the participant. Records of completion are maintained centrally and achievement certificates can be generated locally.

Other initiatives aimed at improving retention of staff relate to the implementation of workplace flexibility (altered hours of work, part-time employment), participation in tool box talks aimed at improving two way communication and early stage development of clear career paths for employees.

DIVERSITY

Diversity remains a high priority for the AHG board and a key area of focus for the leadership teams at AHG. Whilst increasing the number of women in senior operational roles is an industry wide challenge, AHG is committed to investing in programs to ensure that women are able to build rewarding careers in a broad range of roles across the group.

For many years AHG has been tracking and reporting on the number of women working within the Group to the Workplace Gender Equality Agency. There are currently 1,552 females employed by AHG as at April 2017, equivalent to 20% of total workforce.

AHG WORKFORCE GENDER PROFILE AUSTRALIA (WGEA CATEGORIES)

APRIL 2017	Female	Male	Total	Female%	Male%
CEO / Managing Director*		1	1	0%	100%
Clerical and administrative	832	288	1120	74%	26%
Key Management Personnel and Board	1	14	15	7%	93%
Labourers	76	535	611	12%	88%
Machinery operators and drivers	38	1386	1424	3%	97%
Other executives / general managers	2	62	64	3%	97%
Other managers	85	609	694	12%	88%
Professionals	80	149	229	35%	65%
Sales	324	1018	1342	24%	76%
Senior managers	11	105	116	9%	91%
Technicians and trade	103	1972	2075	5%	95%
Board members (included above)	1	6	7	14%	86%
Total (Australian workforce)	**1552**	**6139**	**7691**	**20%**	**80%**

** The Managing Director is also a member of the Board*

In January 2017, a comprehensive analysis was conducted to gather additional information about AHG's workforce to ensure that objective data and viewpoints were provided rather than subjective opinions about gender equity at AHG. Forty-five women from across the Automotive division were invited to participate in a one hour confidential interview to provide feedback about their experience of working in the automotive industry and at AHG in particular.

The interviews focused on six key areas:

1. Culture
2. Line Roles
3. Work/Life
4. Recruitment/Selection and Promotion
5. Gender Effects
6. Leadership

The findings of the analysis have been shared with both the board and senior leadership teams across the Automotive division. The focus for the next twelve months is on improving flexible work practices to ensure that employees can balance their work and life commitments and talent management to identify high potential women and create career paths that will lead to senior roles within the organisation.

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 the 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. 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, safety and environment (OHSE) 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, including cyber security. Major IT upgrades (hardware and software) are professionally project managed. AHG Information Services maintains high sensitivity to all aspects of cyber security, including technical and social engineering threats. Defensive measures are in place and updated at regular intervals including testing by external third party experts.

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.

REGULATORY CHANGE

The Company recognises the potential for the proposed ASIC reforms to finance and insurance commission arrangements to have an impact on the business model, and operating and financial performance, of all Australian automotive dealerships including those operated by AHG.

However, as reported at the time of releasing the Group's FY2017 results, the Company expects a modest uplift in operating performance in FY2018 to mitigate the impact of regulatory changes to FY2018 insurance income in the Automotive division. AHG has previously advised the market that the changes to flex finance commission payments in FY2019 are expected to have little impact on earnings.

Corporate Responsibility Highlights)

COMMUNITY INVOLVEMENT

Across Australia and New Zealand AHG supports more than 300 charitable, community and sporting organisations representing a broad cross-section of the communities in which its business units operate.

AHG NZ supports Camp Quality

Bear Cottage and Hummingbird House

AHG's dealerships in NSW and Queensland are significant supporters of Sydney's Bear Cottage and Brisbane's Hummingbird House, two of only three facilities in Australia that provide respite and palliative care for children with life limiting conditions.

Rocky Bay

AHG has been a corporate supporter of Rocky Bay for more than 15 years. Western Australia's primary not-for-profit disability service provider supports people of all ages and disabilities, including home and community support, respite, clinical therapies, recreational activities, alternatives to employment, equipment and employment services.

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.

Mater 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 New Zealand

AHG's New Zealand dealerships host an annual dinner auction for Camp Quality, with the 2017 event raising more than $250,000 for the children's charity.

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

The annual event has raised more than $1.2 million for Camp Quality over the past eight years.

Perth Symphony Orchestra

AHG is the Foundation Partner of Perth Symphony Orchestra and presenting partner of a range of concerts and other performances that take music to the community.

AFL

The Group is also the major sponsor of the Melbourne Football Club in the AFL and for the past three seasons has worked with the Club on the successful "Freeze the G" campaign to raise awareness and funds for research into Motor Neurone Disease.

NBL

AHG is the vehicle partner for the National Basketball League and has key partnerships with the Sydney Kings, Brisbane Bullets and Melbourne United teams and their community programs.

AHG supports Neale Daniher raise awareness and funding for research into MND

Annual Financial Report Contents

DIRECTORS' REPORT

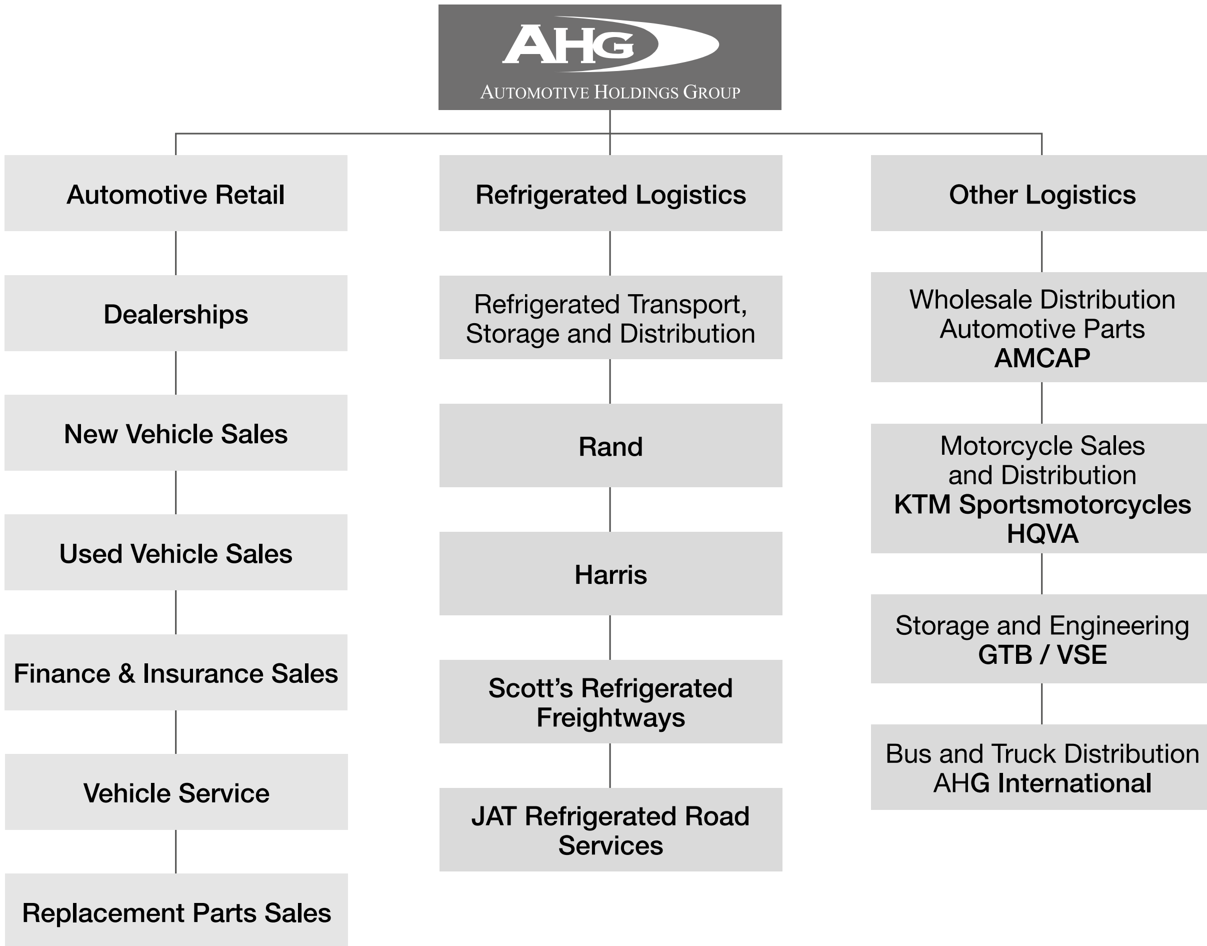
The Directors present their report on the consolidated entity consisting of Automotive Holdings Group Limited (AHG or Company) and the entities it controlled (Group) at the end of, or during, the year ended 30 June 2017.

Directors

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

David Griffiths	*Non-Executive Chairman*
Howard Critchley	*Non-Executive Director*
Greg Duncan	*Non-Executive Director*
Giovanni (John) Groppoli	*Non-Executive Director*
Bronte Howson	*Managing Director (Retired 31 December 2016)*
John McConnell	*Managing Director (Appointed 1 January 2017)*
Robert McEniry	*Non-Executive Director*
Jane McKellar	*Non-Executive Director*
Peter Stancliffe	*Non-Executive Director (Retired 18 November 2016)*

Principal Activities



Dividends

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

	Parent	
DIvidends on ordinary shares:	**2017 $'000**	2016 $'000
Final dividend for the year ended 30 June 2016 of 13.0 cents per fully paid share paid on 5 October 2016 (30 June 2015 of 13.0 cents per fully paid share paid on 2 October 2015)	**43,111**	39,850
Interim dividend of the half-year ended 31 December 2016 of 9.5 cents per fully paid share paid on 5 April 2017 (31 December 2015 of 9.5 cents per fully paid share paid on 6 April 2016)	**31,504**	29,122
	74,615	68,972

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 9.5 cents per share, based on tax paid at 30%. The aggregate amount of dividend to be paid on 6 October 2017 out of the retained profits at 30 June 2017, but not recognised as a liability at year end, will be $31.50 million (2016: $43.11 million).

Review of Operations

Refer to Operating and Financial Review for details.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Group during the financial year, which impacted the financial performance and position of the Group at 30 June 2017 compared to 30 June 2016 included:

- transition of Managing Director from Bronte Howson to John McConnell;
- institutional placement and share purchase plan undertaken August/September 2016 resulting in the issue of 25,081,577 shares for which AHG received net $111.6 million;
- acquisitions of Doncaster Auto, Melbourne City Mazda, Daimler Trucks Laverton, Newcastle Audi/Skoda and Essendon Ford/Mitsubishi;
- increase in AHG's Investment in 360 Finance Pty Ltd from 70.1% to 100%; and
- execution of transformation activities across AHG's Refrigerated Logistics operation, which combined with other restructuring costs, impairment write-offs and other unusual items, resulted in $31.75 million expense between operating and statutory profit after tax attributable to members. (Refer to page 72 for further reconciliation.)

Likely Developments and Expected Results of Operations

Refer to Operating and Financial Review for details.

DIRECTORS' REPORT

Environmental Regulation

Refer to Operating and Financial Review for details.

Matters Subsequent to the End of the Year

(a) On 3 July 2017 AHG completed the acquisition of a majority stake in the Carlins Auction Group business; and

(b) On 3 July 2017 AHG completed the divestment of a 26% minority interest in its KTM and Husqvarna operations in Australia to KTM Austria.

No other material events have occurred since 30 June 2017 requiring disclosure.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2017 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.

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 7 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 and 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 and 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*.

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2017:

	Consolidated	
	2017 $	2016 $
Taxation Services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	**524,946**	736,620
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	**25,779**	23,435
Total of Non-Audit Services provided to the Group	**550,725**	760,055

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 2015. 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 Instrument 2016/191, 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.

Information on Directors

David Griffiths

B Econ (Honours) UWA, Master of Economics ANU, Hon.Dec 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 the Independent Non-Executive Chairman of Wellard Limited and the Independent Non-Executive Deputy Chairman of the contemporary dance company Co3.

Other current directorships (of listed entities)

Wellard Limited

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

ThinkSmart Limited

Interest in shares

77,243 ordinary shares in AHG

Special responsibilities

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

Howard Critchley

BEc, MBA

NON-EXECUTIVE (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 Logistics). He is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Economics degree and a Master of Administration from Monash University.

He has been a non-executive Director with Boom Logistics. He is currently a member of the Advisory Board of TVS Logistics, a global logistics business privately owned by an Indian conglomerate. He is also a non-executive Director of Linfox Australia Pty Ltd.

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 Australian and Asia Pacific regions.

Other current directorships (of listed entities)

Nil

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

Boom Logistics

Interest in shares

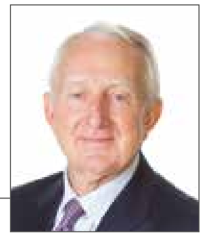
6,500 ordinary shares in AHG

Special responsibilities

Refrigerated Logistics advisory activities

DIRECTORS' REPORT

Greg Duncan OAM



B.Ec., FCA

NON-EXECUTIVE (INDEPENDENT)

Experience and expertise

Mr Duncan was appointed to the Board on 25 March 2015 and ratified by Shareholders at the Company's 2015 Annual General Meeting. He is a highly regarded automotive retailer and business leader. As a chartered accountant, investor and consultant he was a director and shareholder of the Trivett group of prestige dealerships for many years before purchasing outright ownership in 2001. From 2001 to 2013 Mr Duncan led the Trivett group to a position as the largest prestige automotive retailer in Australia.

Since 2013 he has been a shareholder, director and partner in JWT Bespoke, a family owned and operated boutique advisory and investment business.

Mr Duncan is also a shareholder and Chairman of the Board of Management of Cox Automotive Australia Limited. Formed in 2016 this venture is owned 70% by Cox Automotive US (arguably the world's largest auto technology business) and 30% by some of Australia's major automotive dealer groups, including AHG.

Mr Duncan holds an Economics degree from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia. He was awarded the Medal of the Order of Australia (OAM) in the 2017 Australia Day honours for service to the community and to the business and automotive sectors.

Other current directorships (of listed entities)

Nil

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

Nil

Interest in shares

150,000 ordinary shares in AHG

Special responsibilities

Member of the Remuneration and Nomination Committee
Member of the Audit and Risk Committee

Giovanni (John) Groppoli

LLB, B.Juris, FAICD

NON-EXECUTIVE (INDEPENDENT)

Experience and expertise

Mr Groppoli was appointed to the Board on 4 July 2006. He 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 national distribution of international homewares, optical products and accessories and the provision of niche third party logistics/warehousing.

He is also a director of ASX listed company Quintis Ltd (formerly TFS Corporation Ltd) and of Senses Australia, a leading disability services provider in Western Australia.

Other current directorships (of listed entities)

Quintis Ltd

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

Nil

Interest in shares

45,898 ordinary shares in AHG

Special responsibilities

Chairman of the Remuneration and Nomination Committee

DIRECTORS' REPORT

Bronte Howson OAM

CHIEF EXECUTIVE OFFICER (UNTIL 27 AUGUST 2016)
MANAGING DIRECTOR (RETIRED 31 DECEMBER 2016)

Experience and expertise

Mr Howson is recognised as one of the leading figures in the Australian automotive retailing industry with experience gained in a career spanning more than 35 years.

He was appointed CEO of AHG in January 2000 and became Managing Director in 2007.

Other current directorships (of listed entities)

Nil

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

Nil

Interest in shares

3,485,946 ordinary shares in AHG

Special responsibilities

Managing Director until 31 December 2016

John McConnell

BEc, MBA

CHIEF EXECUTIVE OFFICER (FROM 28 AUGUST 2016)
MANAGING DIRECTOR (FROM 1 JANUARY 2017)

Experience and expertise

Mr McConnell is a certified practising accountant with an MBA from the University of Queensland and an Economics degree from Macquarie University.

Mr McConnell spent 17 years at Inchcape plc, a multinational automotive retail and services company headquartered in the UK, most recently as Group Financial Director in London and was previously CEO of Inchcape's operations across Australia and New Zealand.

Before joining Inchcape Mr McConnell worked with Reckitt and Colman for 13 years in a variety of senior roles in the UK, Germany and Australia.

His various roles have given him extensive experience in capital markets, logistics and the automotive industry.

Other current directorships (of listed entities)

UBM plc (UK)

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

Nil

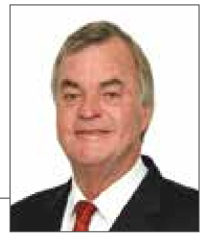
Interest in shares

Nil

Special responsibilities

Managing Director from 1 January 2017

DIRECTORS' REPORT



Robert McEniry

MBA, MAICD

NON-EXECUTIVE (INDEPENDENT)

Experience and expertise

Mr McEniry has more than 25 years experience in the automotive industry including five years as Chair, President and CEO of Mitsubishi Motors Australia Limited. Prior to that he held a number of senior executive roles including Global Vehicle Line Executive for General Motors, 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 and CEO of Nucleus Network, Melbourne.

Mr McEniry is Chair of Bapcor Ltd, formerly Burson Group. He is also a Director of Multiple Sclerosis Society Limited, Chair of Australian Home Care Services Pty Ltd, and Chair of Stillwell Motor Group (Ross House Investments).

Other current directorships (of listed entities)

Bapcor Limited (Chair)

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

Steelbro Group Pty Ltd

Interest in shares

4,950 ordinary shares in AHG

Special responsibilities

Chair Audit and Risk Management Committee

Jane McKellar

GAICD, MA (Hons)

NON-EXECUTIVE (INDEPENDENT)

Experience and expertise

Ms McKellar was appointed to the Board 10 December 2015. She is an experienced Non-Executive Director in both public and private companies in Australia and the USA, with key contributions in customer-focused business transformation, harnessing digital, technology, brand and marketing strategies to enhance business performance.

Her executive experience includes senior roles with Unilever, NineMSN, Microsoft, Elizabeth Arden and Stila Corp. She has extensive global experience, particularly in Asia, Europe and North America.

She is presently an Independent Non-Executive Director at ASX listed McPhersons Limited and GWA Group Limited, and is on the Board of Terry White Chemmart Pty Ltd.

Ms McKellar also consults at Board and C-suite levels on growth strategies and performance improvement.

Other current directorships (of listed entities)

McPhersons Limited
GWA Group Limited

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

Helloworld Ltd

Interest in shares

Nil

Special responsibilities

Member of the Remuneration and Nomination Committeee

DIRECTORS' REPORT

SKILLS AND EXPERIENCE

A summary of the breadth and depth of the Board's experience and skills is set out below, including experience gained on the Board of AHG.

Skills and experience	Number of Directors
Automotive retailing	6
Consumer / brand / marketing	6
Digital / e-commerce	5
Refrigerated and other logistics	4
Mergers and acquisitions / equity capital markets	All
International operations	All
Finance, accounting, audit and banking	4
Legal	1
Regulatory compliance	5
Business development	All
Human resources management	6
Occupational health and safety and risk management	6
Former director experience	All
Former executive management (e.g. CEO, CFO) experience	6

Philip Mirams

B.Com, CA

CHIEF FINANCIAL OFFICER

Experience and expertise

Mr Mirams was appointed CFO in 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.

David Rowland

B.Juris, LLB, GAICD

COMPANY SECRETARY AND GENERAL COUNSEL

Experience and expertise

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.

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 2017 and the number of meetings attended by each Director are as follows:

	Full meetings of Directors		Audit and Risk Management		Remuneration and Nomination		Total	
	A	B	A	B	A	B	A	B
D Griffiths	12	12	4	4	3	3	19	19
H Critchley	12	12	n/a	n/a	n/a	n/a	12	12
G Duncan	12	10	n/a	n/a	3	3	15	13
G Groppoli	12	12	n/a	n/a	3	3	15	15
B Howson*	6	5	n/a	n/a	n/a	n/a	6	5
J McConnell^	6	6	n/a	n/a	n/a	n/a	6	6
R McEniry	12	11	4	4	n/a	n/a	16	15
J McKellar	12	12	n/a	n/a	3	3	15	15
P Stancliffe#	6	6	2	2	n/a	n/a	8	8

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.

^ John McConnell appointed as Managing Director on 1 January 2017. Meeting attendances recorded are for the period from 1 January 2017 to 30 June 2017.

* Bronte Howson retired as Managing Director on 31 December 2016. Meeting attendances recorded are for the period from 1 July 2016 to 31 December 2016.

Peter Stancliffe retired by rotation as Director on 18 November 2016. Meeting attendances recorded are for the period from 1 July 2016 to 18 November 2016.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of the Company, Mr Howard Critchley and Mr Giovanni (John) Groppoli will retire by rotation.

Being eligible, Mr Critchley and Mr Groppoli offer themselves for re-election at the next Annual General Meeting.

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Remuneration Overview for FY2017
2. Remuneration Governance
3. Executive Remuneration Arrangements
   a. Remuneration principles and strategy
   b. Approach to setting remuneration
   c. Details of incentive plans
4. Executive Remuneration Outcomes for FY2017 (including the link to performance)
5. Executive Employment Contracts
6. Non-Executive Directors' Remuneration Arrangements
7. Additional Statutory Disclosures

The remuneration report sets out remuneration information for AHG's key management personnel (KMP) (as defined in AASB 124 *Related Party Disclosures*) including Non-Executive Directors, Executive Directors and other key executives who have authority for planning, directing and controlling the activities of the company.

For the purposes of this report, the term "executive" includes executive directors (including the Managing Director) and other key executives of AHG.

Specific to FY2017, included within 'Unusual Items' (as initially disclosed on page 14 of this Annual Report and disclosed in greater detail in note 1 to the Financial Statements) were transitional costs incurred by AHG associated with the retirement of Bronte Howson as AHG's Managing Director (effective 31 December 2016) and the appointment of John McConnell as his successor (effective 1 January 2017). AHG announced this transition to the ASX on 11 August 2016 (and disclosed it on page 59 of AHG's FY2016 Annual Report), including that AHG and Mr Howson had agreed to variations to Mr Howson's service agreement to reflect the transitional arrangements regarding the management of AHG. Mr Howson ceased to be Chief Executive Officer on 28 August 2016, and ceased to be Managing Director on 31 December 2016. Effective 1 January 2017 Mr Howson was no longer a Director or key executive of AHG for disclosures purposes in AHG's FY2017 Remuneration Report, and his employment with AHG will cease on 30 September 2017.

Part of Mr Howson's remuneration arrangements for his existing LTI rights and for his FY2017 remuneration package under his service agreement were amended. In particular, previous testing of approved long-term incentive Performance Rights was brought forward (as approved by shareholders at AHG's FY2016 AGM on 18 November 2016); FY2017 short-term incentive payment was capped at $1,200,000 (depending on achievement of applicable performance hurdles tested as at 31 December 2016 and 30 June 2017); payment of $600,000 was granted in consideration of an extended post-employment restraint, together with a fixed remuneration salary until his termination date on 30 September 2017.

All disclosures with regard to the Managing Director's remuneration structure across sections one to three and section five relate to John McConnell, AHG's Managing Director as at 30 June 2017. Disclosures across sections five and seven cover both Bronte Howson (AHG's Managing Director from 1 July 2016 to 31 December 2016) and John McConnell (AHG's CEO from 28 August 2016 and Managing Director from 1 January 2017 to 30 June 2017).

DIRECTORS' REPORT

NON-EXECUTIVE DIRECTORS (NEDs)

- David Griffiths, *Chairman*
- Howard Critchley, *Non-Executive Director*
- Greg Duncan, *Non-Executive Director*
- John Groppoli, *Non-Executive Director*
- Robert McEniry, *Non-Executive Director*
- Jane McKellar, *Non-Executive Director*
- Peter Stancliffe, *Non-Executive Director (retired by rotation 18 November 2016)*

EXECUTIVE DIRECTORS

- Bronte Howson, *Managing Director (retired 31 December 2016*)
- John McConnell, *Managing Director (appointed as CEO 28 August 2016 and Managing Director 1 January 2017)*

OTHER KMPs

- Philip Mirams, *Chief Financial Officer*
- David Rowland, *Company Secretary & General Counsel*
- Stephen Cleary, *Chief Executive Officer – Logistics (appointed as KMP 1 July 2016)*
- Paul Morris, *Chief Operating Officer – Franchised Automotive (appointed 1 May 2017)*
- Eugene Kavanagh, *Chief Information Officer*
- Gus Kininmont, *General Manager Finance*
- Martin Wandmaker, *Head of Human Resources*

1. Remuneration Overview for FY2017

OVERVIEW

The following provides an overview of AHG's remuneration framework and summary of outcomes for FY2017.

Executive remuneration	
Fixed remuneration	The FY2017 annual remuneration review process resulted in an average increase in fixed remuneration over FY2016 for key executives (excluding new appointments and retirements) of 4.7%. The FY2018 annual remuneration review process has awarded 0% increases over FY2017. These movements reflect ongoing performance and alignment with market benchmarks to ensure competitive rates of remuneration are provided.
Short-term incentives (STI)	STI measures are determined using financial and non-financial targets established at the commencement of each financial year. The financial targets are in a range from threshold to stretch. The FY2017 outcomes for financial targets produced an average payment of 5% of the threshold opportunity. Non-financial targets provided an average payment of 95% of the threshold opportunity. This compares to 106% for financial targets and 82% for non-financial targets in FY2016. This actual STI award reflected the financial performance of AHG during FY2017.
Long-term incentives (LTI)	Zero percent vesting of the 2015 LTI (performance period 1 July 2014 to 30 June 2017) reflected TSR of 5.4% (which ranked the Company at 30 percentile of the TSR comparator group) and negative EPS growth of 2.8%. This outcome excludes the component subject to early vesting assessment in relation to the retiring Managing Director.
Total Remuneration	In FY2017, total remuneration on a consistent roles basis was $4.44 million, a decrease of 19% over FY2016 (see table on page 52), reflecting lower STI achievement linked to financial performance. Including the impact of the FY2017 Managing Director Transition, new KMP appointments and other retirements, total remuneration was $7.69 million (see table on page 57).

DIRECTORS' REPORT

Non-Executive Director remuneration	
	With the change in composition of NEDs between FY2016 and FY2017 total remuneration was $0.88 million, a decrease of 1% over FY2016 (see table on page 60). Board fees for the Chairman and Members were increased by an average of 21% on an annualised basis with effect from 1 January 2017.

2. Remuneration Governance

REMUNERATION AND NOMINATION COMMITTEE

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 key executives.

The Corporate Governance Statement provides further information on the role of this committee. This is available on AHG's investor relations website (www.ahgir.com.au).

The Managing Director and other key executives do not participate in any decision relating to their own remuneration.

USE OF REMUNERATION CONSULTANTS

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it seeks external remuneration advice from time to time. When engaged, remuneration consultants are appointed by, and report directly to, the Committee.

During the financial year remuneration consultants were engaged by the Remuneration Committee for the purpose of verifying the FY2014, FY2015 and FY2016 LTI performance tests and also to set the LTI peer group for FY2018. During the financial year no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by remuneration consultants.

REMUNERATION REPORT APPROVAL AT FY2016 AGM

The FY2016 Remuneration Report received positive shareholder support at the FY2016 AGM with a vote of 86.6% in favour.

3. Executive Remuneration Arrangements

A. REMUNERATION PRINCIPLES AND STRATEGY

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice. The Board aims are to ensure executive rewards are:

- 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.

The following table illustrates how the Company's remuneration strategy aligns with the strategic direction and links remuneration outcomes to performance.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits such as motor vehicles and life insurance.	To provide competitive fixed remuneration for key executives determined by the scope of their position and the knowledge, skill and experience required to perform the role.	Company and individual performance are considered during the annual remuneration review.
STI	Paid in cash, other than AHG's Managing Director, where STI achieved is payable 50% in cash and 50% in Performance Rights. (which vest after 12 months).	Rewards executives for their contribution to achievement of a range of financial and non-financial business outcomes, as well as individual objectives.	Group Operating Profit after Tax is the key financial metric, other than for Mr Cleary and Mr Morris, whose STIs are based on Operating Profit before Tax attributed to their scope of responsibility.
LTI	Awards are made in the form of Performance Rights. Performance Rights do not attract dividends or voting rights.	Acts as a tool for retention of the executive and encourages the executive to take a long term view of company performance.	Vesting of awards is dependent on total shareholder return (TSR) relative to a peer group and achieving Operating Earnings Per Share Growth (EPS) targets, both measured over 3 years.

B. APPROACH TO SETTING REMUNERATION

In FY2017, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below.

The Company aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the business and aligned with market practice.

The Company's policy is to position fixed remuneration around the median of a peer group of companies of similar size (by market capitalisation) and operating in similar industries to AHG. Total remuneration opportunities are intended to provide the opportunity to earn top quartile rewards for outstanding performance against the stretch targets set.

Remuneration levels are considered annually through a remuneration review that considers the performance of the Company and the individual, relevant market movements and trends and the broader economic environment.

The following summarises the Managing Director's and the key executives' target remuneration mix for FY2017. This mix changes from year to year as personnel and targets evolve.

Managing Director – Target remuneration mix

Key Executives – Target remuneration mix

DIRECTORS' REPORT

C. DETAILS OF INCENTIVE PLANS

Short-Term Incentive (STI)

AHG operates an annual STI program that is available to executives and provides an award subject to the attainment of clearly defined Group and business unit measures.

For all key executives (excluding the Managing Director) the STI is in the form of a cash payment.

For the Managing Director, 50% of all financial and non-financial STI awards are paid in cash and the remaining 50% deferred as Performance Rights (STI Performance Rights). STI Performance Rights do not vest immediately and convert into shares provided a further 12-month service condition is met along with being employed at 30 September in the year of payment. No other performance conditions apply. The number of Performance Rights to be granted is determined by dividing the relevant dollar value of the award to be deferred by the Company's 30-day VWAP share price as at the last day of the relevant financial year.

Actual STI awards to each key executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial, Group and business unit measures of performance.
A summary of the measures and weightings are set out below.

	Group Operating Profit after Tax attributable to Members	Business Unit Profit before Tax	Group and Business Unit Non-Financial measures
Managing Director	53%	0%	47%
Key Executives (KMP)	16%	40%	44%

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, KMP (excluding Mr Cleary and Mr Morris), and group corporate executives, and to business unit performance for Mr Cleary, Mr Morris, General Managers, Dealer Principals and operational executives. This approach ensures the quantum of STIs earned and paid to any individual is directly driven by a financial performance metric relevant to that person's role. 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.

The non-financial component of the STI plan is measured with reference to an assessment against a range of measures. The measures (and their intended objectives) are as follows:

Non-financial measure	Overview and objective
OHSE	• Specific measurement targets for minimising safety incidents • KPI's 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) • KPI's aligned to customer relationships and aligned to successful business outcomes
Expense management	• Expense management targets are set • KPI's aligned to the achievement of savings in overall expenditure

Long-Term Incentive (LTI)

A proportion of total remuneration for key executives is via LTIs subject to longer-term performance measures which ensures an 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 rights ("**LTI Performance Rights**") to acquire shares in the Company.

Eligible key 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 one share in the future, provided the performance-based vesting conditions are met.

The tables in sections 4 and 7 provide details of the value of Performance Rights granted, vested and forfeited during the year.

Performance Conditions (FY2017)

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 absolute Earnings per Share **(EPS)** compound annual growth rate as the two equally weighted performance hurdles.

TSR measure (50%): AHG's TSR performance over the relevant performance period will be assessed against the following peer group of companies. This peer group was recommended by PwC taking into consideration factors such as market capitalisation, business activities and management/board structure.

- Adairs Limited
- AP Eagers Ltd
- Breville Group Limited
- Bapcor Limited
- Corporate Travel Management Limited
- Harvey Norman Holdings Limited
- JB Hi-Fi Limited
- Nick Scali Limited
- Premier Investments Limited
- RCG Corporation Limited
- Reece Australia Limited
- Seven Group Holdings Limited
- Super Retail Group Limited
- Trade ME Group Limited

The Company's TSR performance is determined according to AHG's ranking against the companies in the TSR peer group over the performance period.

The vesting schedule is as follows:

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

TSR performance is monitored by an independent external adviser at 30 June each year.

Operating EPS compound annual growth rate measure (50%): EPS growth is measured over the performance period with vesting of the EPS portion of the grant occurring on the following basis:

Compound annual EPS growth performance	Compound annual EPS growth performance
Below 7% pa	Nil
At 7% pa	50% vesting
7% pa up to 10% pa	Progressive/pro-rata from 50-100%
At or above 10% pa	100% vesting

Awards are based on TSR and EPS performance assessed over a three-year vesting period with no subsequent re-testing.

Performance Rights granted prior to departure may be retained post departure subject to compliance with service agreement terms including non-compete restrictions.

Termination and change of control provisions

Awards will be forfeited on cessation of employment unless the board determines otherwise, e.g. in the case of retirement due to injury, disability, death, change of control or redundancy.

4. Executive Remuneration Outcomes for FY2017 (including the link to performance)

FY2017 TOTAL REALISED EARNINGS

The table below sets out the total realised earnings for each of the successive Managing Directors and executive KMP for FY2017 and FY2016 and provides shareholders with details of the "actual" or "take-home" pay key executives received during the year.

These earnings include cash salary and fees, superannuation, non-cash benefits received during the year and the full value of incentive payments earned during the performance period ended 30 June 2017. The table does not include the accounting value of share based payments consisting of Performance Rights granted in the current and prior years. This is because those share based payments are dependent on the achievement of performance hurdles and so may or may not be realised.

Details of the remuneration received by each of the successive Managing Directors and KMP prepared in accordance with statutory requirements and accounting standards are detailed on page 57 of this remuneration report.

EXECUTIVE TOTAL REALISED EARNINGS IN FY2017 AND FY2016

(Non-International Finance Reporting Standards (IFRS))

		Fixed Remuneration[6] $	STI[7] $	LTI[8] $	Total Remuneration $
Executive Directors					
J McConnell[1] *Managing Director*	2017	1,050,314	502,000	Nil	1,552,314
	2016	n/a	n/a	n/a	n/a
B Howson[2] *Managing Director*	2017	617,002	300,000	53,037	970,039
	2016	1,234,004	1,347,700	Nil	2,581,704
Key Executives					
P Mirams *Chief Financial Officer*	2017	658,178	122,250	Nil	780,428
	2016	640,000	215,735	Nil	855,735
D Rowland *Company Secretary and General Counsel*	2017	500,000	119,900	Nil	619,900
	2016	460,000	139,500	Nil	599,500
G Kininmont *GM Finance*	2017	425,000	144,900	Nil	569,900
	2016	400,000	198,397	Nil	598,397
E Kavanagh *Chief Information Officer*	2017	367,772	23,350	Nil	391,122
	2016	358,050	87,250	Nil	445,300
M Wandmaker *Head of Human Resources*	2017	336,453	37,350	Nil	373,803
	2016	327,500	69,500	Nil	397,000
H Williams[3] *Head of Business Development*	2017	n/a	n/a	n/a	n/a
	2016	2,270	Nil	Nil	2,270

DIRECTORS' REPORT

		Fixed Remuneration[6] $	STI[7] $	LTI[8] $	Total Remuneration $
S Cleary[4] *Chief Executive Officer – Logistics*	2017	800,000	198,500	Nil	998,500
	2016	n/a	n/a	n/a	n/a
P Morris[5] *Chief Operating Officer – Franchised Automotive*	2017	90,000	100,000	Nil	190,000
	2016	n/a	n/a	n/a	n/a
Total	2017	4,844,718	1,548,250	53,037	6,446,005
	2016	3,421,824	2,058,082	Nil	5,479,906

[1] *Appointed as CEO 28 August 2016 and Managing Director 1 January 2017.*
[2] *Retired as Managing Director 31 December 2016. Remuneration covers the period 1 July 2016 to 31 December 2016. Refer to FY2017 Managing Director Transition section for details of remuneration paid or payable to Mr Howson for FY2017 being $3,259,190.*
[3] *Retired 1 July 2015.*
[4] *Appointed as KMP 1 July 2016.*
[5] *Appointed 1 May 2017.*
[6] *Fixed remuneration includes cash salary, paid leave, superannuation, and non-monetary benefits.*
[7] *Represents the value of the FY2016 STI which was awarded in September 2016 and FY2017 STI which was/will be awarded in September 2017. Please note for the Managing Directors the STI included an equity component with the value attributed to the equity amount based on the number of shares that were issued multiplied by the closing share price at the date of issue.*
[8] *There is no LTI award vesting in relation to FY2017 or FY2016, other than 50% of the FY2015 LTI in relation to AHG's retiring Managing Director which was subject to early testing based on performance as at 31 December 2016.*

The table below sets out comparable remuneration based on consistent roles for FY2017 and FY2016, being Managing Director (FY2017 John McConnell; FY2016 Bronte Howson) and key executives employed for both financial years.

		Fixed Remuneration[6] $	STI[7] $	LTI[8] $	Total Remuneration $
Total	2017	3,487,403	949,750	Nil	4,437,153
	2016	3,421,824	2,058,082	Nil	5,479,906

FY2017 MANAGING DIRECTOR TRANSITION

On 11 August 2016 AHG announced to the ASX that AHG and Mr Howson had agreed variations to Mr Howson's service agreement to reflect transitional arrangements regarding the management of AHG. Pursuant to those transitional arrangements Mr Howson ceased to be Chief Executive Officer on 28 August 2016 and ceased to be Managing Director on 31 December 2016, at which point he also ceased to be a KMP for the purposes of the remuneration report. Effective 1 January 2017, Mr Howson moved into the role of Special Counsel, and his employment with AHG will cease on 30 September 2017.

Under the above agreed variations, part of Mr Howson's remuneration arrangements for existing LTI rights and for his FY2017 remuneration package under his service agreement were amended. In particular, the testing of previously approved long-term incentive performance entitlements was brought forward; FY2017 short-term incentive payment capped at $1,200,000 (depending on achievement of applicable performance hurdles tested at 31 December 2016 and 30 June 2017); a payment of $600,000 was agreed in consideration of an extended post-employment restraint together with a fixed remuneration salary to be paid until his termination date. The early testing of Mr Howson's FY2015 and FY2016 LTIs was approved at AHG's AGM on 18 November 2016.

The following table provides a summary of remuneration paid or payable to Mr Howson during FY2017 in relation to above agreed variations and/or other remuneration earned arising from his retirement from AHG.

DIRECTORS' REPORT

Bronte Howson FY2017 Remuneration Paid or Payable	Maximum	1H FY2017 $	2H FY2017 $	Total $	1H FY2018 $
Fixed remuneration[1]		678,696	586,600	1,265,296	75,000
STI[2]	1,200,000	300,000	300,000	600,000	-
LTI[3]					
– FY2015	666,667	53,037	-	53,037	-
– FY2016	444,445	-	-	-	-
Post-employment restraint[4]	600,000	-	600,000	600,000	-
Leave entitlements - movements		(45,960)	38,577	(7,383)	19,503
Leave entitlements[5] - 30 June 2017 payout			748,240	748,240	
		985,773	2,273,417	3,259,190	94,503

[1] *Fixed remuneration includes salary, superannuation and non-monetary benefits during FY2017, with further $75,000 due to 30 September 2017, as per agreed variations disclosed on 11 August 2016;*
[2] *STI achievement resulted in $600,000 paid or payable to Mr Howson across testing at 31 December 2016 and 30 June 2017. This represented 0% achievement of financial STI and 100% achievement of non-financial STI;*
[3] *LTI achievement resulted in vesting and issue of 13,706 shares for TSR performance in relation to FY2015 LTI based on early testing at 31 December 2016. No LTI vested in relation to EPS across FY2015 or FY2016, or in relation to TSR at 30 June 2017;*
[4] *Post-employment restraint of $600,000 payable as per agreed variations disclosed on 11 August 2016;*
[5] *Leave entitlements include those earned during FY2017 together with amount payable as at 30 June 2017 based on accumulated entitlements earned over Mr Howson's tenure with AHG since 1985.*

COMPANY PERFORMANCE AND ITS LINK TO SHORT-TERM INCENTIVES

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

	2013	2014	2015	2016	2017
Statutory Profit before Tax	99,230	109,544	130,028	137,149	89,994
CAGR (five-year)	-2.4%				
Operating (Non-IFRS) Profit before Tax*	107,557	117,527	141,650	145,522	129,780
CAGR (five-year)	4.8%				
Operating (Non-IFRS) EPS (cents)*	27.90	29.00	30.73	31.70	26.65
CAGR (five-year)	-1.1%				
Dividend (cents)	20.00	21.00	22.00	22.50	19.00
CAGR (five-year)	-1.3%				
Share Price @ 30 June	$3.20	$3.65	$3.99	$3.76	$3.35
CAGR (five-year)	1.2%				
KMP (inc. NED) Total Remuneration	7,266	6,772	8,105	7,350	8,573
Operating (Non-IFRS) Profit: Total Remuneration % ratio*	10.0%	8.6%	8.6%	7.6%	9.8%
Remuneration Report - STI**	1,981	1,827	2,200	2,058	1,548
Operating (Non-IFRS) Profit: Remuneration STI % ratio*	2.7%	2.3%	2.3%	2.1%	1.8%

* *Operating (Non-IFRS) excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)*

** *STI remuneration reflects the STI amounts that were paid or payable to KMP.*

DIRECTORS' REPORT

The FY2017 Group financial performance measure is Group Operating Profit after Tax attributable to Members. FY2017 performance was below target in this regard.

The table below outlines FY2017 Group performance against non-financial targets.

	OH&SE	People Management	Compliance & Reporting	Business Development	Stakeholder Relationships	Asset Management
Performance	Between threshold and target	Between threshold and target	Between threshold and target	Between threshold and target	Between threshold and target	Between threshold and target

The proportion of maximum threshold STI earned and forfeited in relation to the FY2017 was:

	Proportion of maximum STI earned in FY2017	Proportion of maximum STI forfeited in FY2017
J McConnell[1] *Managing Director*	44%	56%
B Howson[2] *Managing Director*	50%	50%
P Mirams *Chief Financial Officer*	46%	54%
D Rowland *Company Secretary and General Counsel*	47%	53%
G Kininmont *GM Finance*	58%	42%
E Kavanagh *Chief Information Officer*	31%	69%
M Wandmaker *Head of Human Resources*	50%	50%
S Cleary[3] *Chief Executive Officer – Logistics*	57%	43%
P Morris[4] *Chief Operating Officer – Franchised Automotive*	100%	0%

[1] *Appointed as CEO 28 August 2016 and Managing Director 1 January 2017.*
[2] *Retired as Managing Director 31 December 2016. Refer to FY2017 Managing Director Transition details.*
[3] *Appointed as KMP 1 July 2016.*
[4] *Appointed 1 May 2017. STI covers May and June 2017 and reflects performance for that period only.*

DIRECTORS' REPORT

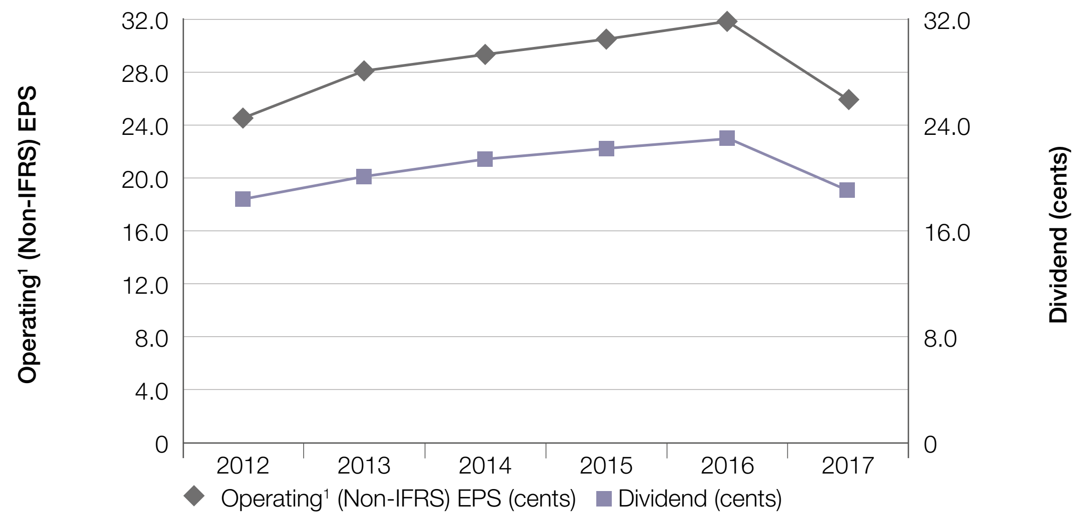
COMPANY PERFORMANCE AND ITS LINK TO LONG-TERM INCENTIVES

The performance measures which drive LTI vesting are the Company's TSR performance relative to a peer group of selected companies and Operating EPS growth (described earlier). The table below outlines both vesting and expected outcomes for outstanding LTI awards in FY2017. Projected outcomes for LTI awards still to be tested are based on assuming the current TSR ranking and EPS Growth remains unchanged at the relevant vesting date:

	2014 grant (FY2015)	2015 grant (FY2016)	2016 grant (FY2017)
Relative TSR performance:			
• AHG performance	5.4% return over 3 years	(11.6%) return over 2 years	Preliminary assessment will be conducted in FY2018
• AHG vs peer group	30 percentile ranking	29 percentile ranking	
EPS Growth*	(2.8%) p.a.	(7.0%) p.a.	(16.0%) p.a.
Implication for vesting:			
• TSR component	0% will vest on 30 September 2017, other than 13,706 to Bronte Howson based on 50% tested as at 31 December 2016 (50 percentile ranking).	0% will vest on 30 September 2018 if TSR ranking remains unchanged to the vesting date in FY2018.	No preliminary assessment has been conducted.
• EPS component	0% will vest on 30 September 2017.	0% will vest on 30 September 2018 if EPS ranking remains unchanged to the vesting date in FY2018.	0% will vest on 30 September 2019 if EPS ranking remains unchanged to the vesting date in FY2019.

* *Institutional placement (August 2016) and share purchase plan (September 2016) resulted in issue of 25,081,577 shares during FY2017, an increase of 8.2% in the number of shares on issue at 30 June 2017 compared to 30 June 2016.*

The below graph illustrates the link between AHG's basic Operating[1] (Non-IFRS) earnings per share and dividends to shareholders:



Operating[1] – (Non-IFRS) Excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets, transformation activities (including redundancies, consultancy fees and site and pallet consolidation) and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)

DIRECTORS' REPORT

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

		Fixed Remuneration	At risk - STI	At risk - LTI
Executive Directors				
John McConnell	2017	39.9%	37.9%	22.2%
	2016	n/a	n/a	n/a
Bronte Howson	2017	51.2%	48.8%	0.0%
	2016	39.6%	39.3%	21.1%
Key Executives				
Philip Mirams	2017	58.6%	23.6%	17.8%
	2016	57.9%	24.0%	18.1%
David Rowland	2017	66.7%	20.0%	13.3%
	2016	64.7%	21.2%	14.1%
Gus Kininmont	2017	56.7%	36.6%	6.7%
	2016	56.6%	36.4%	7.0%
Eugene Kavanagh	2017	74.6%	15.3%	10.1%
	2016	62.8%	28.5%	8.7%
Martin Wandmaker	2017	72.9%	16.3%	10.8%
	2016	72.4%	16.6%	11.0%
Stephen Cleary	2017	51.6%	32.3%	16.1%
	2016	n/a	n/a	n/a
Paul Morris	2017	47.6%	52.4%	0.0%
	2016	n/a	n/a	n/a
Hamish Williams	2017	n/a	n/a	n/a
	2016	100.0%	0.0%	0.0%

DIRECTORS' REPORT

The below table provides remuneration details for the Executive Directors of the Company and KMP of the Group for the years ended 30 June 2017 and 30 June 2016:

		Short-term Employment Benefits				Long-term Benefits			Post Employment Benefits	Total
		Cash Salary $	Commission / Bonus Earned and Payable $	Other Non Monetary Benefits $	Termination/ Severance Benefits $	Long Service Leave and LTI Benefits $	Share Plan Benefits (Accrued)* $	Share Plan Benefits Vested $	Super-annuation $	$
Executive Directors										
John McConnell[1]	2017	1,030,698	502,000	71,965	Nil	1,846	147,996	Nil	19,616	1,774,122
	2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bronte Howson[2]	2017	547,752	300,000	28,813	600,000	21,171	(56,946)	53,037	35,000	1,528,827
	2016	1,095,504	1,347,700	97,376	Nil	74,289	201,601	Nil	35,000	2,851,470
Key Executives										
Philip Mirams	2017	613,563	122,250	34,589	Nil	27,127	54,088	Nil	19,616	871,233
	2016	595,271	215,735	13,428	Nil	6,020	60,480	Nil	19,308	910,242
David Rowland	2017	455,384	119,900	39,530	Nil	28,172	27,044	Nil	35,566	705,596
	2016	398,817	139,500	21,762	Nil	5,568	30,240	Nil	36,708	632,595
Gus Kininmont	2017	380,384	144,900	33,660	Nil	21,022	13,522	Nil	34,616	628,104
	2016	355,692	198,397	13,664	Nil	15,623	15,120	Nil	19,308	617,804
Eugene Kavanagh	2017	323,232	23,350	34,740	Nil	9,531	13,522	Nil	34,016	438,391
	2016	300,022	87,250	27,938	Nil	9,781	15,120	Nil	33,628	473,739
Martin Wandmaker	2017	291,616	37,350	16,912	Nil	7,926	13,522	Nil	19,616	386,942
	2016	284,859	69,500	20,527	Nil	957	28,325	Nil	19,308	423,476
Stephen Cleary[3]	2017	780,384	198,500	70,338	Nil	1,250	94,656	Nil	19,616	1,164,744
	2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paul Morris[4]	2017	80,064	100,000	6,517	Nil	134	Nil	Nil	7,606	194,321
	2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hamish Williams[5]	2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2016	2,270	Nil	307,070	297,608	Nil	(91,887)	Nil	35,000	550,061
Total Executive Directors and Key Executives	2017	4,503,078	1,548,250	337,066	600,000	118,178	307,404	53,037	225,266	7,692,278
	2016	3,032,435	2,058,082	501,765	297,608	112,238	258,999	Nil	198,260	6,459,387

** LTI Performance Rights are expensed over their three-year performance period. For FY2017 the accrual relates to three years for all Key Executives. In relation to the Executive Directors for J McConnell it relates to one year. FY2016 accrual relates to three years for the Executive Director B Howson and two years for Key Executives other than M Wandmaker and one year for M Wandmaker. Where an accrued expense from prior years is not achieved and is available for credit to AHG's P&L (EPS component only), it is also credited against this accrual.*

[1] *Appointed as CEO 28 August 2016 and Managing Director 1 January 2017.*

[2] *Retired as Managing Director 31 December 2016. Refer to FY2017 Managing Director Transition details.*

[3] *Appointed as KMP 1 July 2016.*

[4] *Appointed 1 May 2017.*

[5] *Retired 1 July 2015.*

5. Executive Employment Contracts

Remuneration arrangements for the Managing Director and the key executives are formalised in employment agreements. The following outlines the details of contracts with executives:

DETAILS OF EXECUTIVE SERVICE CONTRACT FOR THE MANAGING DIRECTOR

The Managing Director, Mr McConnell is employed under an ongoing contract which can be terminated with six months written notice by either party.

Mr McConnell's total remuneration package for FY2017 is as follows:

- Fixed remuneration of $1,200,000 per annum;
- Target STI opportunity is 100% of fixed remuneration, with a further $300,000 maximum STI achievable at stretch. Mr McConnell's STIs are payable 50% in cash and 50% in Performance Rights. The grant of STI Performance Rights is subject to shareholder approval at the AGM; and
- Eligible to participate in AHG's LTI plan on terms determined by the Board, subject to receiving any required or appropriate shareholder approval.

SERVICE AGREEMENTS

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

	Duration of contract	Notice required to terminate contract*	Termination benefit**	Treatment of STI on termination	Treatment of LTI on termination
Executive Director			6 months base salary.	Must be employed at 30 September in the year of payment to receive.	At the ultimate discretion of the Board as to whether any LTI is payable on termination.
John McConnell	Rolling contract (commenced 28 August 2016)	6 months			
Key Executives					
Eugene Kavanagh	Rolling contract (commenced 24 December 2002)	3 months			
Gus Kininmont	Rolling contract (commenced 27 January 2010)	3 months			
Philip Mirams	Rolling contract (commenced 10 May 2012)	3 months			
David Rowland	Rolling contract (commenced 11 August 2011)	3 months			
Martin Wandmaker	Rolling contract (commenced 14 October 2013)	3 months			
Stephen Cleary	Rolling contract (commenced 15 February 2016)	3 months			
Paul Morris	Rolling contract (commenced 1 May 2017)	3 months			

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

** *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

6. Non-Executive Directors' Remuneration Arrangements

REMUNERATION POLICY

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Board considers advice from external consultants when undertaking its review process.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting of shareholders. The latest determination was at the 2016 AGM held on 18 November 2016 when shareholders approved an aggregate fee pool of $1,100,000 per year.

STRUCTURE

The remuneration of NEDs consists of Directors' fees and committee/special advisory fees. The payment of additional fees for serving on a committee or in a special advisory capacity recognises the additional time commitment required by NEDs who serve on sub-committees or undertake such special advisory roles.

The table below summarises the NED fees as at 30 June 2017:

Board fees	Chairman	Deputy Chairman	Other Non-Executive Directors
Board fees	$247,000	n/a	$114,000

Committee fees	Chairman	Member
Audit and Risk Management Committee	$23,000	$10,000
Remuneration and Nomination Committee	$20,000	$10,000
Refrigerated Logistics Special Advisor		$15,000

The fees include superannuation contributions which are made in accordance with the level of superannuation contributions required under any applicable legislation.

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

NEDs do not participate in any incentive programs.

DIRECTORS' REPORT

SERVICE AGREEMENTS

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 sign a standard deed of access and indemnity, and receive a Directors' manual. Together, the letter, the deed and the manual summarise the Board policies and terms, including compensation relevant to the office of director.

The remuneration of NEDs for the year ended 30 June 2017 and 30 June 2016 is detailed below:

Non-Executive Directors	Financial year	Fees $	Short-term benefits Non-monetary benefits $	Other $	Post employment Superannuation $	Total $
David Griffiths	2017	218,722	Nil	Nil	19,616	**238,337**
	2016	186,623	Nil	Nil	17,729	**204,352**
Howard Critchley	2017	109,589	Nil	Nil	10,411	**120,000**
	2016	94,898	Nil	Nil	9,015	**103,913**
Greg Duncan	2017	105,023	Nil	Nil	9,977	**115,000**
	2016	91,510	Nil	Nil	8,693	**100,203**
John Groppoli	2017	114,155	Nil	Nil	10,845	**125,000**
	2016	98,950	Nil	Nil	9,400	**108,350**
Robert McEniry	2017	115,525	Nil	Nil	10,975	**126,500**
	2016	98,356	Nil	Nil	9,344	**107,700**
Jane McKellar[1]	2017	105,023	Nil	Nil	9,977	**115,000**
	2016	51,201	Nil	Nil	4,864	**56,065**
Peter Stancliffe[2]	2017	37,401	Nil	Nil	3,553	**40,954**
	2016	96,150	Nil	Nil	9134	**105,284**
Michael Smith[3]	2017	n/a	n/a	n/a	n/a	**n/a**
	2016	58,284	Nil	Nil	5,537	**63,821**
Tracey Horton[3]	2017	n/a	n/a	n/a	n/a	**n/a**
	2016	37,517	Nil	Nil	3,564	**41,081**
FY2017 NEDs		**805,437**	**Nil**	**Nil**	**75,354**	**880,791**
FY2016 NEDs		**813,489**	**Nil**	**Nil**	**77,280**	**890,769**

[1] Appointed 10 December 2015.
[2] Retired by Rotation 18 November 2016.
[3] Retired by Rotation 20 November 2015.

7. Additional Statutory Disclosures

PERFORMANCE RIGHTS AWARDED, VESTED AND LAPSED DURING THE YEAR

The table below discloses the number of Performance Rights granted to executives as LTI-based remuneration during FY2017, FY2016, FY2015 and FY2014, as well as the number of Performance Rights that vested or lapsed/forfeited during the year. Refer to note 29 to the Annual Financial Statements for details supporting grant date valuations, with the grant date value disclosed in the below table being the average of the TSR and EPS components.

Performance rights do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met.

DIRECTORS' REPORT

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
John McConnell	2017	174,114	$2.55	TBD	TBD	TBD	2020	$295,993
Bronte Howson	2014	243,407	$2.45	0%	Nil	100%	2017	$0
	2015 (50%)	109,649	$2.68	12%	13,706	88%	2017	$0
	2015 (50%)	109,649	$2.68	TBD	TBD	TBD	2018*	$0
	2016 (50%)	61,218	$2.98	0%	Nil	100%	2017	$0
	2016 (50%)	61,218	$2.98	TBD	TBD	TBD	2018*	$0
Philip Mirams	2014	73,022	$2.45	0%	Nil	100%	2017	$0
	2015	65,789	$2.68	0%	Nil	100%	2018	$0
	2016	55,096	$2.98	TBD	TBD	TBD	2019	$54,637
	2017	62,305	$2.55	TBD	TBD	TBD	2020	$105,919
David Rowland	2014	36,511	$2.45	0%	Nil	100%	2017	$0
	2015	32,895	$2.68	0%	Nil	100%	2018	$0
	2016	27,548	$2.98	TBD	TBD	TBD	2019	$27,319
	2017	31,153	$2.55	TBD	TBD	TBD	2020	$52,960
Gus Kininmont	2014	18,256	$2.45	0%	Nil	100%	2017	$0
	2015	16,447	$2.68	0%	Nil	100%	2018	$0
	2016	13,774	$2.98	TBD	TBD	TBD	2019	$13,659
	2017	15,576	$2.55	TBD	TBD	TBD	2020	$26,480
Eugene Kavanagh	2014	18,256	$2.45	0%	Nil	100%	2017	$0
	2015	16,447	$2.68	0%	Nil	100%	2018	$0
	2016	13,774	$2.98	TBD	TBD	TBD	2019	$13,659
	2017	15,576	$2.55	TBD	TBD	TBD	2020	$26,480
Martin Wandmaker	2015	16,447	$2.68	0%	Nil	100%	2018	$0
	2016	13,774	$2.98	TBD	TBD	TBD	2019	$13,659
	2017	15,576	$2.55	TBD	TBD	TBD	2020	$26,480
Stephen Cleary	2016	28,696	$2.98	TBD	TBD	TBD	2019	$28,457
	2017	77,882	$2.55	TBD	TBD	TBD	2020	$132,399
Paul Morris	2017	-	$2.55	TBD	TBD	TBD	2020	$0
Total	2014	389,451	$2.45	0%	Nil	100%	2017	$0
	2015	367,325	$2.68	5%	13,706	95%	2018	$0
	2016	275,100	$2.98	TBD	TBD	TBD	2019	$151,391
	2017	392,182	$2.55	TBD	TBD	TBD	2020	$666,709

** 50% of FY2015 and FY2016 Performance Rights for Bronte Howson tested at 31 December 2016 and vested during FY2017. Remaining 50% tested at 30 June 2017 and any vesting will occur during FY2018.*

DIRECTORS' REPORT

VALUE OF PERFORMANCE RIGHTS AWARDED, EXERCISED AND LAPSED DURING THE YEAR

Total value of Performance Rights awarded to the Executive Director and KMP for FY2017 was $1,000,064.

The FY2014 Performance Rights vested on 30 September 2016, with nil Performance Rights awarded as per the previous table, thus representing 100% forfeiture. Other than for Bronte Howson, the 2015 Performance Rights will be performance tested on 30 September 2017. However (as per prior disclosures in this Directors' Report) no Performance Rights will vest.

In respect of Bronte Howson, as approved at AHG's AGM on 20 November 2016, 50% of the 2015 Performance Rights were early tested at 31 December 2016, with vesting occurring prior to 30 June 2017. 13,706 Performance Rights vested under this early testing. The remaining 50% will be performance tested on 30 September 2017 based on performance to 30 June 2017. However (as per prior disclosures in this Directors' Report) no Performance Rights will vest. In respect of Bronte Howson's FY2016 Performance Rights, these were reduced by one-third in representation of their amended shorter assessment period of two years rather than three years, with 50% early tested at 31 December 2016 and 50% tested at 30 June 2017. No FY2016 Performance Rights vested based on performance to 31 December 2016 or to 30 June 2017 (as per prior disclosures in this Directors' Report).

Refer to note 29 for further details on AHG Performance Rights Plan.

SHARES VESTED ON EXERCISE OF PERFORMANCE RIGHTS

53,757 shares were issued during FY2017 on the exercise of Performance Rights, being:

- 40,051 shares to Bronte Howson as result of vesting of FY2013 and FY2015 STI achievements deferred and payable as Performance Rights rather than cash; and
- 13,706 shares to Bronte Howson as result of early vesting of FY2015 LTI Performance Rights.

LOANS TO KMP

There were no loans to KMP (FY2016: Nil).

OTHER TRANSACTIONS WITH KMP

Aggregate amounts of each of the above types of other transactions with KMP of Automotive Holdings Group Limited.

	2017 $'000	2016 $'000
Amounts recognised as distributions to shareholders		
Dividends paid	**537**	833

In FY2017 AHG acquired an additional interest of 3.2 million shares at $1 per share in One Way Traffic Limited (total 5.45 million shares held post investment, refer note 10). Greg Duncan (Director of AHG) was Chairman of, and a shareholder in, One Way Traffic Limited. Subsequently 100% of One Way Traffic Limited's equity was transferred to DealerMotive Limited (a consortium of 60 dealer groups) under a scheme of arrangement, at which point it ceased to be a related party transaction.

DIRECTORS' REPORT

SHAREHOLDINGS OF KMP

The number of shares in the Company held during the financial year by each Director of AHG and other KMP of the Group, including their personally related parties, are set out below:

2017		Balance at start of year	Changes[1] during the year	Balance at the end of the year
Directors	**Beneficial Owners**			
Bronte Howson	Croystone Nominees Pty Ltd atf BBK Unit Trust	3,000,000	n/a[2]	n/a
	BM Howson	351,895	n/a[2]	n/a
	BM & CC Howson	94,000	n/a[2]	n/a
John McConnell		Nil	Nil[3]	Nil
David Griffiths	Darju Pty Ltd; NTH Citrus Pty Ltd atf Lake Avenue Trust	77,243	Nil	77,243
Howard Critchley	Suehow Pty Ltd	6,500	Nil	6,500
Greg Duncan	Cleopatra Nominees Pty Ltd	100,000	50,000[4]	150,000
Giovanni (John) Groppoli	Magix Communications Pty Ltd	45,898	Nil	45,898
Robert McEniry	PA McEniry and RJH McEniry	4,950	Nil	4,950
Jane McKellar		Nil	Nil	Nil
Peter Stancliffe	PW Stancliffe	38,523	n/a[5]	n/a
Other KMP				
Philip Mirams		Nil	Nil	Nil
David Rowland		Nil	Nil	Nil
Gus Kininmont	FY Kininmont	6,498	Nil	6,498
Eugene Kavanagh	E & M Kavanagh	6,672	Nil	6,672
Martin Wandmaker		Nil	Nil	Nil
Stephen Cleary		Nil	Nil[6]	Nil
Paul Morris		Nil	Nil[7]	Nil

[1] Where a Director or KMP retired during the financial year, the change reverses their balance at the start of the year rather than reflecting any divestment of shares held.
[2] Retired as Managing Director 31 December 2016.
[3] Appointed as CEO 28 August 2016 and Managing Director 1 January 2017.
[4] Shares were issued as part of Share Purchase Plan on 16 September 2016.
[5] Retired as Director 18 November 2016.
[6] Appointed as KMP 1 July 2016.
[7] Appointed 1 May 2017.

This is the end of the audited remuneration report

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, 28 September 2017

BDO

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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 2017, 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, 28 September 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017	Notes	2017 $'000	2016 $'000
Revenue from continuing operations	3	6,081,745	5,625,999
Profit on sale of assets	3	-	2,893
Raw materials and inventory expense		(4,610,510)	(4,165,593)
Employee benefits expense	4	(766,977)	(744,203)
Depreciation and amortisation expense	4	(46,920)	(43,386)
Finance costs	4	(41,447)	(39,924)
Advertising and promotion		(48,336)	(49,524)
Occupancy costs		(180,650)	(167,694)
Vehicle preparation and service		(52,615)	(47,158)
Supplies and outside services		(80,666)	(79,543)
Motor vehicle expense		(12,454)	(11,035)
Equipment rental	4	(21,169)	(20,216)
Professional services		(13,568)	(9,342)
Other expenses		(97,427)	(110,168)
Loss on sale of assets	4	(636)	-
Impairment of intangibles and other assets	4	(18,713)	(4,281)
Share of net profit of joint venture partnership accounted for using the equity method		337	324
Profit before income tax		89,994	137,149
Income tax expense	5	(28,901)	(40,263)
Profit for the year before other comprehensive income		61,093	96,886
Profit attributable to:			
Owners of Automotive Holdings Group Limited	18	55,539	90,071
Non-controlling interest		5,554	6,815
		61,093	96,886
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	637	(958)
Exchange differences on translation of foreign operations	18	(157)	1,758
Total comprehensive income for the year (net of tax)		61,573	97,686
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		56,019	90,871
Non-controlling interest		5,554	6,815
		61,573	97,686
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	21	17.0	29.4
Diluted earnings per share	21	17.0	29.4
Earnings per share is calculated on a weighted average number of shares of:		327,523,680	306,541,437

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

As at 30 June 2017	Notes	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	95,035	108,593
Trade and other receivables	7	357,373	333,614
Inventories	8	899,796	828,111
Other current assets	9	49,707	34,548
TOTAL CURRENT ASSETS		1,401,911	1,304,866
NON CURRENT ASSETS			
Investments accounted for using the equity method		1,088	1,048
Available-for-sale financial assets	10	7,228	4,028
Property, plant and equipment	11	401,130	359,041
Intangible assets	12	513,170	462,260
Deferred tax assets	5	60,866	60,192
TOTAL NON CURRENT ASSETS		983,482	886,569
TOTAL ASSETS		2,385,393	2,191,435
CURRENT LIABILITIES			
Trade and other payables	13	322,796	259,923
Interest-bearing loans and borrowings	16	827,830	759,873
Income tax payable / (receivable)		(4,110)	5,051
Provisions	14	78,041	74,494
TOTAL CURRENT LIABILITIES		1,224,557	1,099,341
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	16	314,657	334,251
Deferred tax liabilities	5	21,136	15,800
Provisions	15	22,700	22,540
TOTAL NON CURRENT LIABILITIES		358,493	372,591
TOTAL LIABILITIES		1,583,050	1,471,932
NET ASSETS		802,343	719,503
EQUITY			
Contributed equity	17	653,134	541,532
Reserves	18	2,997	2,669
Retained profits	18	131,298	150,374
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		787,429	694,575
Non-controlling interest	19	14,914	24,928
TOTAL EQUITY		802,343	719,503

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016	Contributed Equity	Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2015	**541,532**	**1,537**	**129,275**	**672,344**	**23,299**	**695,643**
Profit for the year (after tax)	-	-	90,071	90,071	6,815	96,886
Changes in fair value of cash flow hedges	-	(1,369)	-	(1,369)	-	(1,369)
Exchange differences on translation of foreign operations	-	1,758	-	1,758	-	1,758
Income tax relating to components of other comprehensive income	-	411	-	411	-	411
Total comprehensive income for the year	**-**	**800**	**90,071**	**90,871**	**6,815**	**97,686**
Transactions with owners in their capacity as equity holders:						
Other transactions with non-controlling interests	-	-	-	-	759	759
Dividends provided for or paid	-	-	(68,972)	(68,972)	(5,945)	(74,917)
Employee share scheme	-	332	-	332	-	332
	-	**332**	**(68,972)**	**(68,640)**	**(5,186)**	**(73,826)**
At 30 June 2016	**541,532**	**2,669**	**150,374**	**694,575**	**24,928**	**719,503**

For the year ended 30 June 2017	Contributed Equity	Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2016	**541,532**	**2,669**	**150,374**	**694,575**	**24,928**	**719,503**
Profit for the year (after tax)	-	-	55,539	55,539	5,554	61,093
Changes in fair value of cash flow hedges	-	910	-	910	-	910
Exchange differences on translation of foreign operations	-	(157)	-	(157)	-	(157)
Income tax relating to components of other comprehensive income	-	(273)	-	(273)	-	(273)
Total comprehensive income for the year	**-**	**480**	**55,539**	**56,019**	**5,554**	**61,573**
Transactions with owners in their capacity as equity holders:						
Contributions of equity, net of transaction costs	111,602	-	-	111,602	-	111,602
Non-controlling interest on acquisition of subsidiary	-	-	-	-	(8,726)	(8,726)
Dividends provided for or paid	-	-	(74,615)	(74,615)	(6,842)	(81,457)
Employee share scheme	-	(152)	-	(152)	-	(152)
	111,602	**(152)**	**(74,615)**	**36,835**	**(15,568)**	**21,267**
At 30 June 2017	**653,134**	**2,997**	**131,298**	**787,429**	**14,914**	**802,343**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017	Notes	2017 $'000	2016 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		**6,653,825**	6,165,924
Payments to suppliers and employees (inclusive of GST)		**(6,442,693)**	(5,949,255)
Interest paid and costs of finance		**(41,447)**	(39,924)
Interest received		**2,193**	3,345
Income tax paid		**(30,940)**	(40,283)
Net cash inflow from operating activities	22	**140,938**	139,807
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired	27	**(74,691)**	(75,842)
Proceeds from sale of business, net of cash disposed		**13,964**	22,829
Payment for property, plant and equipment		**(101,696)**	(113,936)
Dividends and distributions received		**468**	258
Proceeds of sale of property, plant and equipment		**21,837**	54,519
Proceeds of sale of investments		**-**	4,200
Payment for purchase of investment	10	**(3,200)**	-
Net cash outflow from investing activities		**(143,318)**	(107,972)
Cash flows from financing activities			
Net (repayment of) / proceeds from borrowings		**(41,323)**	81,813
Proceeds from issue of shares, net of transaction costs	17	**111,602**	-
Dividends paid to members	20	**(74,615)**	(68,972)
Dividends paid to non-controlling interest		**(6,842)**	(5,945)
Net cash inflow / (outflow) from financing activities		**(11,178)**	6,896
Net increase / (decrease) in cash and cash equivalents		**(13,558)**	38,731
Cash and cash equivalents at the beginning of the year		**108,593**	69,862
Cash and cash equivalents at the end of the year	6	**95,035**	108,593

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 $14,377,660 (2016: $4,902,560) by means of finance lease and hire purchase (excluding those assumed in acquisitions – refer note 11). These acquisitions are not reflected in the Statement of Cash Flows.

Contents to the Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant changes in the current reporting period

The financial position and performance of the Group at 30 June 2017 as compared to 30 June 2016 was impacted by the following events and transactions during the reporting period:

- transition of Managing Director from Bronte Howson to John McConnell;
- institutional placement and share purchase plan undertaken August/September 2016 resulting in the issue of 25,081,577 shares for which AHG received net $111.6 million (refer note 17);
- acquisitions of Doncaster Auto, Melbourne City Mazda, Daimler Trucks Laverton, Newcastle Audi/Skoda and Essendon Ford/Mitsubishi (refer note 27);
- increase in AHG's Investment in 360 Finance Pty Ltd from 70.1% to 100% (refer note 19); and
- execution of transformation activities across AHG's Refrigerated Logistics operation, which combined with other restructuring costs, impairment write-offs and other unusual items, resulted in $31.75 million expense between operating and statutory profit after tax attributable to members.

Key Financial Data	Statutory IFRS Result	Unusual items*	Operating Non-IFRS Result
For the year ended 30 June 2017	**$'000**	**$'000**	**$'000**
Revenue	**6,081,745**	**-**	**6,081,745**
EBITDA	176,169	39,786	215,955
EBITDA margin %	2.9%		3.6%
Depreciation and amortisation	(46,920)	-	(46,920)
EBIT	129,249	39,786	169,035
Interest (net)	(39,255)	-	(39,255)
Profit before tax	89,994	39,786	129,780
Tax expense	(28,901)	(8,034)	(36,935)
Profit after tax	61,093	31,752	92,845
Non-controlling interest	(5,554)	-	(5,554)
Net profit after tax attributable to shareholders	**55,539**	**31,752**	**87,291**
Basic EPS (cents per share)	17.0		26.7

* ***Unusual items:*** *costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and/or restructures of assets and operations, impairment of assets, transformation activities and benefits applicable to GST refunds (Son of Holdback).*

Net profit after tax attributable to members for the year ended 30 June 2017 was $55.54 million (2016: $90.07 million). Net profit after tax excluding unusual items* attributable to members for the year ended 30 June 2017 was $87.29 million (2016: $97.25 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant changes in the current reporting period (continued)

	2017 $'000	2016 $'000
Statutory IFRS Profit (net of tax) attributable to members	55,539	90,071
Unusual items		
Add-back:		
- Net costs relating to Refrigerated Logistics transformation	5,799	-
- Costs relating to restructure of operations and discontinued operations	9,278	(740)
- Impairment of non-current assets - plant and equipment, goodwill and franchise rights	13,647	4,562
- Costs relating to integration, acquisitions and MD transition	3,028	4,091
- Net (profit)/loss on other unusual items, including benefits applicable to GST refunds (Son of Holdback)	-	(737)
Operating Non-IFRS Profit (net of tax) attributable to members	87,291	97,247

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. 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 180 motor vehicle franchises at 111 dealership locations 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

Segment Reporting June 2017	Automotive Retail	Refrigerated Logistics	Other Logistics	Total Logistics	Property	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Statutory IFRS Financial Performance Analysis						
Gross revenue	5,851,096	614,941	318,021	932,962	320	6,784,378
Less: intercompany sales	(618,699)	(44,225)	(41,902)	(86,127)	-	(704,826)
Segment revenue	**5,232,397**	**570,716**	**276,119**	**846,835**	**320**	**6,079,552**
Interest earned	2,071	19	103	122	-	2,193
Total revenue						**6,081,745**
EBITDA	**153,401**	**23,763**	**3,327**	**27,090**	**(4,322)**	**176,169**
Depreciation and amortisation	(19,947)	(24,290)	(2,683)	(26,973)	-	(46,920)
EBIT	**133,454**	**(527)**	**644**	**117**	**(4,322)**	**129,249**
Interest expense (net)	(26,905)	(7,938)	(1,038)	(8,976)	(3,374)	(39,255)
Profit before tax						**89,994**
Income tax expense						(28,901)
Reportable segment profit after tax						**61,093**
Operating Non-IFRS Financial Performance Analysis						
Total revenue	**5,234,468**	**570,735**	**276,222**	**846,957**	**320**	**6,081,745**
EBITDA before unusual items*	**171,017**	**35,050**	**14,210**	**49,260**	**(4,322)**	**215,955**
EBIT before unusual items*	**151,070**	**10,760**	**11,527**	**22,287**	**(4,322)**	**169,035**
Segment result before unusual items*	**124,165**	**2,822**	**10,489**	**13,311**	**(7,696)**	**129,780**
Unusual items*	(17,616)	(11,287)	(10,883)	(22,170)	-	(39,786)
Reportable segment result after unusual items before tax	**106,549**	**(8,465)**	**(394)**	**(8,859)**	**(7,696)**	**89,994**
Statutory Financial Position Analysis						
Segment assets	1,809,945	414,795	141,398	556,193	19,255	2,385,393
Total consolidated assets						**2,385,393**
Segment liabilities	993,369	425,022	123,830	548,852	40,829	1,583,050
Total consolidated liabilities						**1,583,050**
Acquisition of property, plant, equipment and intangibles	**68,963**	**91,174**	**17,204**	**108,378**	**(3,529)**	**173,812**

* ***Unusual items:*** *costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and/or restructures of assets and operations, impairment of assets, transformation activities and benefits applicable to GST refunds (Son of Holdback). (Refer to page 72 for further reconciliation.)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

Segment Reporting June 2016	Automotive Retail	Refrigerated Logistics	Other Logistics	Total Logistics	Property	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Statutory IFRS Financial Performance Analysis						
Gross revenue	5,306,624	612,175	304,094	916,269	320	6,223,213
Less: intercompany sales	(584,817)	(31,752)	16,010	(15,742)	-	(600,559)
Segment revenue	**4,721,807**	**580,423**	**320,104**	**900,527**	**320**	**5,622,654**
Interest earned	2,993	(3)	355	352	-	3,345
Total revenue						**5,625,999**
EBITDA	**178,559**	**37,101**	**1,035**	**38,136**	**420**	**217,115**
Depreciation and amortisation	(18,817)	(21,473)	(3,096)	(24,569)	-	(43,386)
EBIT	**159,742**	**15,628**	**(2,061)**	**13,567**	**420**	**173,729**
Interest expense (net)	(23,377)	(7,514)	(2,007)	(9,521)	(3,682)	(36,580)
Profit before tax						**137,149**
Income tax expense						(40,263)
Reportable segment profit after tax						**96,886**
Operating Non-IFRS Financial Performance Analysis						
Total revenue	**4,724,800**	**580,420**	**320,459**	**900,879**	**320**	**5,625,999**
EBITDA before unusual items*	**177,940**	**37,160**	**9,968**	**47,128**	**420**	**225,488**
EBIT before unusual items*	**159,123**	**15,687**	**6,872**	**22,559**	**420**	**182,102**
Segment result before unusual items*	**135,746**	**8,173**	**4,865**	**13,038**	**(3,262)**	**145,522**
Unusual items*	619	(59)	(8,933)	(8,992)	-	(8,373)
Reportable segment result after unusual items before tax	**136,365**	**8,114**	**(4,068)**	**4,046**	**(3,262)**	**137,149**
Statutory Financial Position Analysis						
Segment assets	1,695,797	332,151	140,680	472,831	22,807	2,191,435
Total consolidated assets						**2,191,435**
Segment liabilities	987,757	318,923	125,669	444,592	39,583	1,471,932
Total consolidated liabilities						**1,471,932**
Acquisition of property, plant, equipment and intangibles	**136,886**	**43,225**	**(320)**	**42,905**	**5,815**	**185,606**

* ***Unusual items:*** *Costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets, and benefits applicable to GST refunds (Son of Holdback).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

Accounting Policy

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 entity's 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
- Nature of the regulatory environment.

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 refrigerated logistics operations and the balance of all of its other logistical operations, and a single reportable property segment.

3. Revenue and other income

	2017 $'000	2016 $'000
Sales revenue		
Sale of goods	**5,089,614**	4,634,937
Rendering of services	**969,997**	963,809
	6,059,611	5,598,746
Other revenue		
Interest	**2,193**	3,345
Other revenue	**19,941**	23,908
	22,134	27,253
Total Revenue from continuing operations	**6,081,745**	5,625,999

	2017 $'000	2016 $'000
Other Income		
Net gain on disposal of assets	**-**	2,893
	-	2,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Revenue and other income (continued)

Accounting Policy

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.

Significant accounting judgement, estimates and assumptions

Manufacturer incentives

The Group receives income in the form of various incentives which are determined by our Original Equipment Manufacturers (OEMs). The amount we receive is based on achieving specific objectives, including but not limited to achievement of specified sales volumes, maintaining OEM visual standards, customer satisfaction performance and training standards. Objectives are set and measured across monthly, quarterly and/or annual bases, at the discretion of the individual OEMs. Income is recognised when it is reasonably certain that it has been earned, and is included within Sale of Goods or Other Revenue depending on its specific nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Expenses

	2017 $'000	2016 $'000
Depreciation		
Vehicles, plant, furniture and equipment	35,599	32,967
	35,599	32,967
Amortisation		
Capitalised leased assets	4,278	4,068
Leasehold improvements	7,043	6,351
	11,321	10,419
Finance costs ***(for financial liabilities not at fair value through profit or loss)***		
Interest paid - other	6,905	8,532
Interest paid - finance leases	1,352	1,429
Interest paid - hire purchase	4,707	4,493
Interest paid - floor plan	28,483	25,470
	41,447	39,924
Lease payments		
Rental expenses relating to property operating leases	145,551	135,294
Rental expenses relating to equipment operating leases	21,169	20,216
	166,720	155,510
Employee benefits expense		
Wages, salaries and employee benefits	715,374	694,957
Superannuation	51,755	48,914
Share-based payments expense / (credit)	(152)	332
	766,977	744,203
Other expenses, net loss on sale of assets and impairment		
Bad debts written off	1,278	235
Repairs and maintenance	16,908	25,151
Insurances	28,002	29,985
Stamp duty and bank fees	8,483	10,919
Impairment of property, plant and equipment (note 11)	8,379	4,281
Impairment of intangibles (note 12)	3,018	-
Impairment of other assets (current and non-current)	7,316	-
Office, IT, telephone and travel	37,239	38,575
Net loss on sale of asset	636	-
Miscellaneous	5,517	5,303
	116,776	114,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Expenses (continued)

Accounting Policy

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.

5. Income tax

INCOME TAX EXPENSE

	2017 $'000	2016 $'000
Current tax	24,680	37,736
Deferred tax	6,998	3,393
Adjustment for current tax of prior periods	(2,777)	(866)
	28,901	40,263
Income tax expense is attributable to:		
Profit from continuing operations	28,901	40,263
	28,901	40,263
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	1,662	418
Increase / (decrease) in deferred tax liabilities	5,336	2,915
	6,998	3,393

AMOUNTS CHARGED OR CREDITED DIRECTLY TO EQUITY

	2017 $'000	2016 $'000
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	(288)	(607)
	(288)	(607)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income Tax (continued)

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2017 $'000	2016 $'000
Profit from continuing operations before income tax expense	89,994	137,149
Corporate tax at the rate of 30% (2016: 30%)	26,998	41,145
Non-deductible expenses	685	851
Non-deductible diminution of investment and impairment of intangibles	5,614	900
Non-deductible stamp duty attributed to goodwill on acquisition	-	1,022
Transaction costs added to cost base of shares	346	-
Other accessible income	594	452
Derecognition of deferred tax balances	-	827
Non-assessable income	(2,250)	(2,866)
Other deductible expenses	-	(2,614)
Difference in foreign tax rates	(180)	(191)
Other	(130)	1,603
	31,678	41,129
Adjustments in respect of current income tax of previous years	(2,777)	(866)
Income tax expense	28,901	40,263

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	2017 $'000	2016 $'000
Deferred tax assets		
Opening balance 1 July	60,192	58,847
Acquisition of subsidiaries	2,048	1,213
Debited to income	(1,662)	(475)
Credited to equity	288	607
Closing balance 30 June	60,866	60,192
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss and other comprehensive income		
Doubtful debts	1,403	2,293
Inventory	6,275	1,239
Property, plant & equipment	7,760	4,899
Accrued expenses	10,248	8,694
Provisions:		
Employee benefits	24,822	23,528
Warranties	4,199	3,664
Other provisions	2,415	3,359
Other	2,582	11,641
Amounts recognised directly in the statement of financial position		
Share issue expenses	828	450
Cash flow hedges	334	425
Deferred tax assets	60,866	60,192
Settled < 12 months	42,745	36,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income Tax (continued)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	2017 $'000	2016 $'000
Deferred tax liabilities		
Opening balance 1 July	15,800	12,884
Debited to income	5,336	2,916
Closing balance 30 June	21,136	15,800
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss and other comprehensive income		
Doubtful debts	-	1,743
Finance leases	1,083	2,496
Other	20,053	11,361
Deferred tax liabilities	21,136	15,800
Settled < 12 months	1,083	4,239

Accounting Policy

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income Tax (continued)

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 note 31 Accounting Policy (ii) for further details.

6. Current assets – cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	94,525	108,083
Deposits at call	510	510
	95,035	108,593

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 0.25% and 1.40% (2016: 0.50% and 1.41%). The interest rates applicable to deposits at call at 30 June 2017 vary between 0.50% and 2.65% % (2016: 0.70% and 2.86%).

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

Accounting Policy

Cash and Cash Equivalents

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.

Banking Transactions

Outstanding cheques are recorded as payables whilst outstanding deposits are shown as receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Current assets – trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	335,242	317,720
Allowance for impairment of receivables	(2,741)	(2,765)
Derivative financial instruments (note 25)	416	-
Other receivables	24,456	18,659
	357,373	333,614

IMPAIRED TRADE RECEIVABLES

The Group has recognised a loss of $1,278,000 (2016: $235,000) in respect of impaired trade receivables during the year ended 30 June 2017. The loss has been included in "other expenses" in the profit for the year.

At 30 June 2017, the Group recognised $2,741,000 (2016: $2,765,000) 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.

	2017 $'000	2016 $'000
Opening balance	(2,765)	(2,977)
Translation adjustment	(2)	(6)
Acquired on acquisition	50	-
Release on disposal of subsidaries	-	402
Allowance for impaired receivables	(2,319)	(1,110)
Receivables written off during the year	1,278	235
Reversal of amounts provided	1,017	691
Closing balance	(2,741)	(2,765)

PAST DUE NOT IMPAIRED

As at 30 June 2017, trade receivables of $72,877,000 (2016: $68,636,000) 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:

	2017 $'000	2016 $'000
Days Past Due		
1 - 30	43,793	51,214
31 - 60	11,831	6,912
61 - 90	7,950	6,912
91 +	9,303	3,598
	72,877	68,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

Accounting Policy

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.

Loans and receivables

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.

8. Current assets – inventories

	2017 $'000	2016 $'000
Vehicle inventory - at cost	820,135	750,536
Write-down to net realisable value	(17,970)	(13,792)
Other inventories - at cost	103,821	96,604
Write-down to net realisable value	(6,190)	(5,237)
	899,796	828,111

Inventory recognised as an expense (cost of sales) during the year ended 30 June 2017 (including write-down of inventories to net realisable value) amounted to $4,610,510,000 (2016: $4,165,593,000).

Accounting Policy

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.

New Motor Vehicle Stock and Related Bailment

Motor vehicles secured under bailment plans are provided to the Group under bailment agreements between the floorplan loan providers and entities within the Group. The Group obtains title to the vehicles immediately prior to sale. The floorplan 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 floorplan obligation have been included in the financial statements although ownership of such inventory rests with the floorplan financiers.

Significant accounting judgement, estimates and assumptions

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.

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 have been used in determining any write downs to net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Current assets – other

	2017 $'000	2016 $'000
Prepaid expenses and deposits	49,707	34,548
	49,707	34,548

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

	2017 $'000	2016 $'000
Shares in unlisted company and trust	7,228	4,028
	7,228	4,028

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.

	2017 $'000	2016 $'000
Opening balance	4,028	6,450
Acquisitions	3,200	-
Return of capital	-	(2,422)
Closing balance	7,228	4,028

In FY2017 AHG acquired an additional interest of 3.2 million shares at $1 per share in One Way Traffic Limited. Subsequently, AHG's 5.45 million shares in One Way Traffic Limited were transferred to DealerMotive Limited under a scheme of arrangement in return for an equal dollar value of shares in DealerMotive Limited. DealerMotive Limited is a consortium of 60 dealer groups and holds a 30 per share in Cox Automotive Australia.

IMPAIRMENT AND RISK EXPOSURE

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

Accounting Policy

Available-For-Sale Financial Assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Non-current assets – available-for-sale financial assets (continued)

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.

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

CARRYING AMOUNTS MEASURED AT COST LESS ACCUMULATED DEPRECIATION AND AMORTISATION

	2017 $'000	2016 $'000
Land and buildings	17,588	17,588
Accumulated depreciation	(14)	(7)
	17,574	17,581
Plant and equipment at cost	366,063	309,381
Accumulated depreciation	(165,872)	(144,278)
	200,191	165,103
Capitalised leased assets	43,457	34,460
Accumulated amortisation	(16,115)	(15,256)
	27,342	19,204
Leasehold improvements at cost	126,607	110,919
Accumulated amortisation	(35,303)	(31,088)
	91,304	79,831
Assets under construction	64,719	77,322
Total property, plant and equipment	401,130	359,041

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

Consolidated 30 June 2017	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 2016	17,581	165,103	19,204	79,831	77,322	359,041
Translation adjustment	-	(2)	-	3	12	13
Additions	-	28,706	14,378	25,030	51,770	119,884
Impairment	-	(157)	-	(6,256)	(1,966)	(8,379)
Disposals	-	(22,228)	-	(281)	-	(22,509)
Transfers	-	64,361	(1,962)	20	(62,419)	-
Depreciation / amortisation	(7)	(35,592)	(4,278)	(7,043)	-	(46,920)
Carrying amount at 30 June 2017	**17,574**	**200,191**	**27,342**	**91,304**	**64,719**	**401,130**

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 30 June 2016	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 2015	38,357	144,174	23,086	73,476	70,081	349,174
Translation adjustment	-	200	-	51	10	261
Additions	1,436	72,732	4,903	24,801	11,943	115,815
Impairment	-	-	-	-	(4,712)	(4,712)
Disposals	(22,205)	(23,738)	-	(12,168)	-	(58,111)
Transfers	-	4,695	(4,717)	22	-	-
Depreciation / amortisation	(7)	(32,960)	(4,068)	(6,351)	-	(43,386)
Carrying amount at 30 June 2016	**17,581**	**165,103**	**19,204**	**79,831**	**77,322**	**359,041**

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 $17,574,000 (2016: $17,581,000) are pledged as security for non-current liabilities as disclosed in note 16.

Other property, plant and equipment with a carrying amount of $356,214,000 (2016: $322,256,000) are pledged as security for non-current liabilities as disclosed in note 16.

Impairment Charge

An impairment charge of $8.4 million (2016: $4.7 million) was brought to account in the year ended 30 June 2017 against specific property, plant and equipment where impairment indicators (for example arising from specific asset divestment, rationalisation/consolidation and/or other re-balancing considerations, and/or from revised shorter useful life estimates) were present such that their recoverable amount was considered to be below its carrying value.

Accounting Policy

Property, Plant and Equipment

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.

Where impairment indicators are identified, such assets are tested both as part of the CGU impairment assessment process as well as at an asset specific level as to their estimated recoverable amount.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

Leased Assets

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.

Significant accounting judgement, estimates and assumptions

Useful lives of assets

The estimations of useful lives, residual value and amortisation methods require management judgement and are reviewed annually. If they need to be modified, the change is accounted for prospectively from the date of assessment until the end of the revised useful life. These modifications are predominantly linked to specific assets and most commonly arise in conjunction with other impairment indicators (refer note 12).

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired at least at each reporting date under the criteria set out in AASB 136 *Impairment of Assets*. This requires an estimation of recoverable amount of property, plant and equipment as a component of the recoverable amount of the cash generating units to which the property, plant and equipment is allocated, using a value-in-use discounted cash flow methodology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017			
Carrying amount at 1 July 2016	209,277	252,983	462,260
Additions	15,122	38,806	53,928
Impairment charges	(1,834)	(1,184)	(3,018)
Carrying amount at 30 June 2017	**222,565**	**290,605**	**513,170**
Consolidated 2016			
Carrying amount at 1 July 2015	186,614	205,427	392,041
Additions	26,392	47,809	74,201
Divestments	(3,729)	(253)	(3,982)
Carrying amount at 30 June 2016	**209,277**	**252,983**	**462,260**

	Goodwill	Franchise Rights & Distribution Agreements	Total
	$'000	$'000	$'000
Consolidated 2017			
Automotive Retail	136,748	280,662	417,410
Refrigerated Logistics	78,762	-	78,762
Other Logistics	7,055	9,943	16,998
Carrying amount at 30 June 2017	**222,565**	**290,605**	**513,170**
Consolidated 2016			
Automotive Retail	123,460	243,040	366,500
Refrigerated Logistics	78,762	-	78,762
Other Logistics	7,055	9,943	16,998
Carrying amount at 30 June 2016	**209,277**	**252,983**	**462,260**

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. 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.

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 11% (2016: 11%) 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% (2016: 3%). This growth rate is consistent with forecasts included in industry reports.

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 10% to 15% (2016: 10% to 15%) were tested;
(ii) Breakeven analysis of value-in-use calculations based on estimated future cash flows after extrapolating an appropriate discount rate;
(iii) Sensitivity analysis of estimated future cash flows against the pre-tax discount rate of 11% (2016: 11%) and the breakeven point; and
(iv) Sensitivity of growth rates applied. A range of growth rates from 2% to 3% (2016: 2% to 3%) were tested.

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, for the automotive retail and other logistics business segments, 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.

For the refrigerated logistics business segment, the recoverable amount is marginally above its carrying value using the value-in-use calculations, hence any adverse movements in key assumptions may lead to an impairment. For 30 June 2017, the recoverable amount for the refrigerated logistics business segment has been based on improvements in its operating and financial performance that arose from the transformation program undertaken. A one per cent change in discount rate or a ten percent decrease in forecast EBIT approximates a $20 million impairment charge.

Impairment charge

As a result of the above impairment testing process at 30 June 2017, no impairment charge (2016: Nil) has been brought to account in the year ended 30 June 2017.

Over and above the CGU impairment assessment process, an impairment charge of $3.0 million was brought to account in the year ended 30 June 2017 against specific Automotive operations where impairment indicators (for example arising from specific site divestment, rationalisation/consolidation and/or other re-balancing considerations) were present such that the recoverable amount of goodwill and/or franchise rights was considered to be below its carrying value.

Accounting Policy

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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. We are currently in discussions with Holden regarding the restructure of their dealer network and renewal of two dealer points. These are not material to the CGU.

Significant accounting judgement, estimates and assumptions

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, which includes management's judgement around future cash flows, growth rates and discount rates.

13. Current liabilities – trade and other payables

	2017 $'000	2016 $'000
Trade payables	**137,435**	96,371
Other payables and accruals	**169,281**	148,747
Goods and services tax	**14,550**	12,780
Derivative financial instruments (note 25)	**1,530**	2,025
	322,796	259,923

Accounting Policy

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.

14. Current liabilities – provisions

	2017 $'000	2016 $'000
Annual leave	**39,641**	37,384
Long service leave	**30,428**	27,784
Other	**4,545**	6,401
Warranties	**3,427**	2,925
	78,041	74,494

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

Refer to note 15 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Current liabilities – provisions (continued)

Accounting Policy – (notes 14 and 15)

Provisions

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.

Employee Benefits

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.

Share-based payments

Share-based compensation benefits are provided to eligible key 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 vest. The employee benefit expense recognised each period takes into account the most recent estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Non-current liabilities – provisions

	2017 $'000	2016 $'000
Warranties	**6,858**	5,850
Long service leave	**10,093**	10,688
Make good provisions	**5,749**	6,002
	22,700	22,540

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.

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	$'000
At 1 July 2016	8,775	12,403
Additional provisions recognised net of payments / other sacrifices of economic benefits	1,510	(2,109)
At 30 June 2017	**10,285**	**10,294**
Current 2017	3,427	4,545
Non-current 2017	6,858	5,749
	10,285	**10,294**
Current 2016	2,925	6,401
Non-current 2016	5,850	6,002
	8,775	**12,403**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Non-current liabilities – provisions (continued)

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 $56,055,560 (2016: $52,134,468).

Accounting Policy – note 14.

Significant accounting judgement, estimates and assumptions

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.

16. Interest-bearing loans and borrowings

CURRENT

	2017 $'000	2016 $'000
Finance company loans	788,723	711,510
Lease liability	7,239	11,864
Hire purchase liability	28,273	20,928
Other loans	3,595	15,571
	827,830	759,873

Finance company loans

Finance company loans (floorplan facilities) are in respect of vehicles provided to the Group and are secured over these vehicle inventories. The Group has total floorplan facilities amounting to $1,073,488 (2016: $937,260,164). At 30 June 2017, $788,723,023 (2016: $721,672,916) of these facilities were used. The weighted average interest rate applicable at 30 June 2017 on these loans was 3.76% (2016: 4.17%).

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

NON-CURRENT

	2017 $'000	2016 $'000
Other loans	222,489	264,047
Lease liability	19,371	7,104
Hire purchase liability	70,848	61,515
Amounts owing to manufacturer	1,949	1,585
	314,657	334,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Interest-bearing loans and borrowings (continued)

Other Loans

$219,500,000 (2016: $262,000,000) 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 1.76% (2016: 2.24%) for the period of the current bills in place.

$4,949,782 (2016: $16,086,586) are other commercial loans secured over specific properties and plant and equipment. Interest is charged at an average rate of 4.35% (2016: 4.35%).

$500,000 (2016: $500,000) are commercial loans with a five year term. Interest is charged at a variable rate of 6.65% (2016: 6.65%).

$Nil (2016: $37,238) was a franchise supported working capital loan between Auckland Auto Collection Limited and UDC Finance Limited. Interest was charged at an average rate of Nil% (2016: 6.85%).

$1,134,063 (2016: $995,675) are interest-free supplier loans to fund minor capital works in fixed operations.

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Amounts owing to manufacturer

$1,949,069 (2016: $1,585,434) is an unsecured amount owing to manufacturers 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).

NON-CURRENT

	Carrying Value		Fair Value	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Group				
Finance liabilities				
Advances	221,356	263,052	221,356	263,052
Lease liability	19,371	7,104	19,371	7,104
Hire purchase liability	70,848	61,515	70,848	61,515
Amounts owing to manufacturer	1,949	1,585	1,949	1,585
Other loans	1,133	995	1,133	995
	314,657	334,251	314,657	334,251

INTEREST RATE AND LIQUIDITY RISK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2017 $'000	2016 $'000
Current			
Floating charge			
Cash and cash equivalents	6	**95,035**	108,593
Trade and other receivables	7	**357,373**	333,614
Inventories	8	**899,796**	828,111
Other current assets	9	**45,338**	30,879
Total current assets pledged as security		**1,397,542**	1,301,197
Non - Current			
Finance lease			
Plant and equipment	11	**27,342**	19,204
Floating charge			
Freehold land and buildings	11	**17,574**	17,581
Plant and equipment	11	**356,214**	322,256
Total non-current assets pledged as security		**401,130**	359,041
Total assets pledged as security		**1,798,672**	1,660,238

FACILITIES

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

	Utilised $'000	Un-utilised $'000	Total Facility $'000
Bank overdraft	-	3,900	3,900
Finance company loans	788,723	284,765	1,073,488
Lease & HP	125,731	66,307	192,038
Commercial bills and other loans	226,084	98,516	324,600
Amounts owing to manufacturer	1,949	-	1,949
	1,142,487	453,488	1,595,975
Contingent Liabilities (guarantees)	31,071	429	31,500
	1,173,558	453,917	1,627,475

Accounting Policy

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.

17. Contributed equity

	Parent		Parent	
	2017 Shares	2016 Shares	**2017 $'000**	2016 $'000
Ordinary shares fully paid	**331,623,014**	306,541,437	**653,134**	541,532
Total contributed equity	**331,623,014**	306,541,437	**653,134**	541,532

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
1/07/15	Balance at 1 July 2015	306,541,437		541,532
30/06/16	Balance at 30 June 2016	306,541,437		541,532
25/08/16	Institutional placement	19,911,505	$4.52	90,000
16/09/16	Share purchase plan	5,170,072	$4.52	23,362
	Less transaction costs arising on share issue equity			(2,514)
	Deferred tax credit recognised directly in equity			754
30/06/17	**Balance at 30 June 2017**	**331,623,014**		**653,134**

Accounting Policy

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.

18. Retained earnings and reserves

MOVEMENTS IN RETAINED EARNINGS WERE AS FOLLOWS:

	2017 $'000	2016 $'000
Opening balance at 1 July	**150,374**	129,275
Net profit for the year attributable to members	**55,539**	90,071
Dividends paid to members	**(74,615)**	(68,972)
Closing balance at 30 June	**131,298**	150,374

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 2015	1,883	(459)	113	1,537
Changes in fair value of cash flow hedges	-	(1,369)	-	(1,369)
Exchange differences on translation of foreign operations	-	-	1,758	1,758
Employee share scheme	332	-	-	332
Income tax relating to components of other comprehensive income	-	411	-	411
At 30 June 2016	**2,215**	**(1,417)**	**1,871**	**2,669**
At 1 July 2016	2,215	(1,417)	1,871	2,669
Changes in fair value of cash flow hedges	-	910	-	910
Exchange differences on translation of foreign operations	-	-	(157)	(157)
Employee share scheme	(152)	-	-	(152)
Income tax relating to components of other comprehensive income	-	(273)	-	(273)
At 30 June 2017	**2,063**	**(780)**	**1,714**	**2,997**

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 25(a). 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(f). 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

	2017 $'000	2016 $'000
Interest in:		
Share capital	9,076	17,800
Retained profit	5,838	7,128
Balance 30 June	14,914	24,928

Refer to note 28 for details of the subsidiaries within the AHG Group. There are 20 subsidiaries where AHG holds an equity interest between 74.0% and 80% (2016: 70.1% and 80%), giving rise to non-controlling interests for the balance to 100% shareholding. 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.

Transactions with non-controlling interests

On 19 August 2016, AHG acquired the remaining 29.9% of the issued shares of 360 Finance Pty Ltd for $12,143,824. Immediately prior to the purchase, the carrying amount of the existing 70.1% non-controlling interest in 360 Finance Pty Ltd was $9.53 million. AHG recognised a decrease in the non-controlling interests of $1,315,600 and a decrease in equity attributed to owners of the parent of $10,828,224. The effect on the equity attributable to the owners of 360 Finance Pty Ltd during the year is summarised as follows:

	2017 $'000	2016 $'000
Carrying amount of non-controlling interests acquired	1,316	440
Consideration paid to non-controlling interests	(12,144)	(3,085)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(10,828)	(2,645)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Dividends

RECOGNISED AMOUNTS

	2017 $'000	2016 $'000
Dividends on ordinary shares:		
Final dividend for the year ended 30 June 2016 of 13.0 cents per fully paid share paid on 5 October 2016 (30 June 2015 of 13.0 cents per fully paid share paid on 2 October 2015)	43,111	39,850
Interim dividend for the half-year ended 31 December 2016 of 9.5 cents per fully paid share paid on 5 April 2017 (31 December 2015 of 9.5 cents per fully paid share paid on 6 April 2016)	31,504	29,122
	74,615	68,972

UNRECOGNISED AMOUNTS

	2017 $'000	2016 $'000
Dividends on ordinary shares:		
Since year end, the Directors have recommended the payment of a fully franked final dividend of 9.5 cents per share (2016: 13.0 cents), based on tax paid at 30%. The aggregate amount of dividends to be paid on 6 October 2017 (2016: 5 October 2016) out of the retained profits at 30 June 2017, but not recognised as a liability at year end is	31,504	43,111

FRANKING CREDIT BALANCE

	AHG Tax Consolidated Group	
	2017 $'000	2016 $'000
Dividends on ordinary shares:		
Franking credits available for subsequent financial years based on a tax rate of 30%	123,803	126,432

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 $13,501,794 (2016: $18,476,139).

Tax rates

The tax rate at which paid dividends have been franked is 30% (2016: 30%). Dividends proposed will be franked at 30% (2016: 30%).

Accounting Policy

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Earnings per share

BASIC EARNINGS PER SHARE

	2017 cents	2016 cents
IFRS Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	17.0	29.4
Diluted earnings per share	17.0	29.4
Non-IFRS Earnings per share for profit attributable before unusual items* attributable to the ordinary equity holders of the Company:		
Basic earnings per share	26.7	31.7
Diluted earnings per share	26.7	31.7

* ***Unusual items:*** *costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and/or restructures of assets and operations, impairment of assets, transformation activities and benefits applicable to GST refunds (Son of Holdback) (refer to note 1 for a reconciliation of Non-IFRS profit to IFRS profit).*

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

Basic Earnings Per Share	2017 $'000	2016 $'000
Profit attributable to the ordinary equity holders of the Company from continuing operations excluding unusual items*	55,539	90,071
Profit / (loss) attributable to the ordinary equity holders of the Company from unusual items*	31,752	7,176
Profit attributable to the ordinary equity holders of the Company from continuing operations in calculating basic earnings per share	87,291	97,247

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

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Number	
	2017	2016
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	327,523,680	306,541,437

Accounting Policy

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).

22. Statement of cash flows reconciliation

	2017 $'000	2016 $'000
Cash at bank and on hand	94,525	108,083
Deposits at call	510	510
	95,035	108,593
Profit after tax	61,093	96,886
Non Operating Activity Cash flow in profit		
- Distributions received	(468)	(258)
- Profit on sale of assets	-	(2,893)
- Loss on sale of assets	636	-
- Profit on sale of investments	-	(1,775)
Non Cash flow in profit		
- Depreciation	35,599	32,967
- Amortisation	11,321	10,419
- Impairment of assets / intangibles	18,713	4,281
Changes in operating assets and liabilities		
(Increase) in trade debtors	(33,029)	(14,296)
Decrease / (increase) in inventories	4,622	15,586
(Increase) / decrease in other current assets	(40)	(124)
(Increase) in prepayments	(16,652)	(5,597)
(Increase) in deferred tax assets	1,795	(680)
(Decrease) / increase in current tax payable	(9,160)	(2,152)
Increase / (decrease) in trade creditors	57,080	1,277
(Decrease) / increase in accruals	3,248	(2,059)
Increase in employee entitlements	401	4,066
Increase / (decrease) in other provisions	452	1,348
Increase in deferred tax liabilities	5,327	2,811
Net cash inflow from operating activities	140,938	139,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Page		
76	Note 3	Manufacturer incentives
84	Note 8	Demonstrator vehicle write-down to net realisable value Used vehicle write-down to net realisable value
88	Note 11	Useful lives of assets Impairment of property, plant and equipment
91	Note 12	Impairment of intangibles with indefinite useful lives
94	Note 15	Warranties
115	Note 27	Fair Value of assets and liabilities acquired in a business combination

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 and 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

RISK EXPOSURE AND RESPONSES (continued)

- 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 of the 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 and Risk Management Committee (who in turn make recommendations to the Board where required).

The Group holds the following financial instruments:

	2017 $'000	2016 $'000
Financial Assets		
Cash and cash equivalents	**95,035**	108,593
Trade and other receivables	**356,957**	333,614
Available-for-sale financial assets	**7,228**	4,028
Derivative financial assets	**416**	-
	459,636	446,235
Financial Liabilities at amortised cost		
Trade and other payables	**321,266**	257,898
Interest-bearing loans and borrowings	**1,142,487**	1,094,124
Derivative financial liabilities	**1,530**	2,025
	1,465,283	1,354,047

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

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 floorplan 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.

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 $155.00 million (2016: $155.00 million) at 30 June 2017, at a weighted average interest rate of 2.22% (2016: 2.22%).

During 2017 and 2016, the Group's borrowings were principally denominated in Australian dollars. The following table reflects the net debt position subject to variable interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The following table reflects the net debt position subject to variable interest rate risk.

Consolidated 2017		$'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	0.60%	-	95,035	(166)	-	(333)	-
Financial Liabilities							
Vehicle borrowings	3.76%	-	(788,723)	1,380	-	2,761	-
Derivatives - cash flow hedges	2.22%	(155,000)	(1,530)	-	(3)	-	(5)
Other borrowings	1.76%	-	(219,500)	384	-	769	-
Total Increase / (Decrease)		**(155,000)**	**(914,718)**	**1,598**	**(3)**	**3,197**	**(5)**

Consolidated 2016		$'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	0.77%	-	108,593	(200)	-	(400)	-
Financial Liabilities							
Vehicle borrowings	4.17%	-	(711,510)	1,283	-	2,567	-
Derivatives - cash flow hedges	2.22%	(155,000)	(1,791)	-	(3)	-	(6)
Other borrowings	2.59%	-	(262,037)	459	-	917	-
Total Increase / (Decrease)		**(155,000)**	**(866,745)**	**1,452**	**(3)**	**3,084**	**(6)**

[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 2017 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

Foreign currency 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 EUR $5.40 million (2016: EUR $11.45 million) and USD Nil (2016: USD $1.28 million) as of 30 June 2017.

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 DealerMotive Limited 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

CREDIT RISK (continued)

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

Maximum Credit Risk	2017 $'000	2016 $'000
Deposits	10,050	11,576
Vehicle debtors	87,822	82,329
Parts and service debtors	162,839	151,641
Factory receivables	55,145	41,945
Finance and insurance receivables	19,386	30,229
Allowance for impairment of trade receivables	(2,741)	(2,765)
Total trade receivables	332,501	314,955

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	2017 $'000	2016 $'000
Counterparties with external credit ratings		
AA	20,795	29,563
A	5,821	7,496
BBB	16,064	13,109
BB	10,444	8,473
B	5,090	3,038
CCC	2,154	1,062
	60,368	62,741
Counterparties without external credit ratings		
Group 1	77,375	78,815
Group 2	194,411	173,045
Group 3	3,088	3,119
	274,874	254,979
Total trade receivables	335,242	317,720
Cash and cash equivalents		
AA	95,024	108,576
BBB	11	17
	95,035	108,593

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car floorplan*	86,304	86,601	-	-	-	86,601
New car floorplan*	702,419	704,188	-	-	-	704,188
Trade payables	137,435	137,435	-	-	-	137,435
Other payables and accruals	183,831	183,000	527	304	-	183,831
Finance lease liabilities	26,610	7,238	5,371	14,000	1	26,610
Hire purchase liabilities	99,121	28,273	23,346	47,502	-	99,121
External loans	228,033	8,137	27	219,582	287	228,033
	1,463,753	1,154,872	29,271	281,388	288	1,465,819

Gross Contractual Liability Cash Flow Outgoings ($'000)						
Consolidated 2016	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car floorplan*	91,891	92,141	-	-	-	92,141
New car floorplan*	619,619	621,416	-	-	-	621,416
Trade payables	96,371	97,371	-	-	-	97,371
Other payables and accruals	161,527	159,997	625	658	247	161,527
Finance lease liabilities	18,968	11,864	3,869	3,235	-	18,968
Hire purchase liabilities	82,443	20,928	21,537	39,812	165	82,442
External loans	278,800	46	278,359	82	313	278,800
	1,349,619	1,003,763	304,390	43,787	725	1,352,665

** The Group finances the acquisition of its new and used vehicle inventory via a bailment arrangement, with multiple financiers, known as floorplan financing. Under its floorplan 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 floorplan financing arrangement. In this way, cash flow required to meet the Group's floorplan 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 2017 (2016: 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 $416,000 (2016: Nil) and derivative liabilities of $1,530,000 (2016: $2,025,000).

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 2017, there were two level 3 investments held, being an unlisted equity investment in DealerMotive Limited with a fair value of $5.45 million (2016: $2.25 million) and unlisted units held in the AHG Property Syndicate No. 1 Unit Trust with a fair value of $1.78 million (2016: $1.78 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 10% 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 $0.72 million (2016: $0.40 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 1.76% (2016: 2.59%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Derivative financial instruments

	2017 $'000	2016 $'000
Current assets		
Forward foreign exchange contracts (included in Receivables note 7)	**416**	-
	416	-
Current liabilities		
Interest-rate swap contracts (included in Payables note 13)	**1,530**	1,792
Forward foreign exchange contracts (included in Payables note 13)	**-**	233
	1,530	2,025

(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).

Interest rate swaps – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 1.76% (2016: 2.59%) (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 71% (2016: 59%) of the variable loan principal outstanding. The average fixed interest rate is 2.22% (2016: 2.22%). 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 2017 a loss of $1.53 million (2016: loss of $1.79 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.

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 2017 $0.42 million (2016: $0.23 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Derivative financial instruments (continued)

Accounting Policy

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 shown in note 18.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Gearing Ratio - Traditional	2017 $'000	2016 $'000
Total borrowings	1,142,487	1,094,124
Less: cash and cash equivalents	(95,035)	(108,593)
Net debt	1,047,452	985,531
Total equity	802,343	719,503
Total capital under management	1,849,795	1,705,034
Gearing Ratio - Traditional	56.6%	57.8%

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.

Gearing Ratio - Automotive Industry	2017 $'000	2016 $'000
Current debt	827,830	759,873
Less: finance company loans	(788,723)	(711,510)
Current debt excluding finance company loans	39,107	48,363
Less: cash and cash equivalents	(95,035)	(108,593)
Net cash excluding finance company loans	(55,928)	(60,230)
Non-current debt	314,657	334,251
Net debt excluding finance company loans and cash	258,729	274,021
Total equity	802,343	719,503
Total capital	1,061,072	993,524
Gearing Ratio - Automotive Industry	24.4%	27.6%

AHG has complied with the financial covenants of its borrowings facilities during the 2017 and 2016 reporting periods.

27. Business combinations

During FY2017, AHG completed the following business combinations:

	Name	Type	Consideration $'million	Location
1 July 2016	Doncaster JLR	Certain business assets and liabilities	$14.210	Doncaster, Victoria
27 July 2016	City Mazda	Certain business assets and liabilities	$26.159	Melbourne, Victoria
1 September 2016	Daimler Trucks Laverton	Certain business assets and liabilities	$2.754	Laverton, Victoria
30 September 2016	Newcastle Audi / Sköda	Certain business assets and liabilities	$9.427	Newcastle, NSW
31 May 2017	Essendon Ford / Mitsubishi	Certain business assets and liabilities	$9.997	Essendon, Victoria

The business combinations contributed revenues of $228.12 million and net profit before tax of $5.33 million for the year ended 30 June 2017 from their dates of acquisition, before unusual items. It is expected that AHG would have reported $6.18 billion in consolidated revenues and $57.69 million consolidated net profit after tax attributable to members, for the year ended 30 June 2017, had the business combinations occurred at the beginning of the reporting period.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fair Value $'000					
	Doncaster JLR	City Mazda	Daimler Trucks Laverton	Newcastle Audi / Sköda	Essendon Ford / Mitsubishi	Consolidated
Vehicle inventories (net of bailment)	1,605	116	92	(214)	1,022	**2,621**
Parts inventories	615	206	1,579	382	196	**2,978**
Other inventory	-	20	-	-	42	**62**
Other assets	6	22	(13)	7	130	**152**
Property, plant and equipment	614	1,828	182	444	771	**3,839**
Deferred tax assets	721	253	346	244	392	**1,956**
	3,561	2,445	2,186	863	2,553	**11,608**
Trade and other payables	(907)	(770)	(37)	(47)	(248)	**(2,009)**
Employee entitlements	(1,296)	(630)	(778)	(224)	(978)	**(3,906)**
Deferred tax liabilities	-	(9)	-	-	-	**(9)**
	(2,203)	(1,409)	(815)	(271)	(1,226)	**(5,924)**
Net identifiable assets acquired	1,358	1,036	1,371	592	1,327	**5,684**
Add: goodwill	4,284	8,374	461	2,945	2,890	**18,954**
Add: franchise rights	8,568	16,749	922	5,890	5,780	**37,909**
Net assets acquired	14,210	26,159	2,754	9,427	9,997	**62,547**
Purchase consideration						
Cash paid	14,210	26,159	2,754	9,427	9,997	**62,547**
Total purchase consideration	14,210	26,159	2,754	9,427	9,997	**62,547**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Business combinations (continued)

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 acquisitions, 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 $0.23 million (before tax) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2017.

iii. Information not disclosed as not yet available

The Group has reported provisional amounts for goodwill and other assets acquired from Doncaster JLR, City Mazda, Daimler Trucks Laverton, Newcastle Audi / Sköda and Essendon Ford / Mitsubishi. The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired.

iv. FY2016 Business Combination finalisation

Provisional acquisition accounting has been completed for the FY2016 acquisitions of Western Pacific Mercedes-Benz, Knox Mitsubishi and Sinclair Hyundai (Penrith). This has resulted in an increase of $1.33 million in intangible assets as a result of the harmonisation of provisioning policies, make good provisions and other adjustments.

Accounting Policy

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.

Significant accounting judgements, estimates and assumptions

Estimates and judgements were made in determining the fair value of assets and liabilities acquired in a business combination. Assets and liabilities to which judgement were made in determining fair value were:

- **Automotive Retail:** Franchise Rights, vehicle and parts inventory and vehicle warranty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures

SUBSIDIARIES

Name Of Entity	Country of Incorporation	Equity Holding 2017	Equity Holding 2016
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%
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%
Vehicle Parts (WA) Pty Ltd	Australia	50%	50%
Zupps Parts Pty Ltd	Australia	100%	100%
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%
Scott's Refrigerated Freightways Pty Ltd	Australia	100%	100%
JAT Refrigerated Road Services Pty Ltd	Australia	100%	100%
LWC Limited	New Zealand	100%	100%
LWC International Limited	New Zealand	100%	100%
KTM New Zealand Limited	New Zealand	74%	74%
KTM Motorcycle Distributors NZ Limited	New Zealand	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2017	Equity Holding 2016
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%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2017	Equity Holding 2016
Automotive (continued)			
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%	80%
ACM Autos Pty Ltd	Australia	80%	80%
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%	80%
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%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2017	Equity Holding 2016
Automotive (continued)			
Easy Auto 123 Pty Ltd	Australia	100%	100%
AHG Northwest Pty Ltd	Australia	100%	100%
360 Finance Pty Ltd	Australia	100%	70.1%
360 Financial Services Australia Pty Ltd	Australia	100%	100%
360 Insurance Services Pty Ltd	Australia	100%	100%
OPM (2012) Pty Ltd	Australia	100%	100%
PT (2013) Pty Ltd	Australia	80%	80%
Novated Direct Pty Ltd	Australia	100%	100%
Rent Two Buy Pty Ltd	Australia	100%	100%
Drive A While Pty Ltd	Australia	100%	100%
AHG Newcastle Pty Ltd	Australia	100%	100%
NSW Vehicle Wholesale Pty Ltd	Australia	100%	100%
Maitland City Motor Group Pty Ltd	Australia	80%	80%
Maitland City Motor Group Holdings Pty Ltd	Australia	100%	100%
Sabalan Pty Ltd	Australia	80%	80%
Sabalan Holdings Pty Ltd	Australia	80%	80%
Bradstreet Motors Pty Ltd	Australia	80%	80%
Bradstreet Motors Holdings Pty Ltd	Australia	80%	80%
Cardiff Car City Pty Ltd	Australia	80%	80%
Cardiff Car City Holdings Pty Ltd	Australia	80%	80%
Widevalley Pty Ltd	Australia	100%	100%
HM (2015) Pty Ltd	Australia	80%	80%
HM (2015) Holdings Pty Ltd	Australia	80%	80%
AHG WA (2015) Pty Ltd	Australia	100%	100%
AHG Coatings Pty Ltd	Australia	100%	100%
AHG Trade Parts Pty Ltd	Australia	100%	100%
City Auto (2016) Holdings Pty Ltd	Australia	80%	100%
City Auto (2016) Pty Ltd	Australia	80%	100%
Doncaster Auto (2016) Pty Ltd	Australia	100%	100%
Ferntree Gully Autos Holdings Pty Ltd	Australia	80%	100%
Knox Auto (2016) Pty Ltd	Australia	100%	100%
Laverton Auto (2016) Pty Ltd	Australia	100%	100%
Matchacar Pty Ltd	Australia	100%	100%
Penrith Auto (2016) Pty Ltd	Australia	100%	100%
AHGCL 2016 Pty Ltd	Australia	100%	-
Essendon Auto (2017) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures (continued)

ULTIMATE PARENT

The parent entity in the consolidated Group is Automotive Holdings Group Limited.

KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 $'000	2016 $'000
Short-term employee benefits	7,194	6,405
Long-term employee benefits	118	112
Share-based payments	360	259
Termination benefits	600	298
Post-employment benefits	301	276
	8,573	7,350

Refer to note 29 for further details on share-based payments scheme with KMP.

TRANSACTIONS WITH RELATED PARTIES

In FY2017 AHG acquired an additional interest of 3.2 million shares at $1 per share in One Way Traffic Limited (total 5.45 million shares held post investment, refer note 10). Greg Duncan (Director of AHG) was Chairman of, and a shareholder in, One Way Traffic Limited. Subsequently 100% of One Way Traffic Limited's equity was transferred to DealerMotive Limited (a consortium of 60 dealer groups) under a scheme of arrangement, at which point it ceased to be a related party transaction.

During the year to 30 June 2017 there were Nil (2016: Nil) other 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.

	2017 $'000	2016 $'000
Amounts recognised as distributions to shareholders		
Dividends paid	537	833

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 KMP are provided in the Directors' Report under the heading 'Remuneration Report'.

28. Related party disclosures (continued)

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 Automotive Holdings Group 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 Automotive Holdings Group Limited and all its Group entities.

Accounting Policy

Financial Guarantee Contracts

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.

29. Share-based payment plans

AHG PERFORMANCE RIGHTS PLAN

The AHG Performance Rights Plan (Plan), approved by Shareholders on 29 November 2007, awards eligible key 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 key 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

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 key 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 key and operational executives.

TSR will be determined on the basis of the total shareholder return (including dividends) during the relevant performance period.

The issue of FY2014 Performance Rights under a Long-Term Incentive Scheme ("LTI") to AHG's Managing Director, Mr Howson, and selected key and operational executives was approved by shareholders at the Group's AGM on 15 November 2013. The issue of FY2015 Performance Rights under a LTI to AHG's Managing Director, Mr Howson, and selected key and operational executives was approved by shareholders at the Group's AGM on 14 November 2014. The issue of FY2016 Performance Rights under a LTI to AHG's Managing Director, Mr Howson, and selected key and operational executives was approved by shareholders at the Group's AGM on 20 November 2015. The issue of FY2017 Performance Rights under a LTI to AHG's Managing Director, Mr McConnell, and selected key and operational executives was approved by shareholders at the Group's AGM on 18 November 2016, as were variations to Mr Howson's FY2015 and FY2016 LTIs such that 50% were to be tested at 31 December 2016 and 50% tested as 30 June 2017, noting also that the FY2016 LTI issued to Mr Howson was also reduced by one third to reflect the shorter testing period. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

Company's TSR relative to Peer Group (refer Remuneration Report for details)	Vesting outcome of TSR portion of grant
< 50 percentile	Nil
At 50 percentile	50% vesting
> 50 percentile but ≤ 75 percentile	Progressive / pro-rata from 50-100%
≥ 75 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	50% vesting
7% pa up to 10% pa	Progressive / pro-rata from 50-100%
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 – FY2015

Vesting of the Managing Director's, key executives' and operational executives' FY2015 Performance Rights (as approved by shareholders at the 2014 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2017. Those Rights that do vest will be issued during the year ended 30 June 2018. The value of the Managing Director's, key executives' and operational executives' LTI for 2015 is $1.717 million. The amount is represented by 564,693 Performance Rights at an issue value of $3.04 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 2014. This and other model inputs to the valuation methodology are disclosed below.

LTI Issue Value – FY2016

Vesting of the Managing Director's, key executives' and operational executives' FY2016 Performance Rights (as approved by shareholders at the 2015 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2018. Those Rights that do vest will be issued during the year ended 30 June 2019. The value of the Managing Director's, key executives' and operational executives' LTI for 2016 is $1.717 million. The amount is represented by 472,911 Performance Rights at an issue value of $3.63 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 2015. This and other model inputs to the valuation methodology are disclosed below.

LTI Issue Value – FY2017

Vesting of the Managing Director's, key executives' and operational executives' FY2017 Performance Rights (as approved by shareholders at the 2016 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2019. Those Rights that do vest will be issued during the year ended 30 June 2020. The value of the Managing Director's, key executives' and operational executives' LTI for 2017 is $1.709 million. The amount is represented by 532,369 Performance Rights at an issue value of $3.21 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 2016. This and other model inputs to the valuation methodology are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

Accounting Fair Value of FY2017 Performance Rights granted

1. TSR component

The assessed fair value at grant date of the LTI is $1.75 per share (2016: $2.24). 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 $3.35 per share (2016: $3.71). 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 14 selected companies over a three year period; and ii) AHG's EPS growth rate.

The model inputs for the LTI granted during the 2017 and 2016 included:

	FY2017	FY2016	FY2015
Performance assessment start date:	**1 July 2016**	1 July 2015	1 July 2014
Issue value (1 July, calculated by PwC):	**$3.21**	$3.63	$3.04
Grant date (AGM):	**18 November 2016**	20 November 2015	14 November 2014
Expiry date:	**30 June 2020**	30 June 2019	30 June 2018
Share price at grant date (AGM):	**$3.88**	$4.23	$3.92
Expected price volatility of AHG's shares:	**25%**	25%	30%
Expected dividend yield:	**5.80%**	5.20%	5.36%
Risk-free interest rate:	**1.86%**	2.14%	2.62%

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 $1,220,789 (2016: $1,410,295) related to the Performance Rights (gross of credits for non-achievement of non-market-base criteria and service conditions). The maximum grant-date-assessed value of the 2017 LTI is $1,357,541 (2016: $1,406,910) over three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (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 to vest
John McConnell	2017	174,114	$2.55	TBD	TBD	TBD	2020	$295,993
Bronte Howson	2014	243,407	$2.45	0%	Nil	100%	2017	$0
	2015 (50%)	109,649	$2.68	12%	13,706	88%	2017	$0
	2015 (50%)	109,649	$2.68	TBD	TBD	TBD	2018*	$0
	2016 (50%)	61,218	$2.98	0%	Nil	100%	2017	$0
	2016 (50%)	61,218	$2.98	TBD	TBD	TBD	2018*	$0
Philip Mirams	2014	73,022	$2.45	0%	Nil	100%	2017	$0
	2015	65,789	$2.68	0%	Nil	100%	2018	$0
	2016	55,096	$2.98	TBD	TBD	TBD	2019	$54,637
	2017	62,305	$2.55	TBD	TBD	TBD	2020	$105,919
David Rowland	2014	36,511	$2.45	0%	Nil	100%	2017	$0
	2015	32,895	$2.68	0%	Nil	100%	2018	$0
	2016	27,548	$2.98	TBD	TBD	TBD	2019	$27,319
	2017	31,153	$2.55	TBD	TBD	TBD	2020	$52,960
Gus Kininmont	2014	18,256	$2.45	0%	Nil	100%	2017	$0
	2015	16,447	$2.68	0%	Nil	100%	2018	$0
	2016	13,774	$2.98	TBD	TBD	TBD	2019	$13,659
	2017	15,576	$2.55	TBD	TBD	TBD	2020	$26,480
Eugene Kavanagh	2014	18,256	$2.45	0%	Nil	100%	2017	$0
	2015	16,447	$2.68	0%	Nil	100%	2018	$0
	2016	13,774	$2.98	TBD	TBD	TBD	2019	$13,659
	2017	15,576	$2.55	TBD	TBD	TBD	2020	$26,480
Martin Wandmaker	2015	16,447	$2.68	0%	Nil	100%	2018	$0
	2016	13,774	$2.98	TBD	TBD	TBD	2019	$13,659
	2017	15,576	$2.55	TBD	TBD	TBD	2020	$26,480
Stephen Cleary	2016	28,696	$2.98	TBD	TBD	TBD	2019	$28,457
	2017	77,882	$2.55	TBD	TBD	TBD	2020	$132,399
Paul Morris	2017	-	$2.55	TBD	TBD	TBD	2020	$0
Total	2014	389,451	$2.45	0%	Nil	100%	2017	$0
	2015	367,325	$2.68	5%	13,706	95%	2018	$0
	2016	275,100	$2.98	TBD	TBD	TBD	2019	$151,391
	2017	392,182	$2.55	TBD	TBD	TBD	2020	$666,709

** 50% of FY2015 and FY2016 Performance Rights for Bronte Howson tested at 31 December 2016 and vested during FY2017. Remaining 50% tested at 30 June 2017 and any vesting will occur during FY2018.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payment plans (continued)

AHG TAX EXEMPT SHARE PLAN

AHG has also introduced a tax exempt share plan that provides eligible employees with more than three 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 five 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 key 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% (2016: 50%) participating interest in this joint operation and is entitled to 50% of its profit (refer note 28 for further details).

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 2017. The information presented is in line with the Group's accounting policies as presented throughout this report.

	2017 $'000	2016 $'000
Current assets	**647,155**	548,470
Non current assets	**306,370**	330,871
Total assets	**953,525**	879,341
Current liabilities	**19,857**	21,843
Non-current liabilities	**239,334**	285,610
Total liabilities	**259,191**	307,453
Contributed equity	**653,134**	541,531
Reserves		
- Cash flow hedge reserve	**(780)**	(1,417)
Retained profits	**41,980**	31,773
Total equity	**694,334**	571,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Parent entity information (continued)

	2017 $'000	2016 $'000
Profit for the year	**80,959**	51,942
Other comprehensive income/(loss) for the year	**637**	(958)
Total comprehensive income for the year	**81,596**	50,984

Profit for the year is net of impairment to investments in subsidiary entities of Nil (2016: 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 2017 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.

Accounting Policy

The financial information for the parent entity, Automotive Holdings Group 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 Automotive Holdings Group 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.

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

	2017 $'000	2016 $'000
Property, plant and equipment	**44,240**	44,373

FINANCE LEASE COMMITMENTS

	2017 $'000	2016 $'000
Within one year	**8,653**	12,761
Later than one year but not later than five years	**20,872**	7,422
Total lease payments	**29,525**	20,183
Future finance charges	**(2,915)**	(1,215)
Lease liability	**26,610**	18,968
Representing lease liabilities:		
Current	**7,239**	11,864
Non-current	**19,371**	7,104
	26,610	18,968

HIRE PURCHASE COMMITMENTS

	2017 $'000	2016 $'000
Within one year	**32,237**	24,569
Later than one year but not later than five years	**75,684**	65,549
Later than five years	**19**	165
Total lease payments	**107,940**	90,283
Future finance charges	**(8,819)**	(7,840)
HP liability	**99,121**	82,443
Representing HP liabilities:		
Current	**28,273**	20,928
Non-current	**70,848**	61,515
	99,121	82,443

OPERATING LEASE COMMITMENTS

	2017 $'000	2016 $'000
Within one year	**151,419**	147,547
Later than one year but not later than five years	**444,730**	435,796
Later than five years	**650,019**	638,062
	1,246,168	1,221,405

REMUNERATION COMMITMENTS

	2017 $'000	2016 $'000
Within one year	**2,406**	1,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 $31,071,360 (2016: $27,465,000). At 30 June 2017 no controlled entity was in default in respect of any arrangement guaranteed by AHG.

At 30 June 2017, 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 2017, 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.

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.

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 Group and amounts for the members of the Extended Closed Group.

Since 30 June 2017, but before finalising these accounts, there are no subsidiaries that are in the process of being added to the Deed of Cross Guarantee by Assumption Deed (contemplated by the Deed of Cross Guarantee).

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.

Accounting Policy

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.

35. Events after the reporting date

(a) On 3 July 2017 AHG completed the acquisition of a majority stake in the Carlins Auction Group business; and

(b) On 3 July 2017 AHG completed the divestment of a 26% minority interest in its KTM and Husqvarna operations in Australia to KTM Austria.

No other material events have occurred since 30 June 2017 requiring disclosure.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2017 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

	2017 $	2016 $
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*	**696,061**	688,952
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*	**106,667**	104,500
	802,728	793,452
Taxation Services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	**524,946**	736,620
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	**25,779**	23,435
Total of Non-Audit Services provided to the Group	**550,725**	760,055

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies

CONTENTS TO THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 28 September 2017.

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).

38. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2016:

- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs.*

None of the new Standards and amendments to Standards that are mandatory or early adopted for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Additionally, they did not significantly affect the Group's accounting policies or any of the disclosures.

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 2017 and have not been adopted in preparing the financial report for the year ended 30 June 2017. In all cases the entity intends to apply these standards applicable from the period first commencing after the effective date as indicated over:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014)	Financial Instruments	**Classification and measurement** AASB 9 amends the classification and measurement of financial assets: • Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). • Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL. • All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 31 December 2018. 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. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time will be recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.
		Impairment The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses. A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months. For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.		The entity has both long term and short term trade receivables. When this standard is adopted, the entity's loss allowance on trade receivable will increase. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014) - cont	Financial Instruments	**Hedge accounting** 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.		The entity currently applies hedge accounting. It is expected that the application of the new amendments will not have an impact on the entity's financial statements.
AASB 15 (issued December 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 risks and rewards as is currently the case under IAS 18 *Revenue*.	Annual reporting periods beginning on or after 1 January 2018	The Group has embarked upon an impact study in relation to AASB 15 and determined that whilst it is expected to involve a change in the timing to which revenue is recognised and refinements to the Group's systems and processes, this assessment is in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for leases. **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.	Annual reporting periods commencing on or after 1 January 2019	The Group expects to have significant operating leases outstanding at the date of initial application, 1 July 2019, which will require right-of-use assets to be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(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 2017 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.

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 Automotive Holdings Group Limited.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(c) Principles of Consolidation (continued)

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) 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.

(e) 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.

(f) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(f) Foreign Currency Translation (continued)

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.

(g) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(h) 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.

(i) Rounding of Amounts

The Company is of a kind referred to in Instrument 2016/191, 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.

(j) 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.

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.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements, comprising; the consolidated statement of profit or loss and other comprehensive income; consolidated statement of financial position; consolidated statement of cash flows; consolidated 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 2017 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 Managing Director 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, 28 September 2017

MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER DECLARATION

DECLARATION BY

MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

TO THE DIRECTORS OF AUTOMOTIVE HOLDINGS GROUP LIMITED

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Chief Executive Officer and Chief Financial Officer, as required by section 295A of the *Corporations Act 2001*, declare that, in their opinion, for the financial year ended 30 June 2017:

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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated 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 2017 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 Managing Director and Chief Financial Officer:

J McConnell	**P Mirams**

Perth, 28 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Automotive Holdings Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Automotive Holdings Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

Impairment testing of intangible assets

Key audit matter	*How the matter was addressed in our audit*

At 30 June 2017, the Group has recognised intangible assets of $513.170 million (30 June 2016: $462.260 million) as disclosed in Note 12 of the financial report.
 	
As detailed in Note 12, management's assessment of the recoverability of intangible assets requires significant judgement, in particular estimation of future cash flows, future growth rates of the businesses (cash generating units ("CGUs")), discount rates applied to future cash flows and sensitivities of inputs and assumptions used in the cash flow models.
	Our procedures included, but were not limited to the following:
	• Assessing the appropriateness of the Group's identification of CGUs and management's allocation of assets to the carrying value of CGUs based on our understanding of the Group's business and the Group's internal reporting;
	• Evaluating management's ability to accurately forecast cash flows by assessing the accuracy of historic forecasts against actual results;
	• Challenging key inputs used in management's impairment assessment including the following:
	  ○ Comparing the discount rates utilised by management to those calculated by our internal valuation specialists;
	  ○ Comparing future growth rates with economic and industry forecasts;
	  ○ Comparing the Group's cash flow forecasts to the board approved budgets; and
	  ○ Performing sensitivity analyses to stress test the key assumptions used, including future growth and discount rates.
	• Assessing the reasonableness of management's impairment testing on specific assets as part of the Group's strategic review; and
	• Assessing the adequacy of the related disclosures in Note 12 of the financial report.

BDO

Carrying value of vehicle inventory

Key audit matter	How the matter was addressed in our audit
At 30 June 2017, the Group has recognised vehicle inventory, net of write-downs, of $802.165 million (30 June 2016: $736.744 million) as disclosed in Note 8 of the financial report, which represents a significant asset to the Group. The write-down to net realisable value ("NRV") for vehicle inventory requires significant estimates and judgement from management, as disclosed in Note 8 of the financial report, and accordingly the carrying value of vehicle inventory is a key audit matter.	Our procedures included, but were not limited to the following: • Assessing the reasonableness of the Group's provisioning policies against external market data and historic trading results; • Selecting a sample of dealerships and recalculating the vehicle provisions required based on the Group provisioning policies; • Analytically reviewing vehicle inventory on hand and associated provisioning by reference to historical trends; • Reviewing trading results subsequent to year end for indicators that vehicle inventory on hand at 30 June 2017 was incorrectly valued; and • Assessing the adequacy of the related disclosures in Note 8 of the financial report.

Accounting for manufacturers' incentives

Key audit matter	How the matter was addressed in our audit
The Group is entitled to receive incentives from Original Equipment Manufacturers ("OEMs"). These incentives are based on both sale targets pre-determined by the OEMs and on achieving other targets, including a number of non-financial metrics. The incentives are generally determined by the OEMs and may have varying terms governed by annual agreements or short term arrangements. As disclosed in Note 3 of the financial report, not all incentives are directly linked to quantitative measures and some incentives directly relate to vehicles which are on hand at 30 June 2017. This means that the recognition and measurement of incentives, including establishing accruals at 30 June 2017, involves significant estimates and judgement from management, particularly the expected level of incentives to be received by the Group.	Our procedures included, but were not limited to the following: • Understanding and evaluating the different incentives available to the Group and assessing how profit should be recognised in relation to these incentives; • Considering the appropriateness of the Group's accounting policies regarding profit recognition as they relate to incentives; • Confirming a sample of accrued OEM incentives recognised at 30 June 2017 with OEMs; • Evaluating the basis for profit recognition for all incentives earned that relate to inventory on hand at 30 June 2017; and • Assessing the adequacy of the related disclosures in Note 3 of the financial report.

BDO

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 45 to 63 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Automotive Holdings Group Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth, 28 September 2017

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SHAREHOLDER AND OPTIONHOLDER INFORMATION

The shareholder information set out below was applicable at 19 September 2017.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	No. of Shareholders
1 - 1,000	2,309
1,001 - 5,000	5,283
5,001 - 10,000	2,339
10,001 - 100,000	1,894
100,001 and over	119
Total	**11,944**

The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 19 September 2017 was 567 holders holding 15,010 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	75,719,235	22.83
HSBC Custody Nominees (Australia) Limited	42,368,946	12.78
JP Morgan Nominees Australia Limited	22,237,097	6.71
Auto Management Pty Ltd <<Branchi Family Account>>	14,602,003	4.40
Citicorp Nominees Pty Limited	10,664,996	3.22
National Nominees Limited	7,438,466	2.24
LG McGrath Investments Pty Ltd	6,801,063	2.05
UBS Nominees Pty Ltd	6,377,357	1.92
Argo Investments Limited	5,943,484	1.79
Pulo Rd Pty Ltd <<Pulo Rd Super Fund Account>>	5,594,966	1.69
Jove Pty Ltd	4,800,884	1.45
Mr Damon Stuart Wheatley	3,723,799	1.12
Mrs Michelle Victoria Harris	3,489,362	1.05
Milton Corporation Limited	3,376,366	1.02
Crystone Nominees Pty Ltd <<BBK Unit Account>>	3,000,000	0.90
BNP Paribas Nominees Pty Ltd <<Agency Lending DRP Account>>	2,563,746	0.77
BNP Paribas Noms Pty Ltd <<DRP>>	2,386,902	0.72
Australian Executor Trustees Limited	2,141,535	0.65
Carawatha Holdings Pty Ltd	1,396,023	0.42
RBC Investor Services Australia Nominees Pty Limited <<MBA Account>>	1,309,000	0.39

SHAREHOLDER AND OPTIONHOLDER INFORMATION

C. Substantial holders

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited and its associated entities*	75,719,235	22.83

** WFM Motors Pty Ltd and NGP Investments (both associated entities with Nicholas George Politis) are also substantial shareholders due to their relevant interest in securities held by AP Eagers Ltd.*

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.

Chris Marinos and Moriah Simons at Southside Mitsubishi in Perth

CORPORATE DIRECTORY

REGISTERED OFFICE AND HEAD OFFICE

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EXECUTIVE DIRECTOR

John McConnell *(Managing Director)*

NON EXECUTIVE DIRECTORS

David Griffiths *(Chairman)*
Howard Critchley
Greg Duncan
John Groppoli
Robert McEniry
Jane McKellar

COMPANY SECRETARY

David Rowland

SHARE REGISTRY

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