ANNUAL REPORT 2018

AHG

AUTOMOTIVE HOLDINGS GROUP

AHG's landmark Essendon Jaguar Land Rover dealership opened June 2018.

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About AHG

AHG is Australasia's largest automotive retailing and logistics group. At 30 June 2018 the Company held 182 automotive retail franchises at 113 dealership locations, representing 27 passenger vehicle brands and nine commercial vehicle and truck brands. It also operates five **easyauto123** fixed-price used car warehouses.

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 (GTB) and Vehicle Storage and Engineering Solutions (VSE), KTM and Husqvarna, provide strategic operating diversity and offer a range of synergies, both to AHG and its clients across all three divisions.

In 2018 AHG employs more than 8,400 staff* across its automotive and logistics divisions and proudly supports a wide range of charitable, community and sporting organisations.

*(*At 30 June 2018)*

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 2018 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 23rd November 2018.

About this report

This annual report is a summary of the operations, activities and financial position at 30 June 2018 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 and its subsidiaries unless otherwise stated. References to a "year" are to the financial year ended 30 June 2018 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 Summary

Automotive Holdings Group Limited again delivered record revenues in the 2017-2018 Financial Year.

Consolidated Financial Performance	FY2018 ($m)	FY2017 ($m)	% change
Statutory IFRS Profit after Tax Reconciliation			
Statutory Net Profit after Tax	**32.6**	**55.5**	**(41.3%)**
Costs and fees in relation to integration, acquisition and divestment-related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.	42.2	31.8	32.7%
Operating[1] Net Profit after Tax (Non-IFRS)	**74.8**	**87.3**	**(14.3%)**
Statutory Earnings Per Share *(cps)*	9.8	17.0	
Operating[1] Performance (Non-IFRS)			
Revenue	**6,474**	**6,106**	**6.0%**
EBITDA	208.0	216.0	(3.7%)
EBITDA %	3.2%	3.5%	
EBIT	155.5	169.0	(8.0%)
EBIT %	2.4%	2.8%	
Operating[1] Net Profit after Tax (Non-IFRS)	**74.8**	**87.3**	**(14.3%)**
Operating[1] Earnings Per Share (cps)	22.5	26.7	(15.7%)
Operating[1] Interest Cover (times)	3.6	4.3	

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

- Record Group Revenue of $6.47 billion ($6.11 billion pcp)
- Operating[1] (Non-IFRS) EBITDA of $208.0 million ($216.0 million pcp)
- Operating[1] (Non-IFRS) EBITDA margin of 3.2% (3.5% pcp)
- Operating[1] (Non-IFRS) NPAT of $74.8 million ($87.3 million pcp)
- Operating[1] (Non-IFRS) EPS of 22.5 cents (26.7 cents pcp)
- IFRS Statutory NPAT $32.6 million ($55.5 million pcp)
- IFRS Statutory EPS 9.8 cents (17.0 cents pcp)
- Final dividend of 6.8 cents; full-year dividend 16.3 cents fully franked (19.0 cents pcp)

Key financial data (Operating[1])	FY2018 ($m)	FY2017 ($m)
Revenue	**6,474.1**	6,106.1
EBITDA (Non-IFRS)	**208.0**	216.0
NPAT (Non-IFRS)	**74.8**	87.3
Total assets	**2,638.1**	2,385.4
Net debt (excluding floorplan)	**283.9**	258.7
Shareholders' equity	**776.5**	802.3

Key share data (Operating[1])	FY2018 cents	FY2017 cents
Earnings Per Share[1] (Non-IFRS)	**22.5**	26.7
Dividends per share	**16.3**	19.0
NTA per share	**71.6**	87.2

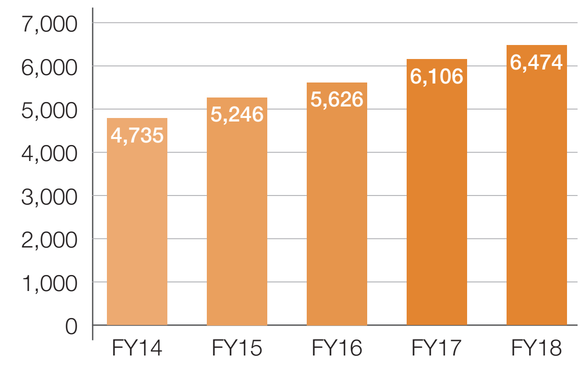
Key ratios (Operating[1])	FY2018	FY2017
ROCE (Non-IFRS)	**7.1%**	8.9%
Gearing (excluding floorplan)	**26.8%**	24.4%

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

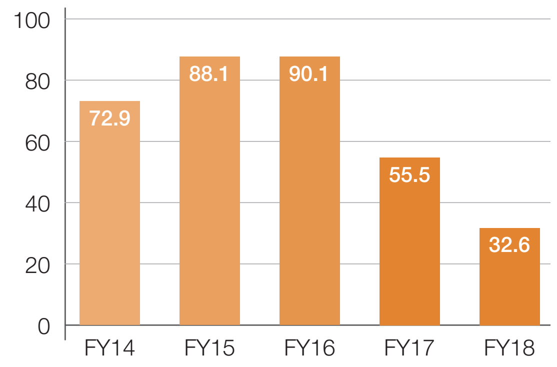
AHG
AUTOMOTIVE HOLDINGS GROUP

Group Financial Summary (continued)

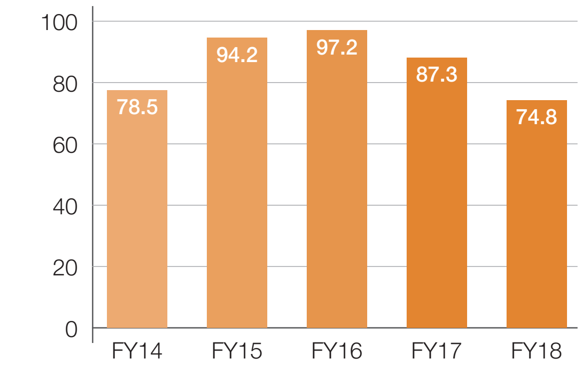
Revenue ($m)



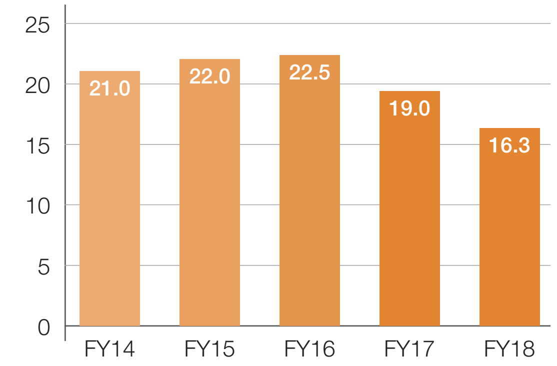
Statutory NPAT ($m)



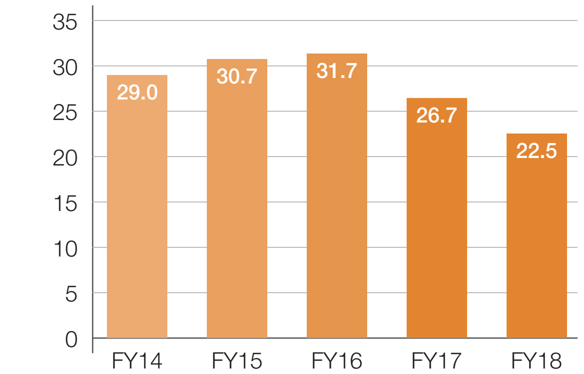
Operating[1] NPAT ($m)



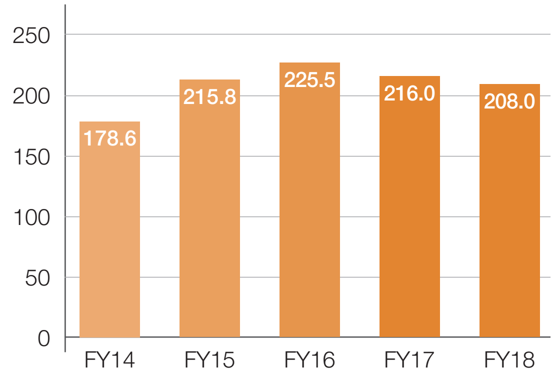
Statutory Dividends (cps)



Operating[1] EPS (cps)



Operating[1] EBITDA ($m)



Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

FAST FACTS - Financial Year 2018

113 Dealership locations

182 Franchises held

48,873 Used vehicles sold

86,076 NEW VEHICLES SOLD

KTM and Husqvarna motorcycles SOLD **11,703**

8,435 Employees

663,789 Retail service and repair orders (> 1.3m total ROs)

Refrigerated Logistics Fleet

- ~ 600 prime movers, tugs and rigid vehicles
- ~ 1,260 road trailers
- ~ 500 rail containers
- ~ 4-million kilometres each week

~110,000 AMCAP SKUs*

(*Stock Keeping Unit)

Board Review

The Directors of the Company are pleased to provide Shareholders with AHG's annual report for the full-year ended 30 June 2018.

At the time of writing this report the Board is engaged with external consultants in the search for a Chairperson following the retirement and untimely passing of our late colleague, Robert McEniry.

We convey our condolences to his family and note his passing is also a great loss for AHG. Rob was excited and felt privileged to be appointed as Chair and was personally disappointed to have to retire so soon. We pay tribute to Rob and to his predecessor as Chairman, David Griffiths, who also retired during the year in review. Both made very significant contributions to the Company.

On a statutory reporting basis, the Group reported a net profit after tax of $32.6 million and returned to Shareholders a fully-franked dividend of 16.3 cents per share. At the statutory level, the result was impacted by write-downs in the Company's Refrigerated Logistics business.

Operating[1] NPAT was $74.8 million, down 14.3% on the previous year, driven by a challenging automotive market, significant disruption to the Refrigerated Logistics business and the effects of foreign exchange rates on KTM and Husqvarna importation. Comprehensive details of the Company's financial performance are shown in the Managing Director's Review and the Financial Statements within this annual report.

The results were impacted by the decline in the private new vehicle market in Western Australia, regulatory intervention in automotive finance and insurance (F&I) product sales, and by the unsolicited and ultimately unsuccessful bid by the Chinese company HNA to acquire AHG's Refrigerated Logistics business.

During the past two years changes to the sale of finance and insurance products have impacted AHG's profits by approximately $40 million. The impact was felt across the Automotive businesses where performance was affected by both the reduction in F&I and a decline in retail consumer confidence. We have taken measures to address the decline in profitability through, amongst other things, the closure of underperforming sites, targeted cost reductions and a recalibration of remuneration. However we have been unable to fully offset the impact from F&I.

There has been a noticeable decline in vehicle margins across the industry in recent years which, to a large extent, has been driven by some manufacturers (importers) pushing the supply of new cars and, at the same time, raising bonus targets to unrealistic levels. The Company continues to work with the industry's representative body, the Australian Automotive Dealers Association, to deliver a satisfactory outcome in this matter. There is a strong push by the industry for the federal government to introduce a specific franchising code to address what is an obvious imbalance of power between some manufacturers and dealerships. At the time of writing this annual report the AADA had made significant progress in gaining support across the political spectrum.

As a Board, we are focused appropriately on capital management and cost control. This focus has seen significant savings in a broad range of costs underpinned by our procurement initiatives.

Health and safety is another fundamental priority at AHG and to that end, we remain focused on protecting our people, our assets and the safety of the communities in which we operate. We recognise our role in the Chain of Responsibility across the Group's many touch points in our Automotive and Logistics divisions.

Looking ahead, in the Automotive retail sector, we will leverage the scale of our franchised passenger and truck dealerships and drive returns from our investment in easyauto123 and the Carlin's Auction business. We continually assess our portfolio of brands, dealership sites and businesses to improve shareholder returns.

At the same time the Board and management are watching and working to ensure we are well placed to take advantage of future opportunities driven out of e-commerce and data analytics, changing forms of vehicle ownership, the growth in the availability of hybrid and electric vehicles and ongoing advances in mobility technology.

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

The Group's Refrigerated Logistics division has emerged from disruption caused by the bid by HNA to acquire the business and the significant distraction of implementing new IT systems to be a strong, sustainable and growing market leader in temperature-controlled transport and storage.

The business is reviewing client contracts as it moves away from being substantially transaction focused to a more bespoke, fully integrated, solution-based service provider, and reviewing returns in any marginal contracts. The Board expects to see an improvement in operating margins, asset utilisation and net operating profit as the benefits of the systems investment are realised.

The Board remains focused on opportunities for the Company to leverage AHG's scale in franchised automotive dealerships, the investment in used car operations and the anticipated improvement in returns from the Refrigerated Logistics business.

The Directors thank all Shareholders for their support of the Company.

ROB McENIRY

The Board, management and staff of AHG acknowledge the contribution to the Company and the automotive industry of our esteemed late Chairman, respected colleague and dear friend.

Mr McEniry was appointed to the Board of AHG on 3rd May 2012. He was appointed Chairman of the Board on 27th February 2018 and retired on the 4th April 2018. He passed away 4th July 2018.

When he joined the Board he had more than 25 years of leadership 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 was also Chair of Bapcor Ltd, formerly Burson Group, a Director of Multiple Sclerosis Society Limited, Chair of Australian Home Care Services Pty Ltd, and Chair of Stillwell Motor Group.

His wisdom, leadership and friendship are missed.

Managing Director's Review

Regulatory changes to finance and insurance income had a significant impact on the performance in the year in review, however AHG remains well placed to take advantage of the opportunities for further Automotive industry consolidation and strategic diversification while our Logistics businesses are producing solid results and are positioned for earnings growth.

The Board and management remain committed to delivering on our strategic objectives to generate superior returns for Shareholders.

It is important that I begin this report by acknowledging our late Chairman Robert McEniry and his predecessor David Griffiths.

David retired from the Board in February after eleven years of service and was succeeded by Rob who unexpectedly fell ill and had to step down from the Board in April. Sadly Rob passed away in July. Their respective insights, commitment and passion for AHG have benefitted all Shareholders.

FINANCIAL HIGHLIGHTS

The full-year results were in line with expectations in the trading update provided to the market by the Company on 14 May 2018.

Group revenue totalled $6.47 billion, an increase of 6.0% on FY2017 but the Company's underlying and statutory earnings were lower.

Statutory NPAT was $32.6 million, down 41.2% on the previous year primarily due to the impact of regulatory intervention in finance and insurance sales, partially offset by a one-off benefit, closure of underperforming businesses, investment in **easyauto123** and the writedown of software and systems in Refrigerated Logistics.

Operating[1] Earnings per Share was 22.5 cents (26.7c pcp) and Shareholders received a full year dividend of 16.3 cents per share (19.0 cents pcp).

AUTOMOTIVE

Revenue from the Automotive division was up 7.2% to $5.61 billion and we continued to grow our new car market share, to circa 6.7% in Australia and circa 3% in New Zealand, leaving room for further expansion in both markets as value-driven opportunities arise.

Operating[1] EBITDA was $166.1 million, down 2.9% pcp, delivering an Operating[1] profit before tax of $116.7 million, down 6.0% (pcp) primarily due to the impact of changes to finance and insurance commissions and a slower than expected rebound in the Western Australian market.

Notably, both the Australian and New Zealand markets remain close to record levels despite the recent softening of consumer demand in the new car market in Australia. The impact was felt in the eastern states of Australia while the Western Australian private buyer market continued to decline despite more positive lead economic indicators.

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

During the year in review the Company completed the restructuring of the Automotive division and implemented cost reduction initiatives, and gained a one-off insurance Operating[1] profit benefit of $12 million, to mitigate the $29 million Operating[1] reduction driven by regulatory intervention in the sale of finance and insurance products and the softening of H2 margins driven by slowing consumer demand.

The effects of reduced insurance products and commissions coupled with relatively tight consumer lending have been felt industry-wide, particularly across passenger vehicle sales.

An industry benchmark report by Deloitte (Mid-Year Market Snapshot, 10th August 2018) shows AHG continues to outperform the wider franchised dealership market in Australia across a range of key metrics, including Return on Sales, Total Gross Margin, Gross Per Unit (New) and F&I per Retail Unit.

We have continued to invest both organically and by acquisition where we see value and future opportunity.

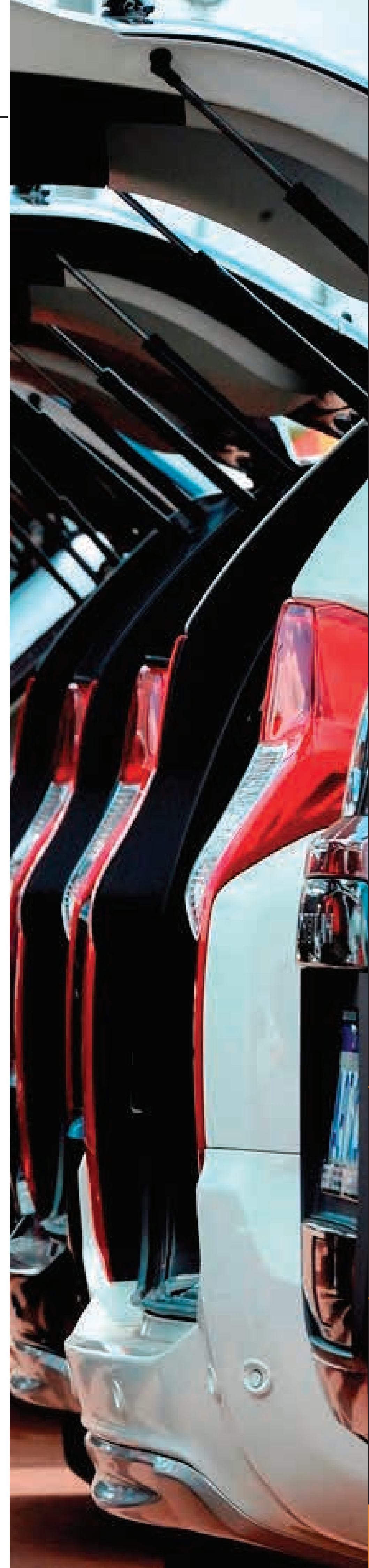
AHG's Franchised Automotive business integrated the acquisitions of five new dealerships in the Hunter Motor Group in Maitland and Rutherford in NSW, two dealerships at Essendon Fields in Melbourne and two dealerships at Manukau in Auckland's southern suburbs. The business also opened the Greenfield development of the new Essendon Jaguar Land Rover dealership.

The Company is also undertaking major property redevelopments to increase capacity at its Liverpool and Sutherland retail hubs in Sydney and has recently opened redeveloped Nissan and Hyundai dealerships at Osborne Park in Perth. We expect the rate of facility investment to reduce moving forward.

The AHG Trucks business completed the move to a landmark new facility for the Daimler Trucks Laverton dealership, which significantly increases our operating capacity in Victoria.

We have continued to invest in the **easyauto123** business, which opened new fixed price used car warehouses at Brooklyn in Melbourne and at Hendra in Brisbane. Revenue for the business unit grew to $262 million ($51 million pcp) and we booked a $7.4 million loss as we established the (now five) operating locations. We remain excited by the opportunity in the heavily fragmented used car market to create a national brand, both physically and digitally, and drive returns.

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.



Managing Director's Review (continued)

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division reported a 0.5% increase in revenue to $598.3 million ($595.0m pcp) and increased EBITDA margins but Operating[1] PBT fell from $2.8 million (pcp) to a loss of $2.0 million.

Shareholders will be aware that the Group received an unsolicited offer from the Chinese-owned entity HNA International (HNA) to acquire the Refrigerated Logistics business for an enterprise value of $400-million. HNA terminated the sale agreement in July 2018. While we were disappointed with this outcome it ended an extended process of engagement with HNA and allows the Refrigerated Logistics management team to focus fully on running the business. We are pursuing our claim for the break fee included in the sale agreement.

Revenue and earnings were significantly impacted by the disruption and uncertainty caused by the offer from HNA to buy the business.

The division successfully completed the transformation program that commenced in the prior year. The program covered the integration of legacy businesses, implementation of a new organisational operating model, the generation of cost reductions and productivity improvements, and the implementation of new core transport and warehouse management systems.

It is a tribute to the management team that they were able to continue to progress the transformation program while also dealing with HNA in relation to the proposed sale. We have resumed our focus on driving returns to enable us to create shareholder value.

OTHER LOGISTICS

Revenue was down 5.0% to $262.5 million ($276.2m pcp) due to lower motorbike sales and softer automotive parts sales in Western Australia.

Operating[1] PBT was $3.8 million, down from $10.5 million pcp largely due to adverse foreign exchange in the import of KTM and Husqvarna product.

While it is the smallest of the Company's business divisions, the various business units offer important diversification from the other elements of the Group.

The AMCAP business was stable and invested in a new partnership to create a national specialist coatings division.

KTM and Husqvarna remain iconic motorcycle brands, particularly in the off-road market, but the business unit was impacted by the aforementioned unfavourable foreign exchange movements.

The Company has restructured the operations of VSE Solutions (VSE) and Genuine Truck Bodies (GTB) to focus on clearly identified client requirements matched to its highly trained specialist workforce and modern facilities.

PEOPLE AND CULTURE

AHG recognises that its employees are its greatest asset. While the Automotive and Refrigerated Logistics sectors remain male-dominated industries we are proud of the opportunities created across the Group for women to build careers on an equal footing with their male colleagues.

The Company retains its focus on training, developing and retaining its employees and relevant details of our initiatives are outlined later in this annual report.

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

WORKPLACE HEALTH SAFETY AND ENVIRONMENT

AHG is committed to conducting its business operations in the safest and the most environmentally responsible manner. It is pleasing for the Board and management to note that FY2018 has been another strong year of improvement in safety performance at AHG across all business units as the Company continues to develop and enhance WHSE processes.

The Company also achieved significant reductions in its environmental footprint. Once again, the relevant details are outlined further in this annual report.

OUTLOOK

We remain optimistic about the outlook for the Group based on:

- Opportunities for further aggregation in the auto sector where we see value;
- Potential medium-term upside from increased finance penetration in Automotive retail;
- The opportunity for improved operating leverage from our cost reduction initiatives;
- Recovery of private buyer demand in WA;
- Generating returns from our investment in **easyauto123**;
- Driving improved performance in RL; and
- Other automotive diversification opportunities.

We are however cautious about the short term outlook given the impact of falling house prices on consumer demand, further potential impact from flex commission changes, and the time taken for the market to recover margins eroded by the current discounting required by the industry to achieve some manufacturer targets.

We expect the effect of these short term pressures on our underlying Operating[1] NPAT will be largely mitigated by some of the abovementioned opportunities, the closure of underperforming businesses, further cost reduction initiatives and improvements in Refrigerated Logistics, Other Logistics and **easyauto123**.

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

John McConnell
Managing Director

Operating and Financial Review

ABOUT AHG

This Operating and Financial Review sets out information on the Group's business strategies and prospects for future years, including reference to likely developments in segment operations and the potential impact on the future performance of these segments.

Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about AHG's business strategies and future prospects. 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 is a key strength, reducing reliance on, and exposure to, particular sectors. It also creates synergies and efficiencies that may not be available to other groups, such as the supply of trading and capital equipment between Group businesses rather than relying on third party providers.

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

BUSINESS MODEL AND STRATEGIES

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

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

GROUP FINANCIAL PERFORMANCE

Key Financial Data	Statutory IFRS Result 2018	Unusual items* 2018	Operating Non-IFRS Result 2018	Operating Non-IFRS Result 2017
For the year ending 30 June 2018	*$'000*	*$'000*	*$'000*	*$'000*
Revenue	**6,474,053**	**-**	**6,474,053**	**6,106,064**
EBITDA	147,938	60,066	208,004	215,955
EBITDA margin (%)	2.3%		3.2%	3.5%
Depreciation and amortisation	(52,509)	-	(52,509)	(46,920)
EBIT	95,429	60,066	155,494	169,035
Interest (net)	(43,102)	-	(43,102)	(39,255)
Profit before tax	52,327	60,066	112,393	129,780
Tax expense	(14,535)	(17,945)	(32,480)	(36,935)
Profit after tax	37,792	42,121	79,913	92,845
Non-controlling interest	(5,153)	-	(5,153)	(5,554)
Net profit after tax attributable to shareholders	**32,639**	**42,121**	**74,760**	**87,291**
Basic EPS (cents per share)	9.8		22.5	26.7

* ***Unusual items:*** *costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.*

Revenue

Group revenue increased 6.0% to $6.47 billion (2017: $6.11 billion), driven by the Automotive Retail segment which was up 7.2% on pcp and, at $5.61 billion, accounted for 87% of Group revenue. Growth in Automotive Retail revenue was attributed to acquisition activities, growth in new car and truck market share, and used car revenue, including **easyauto123**.

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

Operating non-IFRS margins decreased year-on-year to 3.2% (2017: 3.5%), also principally arising in the Automotive Retail segment, reflecting that FY2018 has been a very challenging year for the Group.

During the year in review the Franchised Automotive division suffered a $29 million reduction to finance and insurance (F&I) commissions. While not unexpected, this was a very significant hit to earnings, offset to an extent by cost reduction initiatives and a one-off insurance income of $12 million. The effects of reduced insurance products and commissions coupled with relatively tight consumer lending have been felt industry-wide, particularly across passenger vehicle sales. This has been further compounded by margin compression driven by manufacturers.

However, AHG also continues to outperform the wider franchised dealership market in Australia across a range of key metrics, including Return on Sales, Total Gross Margin, Gross Per Unit (New) and F&I per Retail Unit (source: industry benchmark report prepared by Deloitte), while our Trucks business performed strongly as a standalone business unit and we also saw a strong performance from our service operations.

Refrigerated Logistics reported a modest increase in operating (non-IFRS) EBITDA and EBITDA margins over pcp, however its FY2018 performance was significantly impacted by the disruption and uncertainty caused by the offer from HNA to buy the business and by the systems implementation program.

Operating and Financial Review (continued)

Other Logistics segment reported a 50% decrease in EBITDA over pcp. KTM and Husqvarna earnings were significantly impacted, primarily by adverse foreign exchange movements and lower wholesale volumes, although the business grew its Australian market share for the combined brands. The AMCAP business was stable and invested in a new partnership venture to create a national specialist coatings division, while AHG restructured the operations of VSE Solutions and GTB to focus on clearly identified client requirements matched to its specialist workforce and modern facilities.

Depreciation and Amortisation

Depreciation and amortisation for the year was $52.51 million (2017: $46.92 million), an increase of 11.9%. Refrigerated Logistics accounted for the majority of this increase, reflecting investment in new facilities and equipment. Automotive Retail's modest increase included acquisitions and Greenfield and other property developments.

Interest Expense (net)

Net interest expense (including floorplan finance, finance costs less interest revenue) for the year was $43.10 million (2017: $39.26 million), an increase of 9.8%. The increase was primarily due to higher floorplan finance costs, attributed to combination of acquisition and organic activities during FY2018, including expansion of **easyauto123** and growth in new car and truck market share. Interest costs on leasing and bills borrowings decreased compared to pcp, while focus on inventory/cash management saw the net interest expense percentage increase being lower than the equivalent inventory and floorplan year-on-year percentage increases.

Non-controlling Interests

Profit attributable to non-controlling interests decreased to $5.15 million (2017: $5.55 million), down 7.2%. These are entities which are consolidated into AHG's financial performance but where AHG does not hold an entitlement to 100% of their profits.

The acquisition of Carlins Auctions (51%) and the divestment of minority interest in AHG's KTM and Husqvarna operations (26%) were additions to non-controlling interests during FY2018, offset by lower organic performance in Automotive Retail and KTM non-controlling interests, resulting in the net overall decrease noted above. Refer to note 26 of the financial statements (Related Parties) for a listing of those entities where AHG does not hold a 100% profit entitlement.

Profit after Tax

AHG earned a statutory profit after tax of $32.64 million (2017: $55.54 million) for the year, a decrease of 41.2%. Operating Non-IFRS profit (before unusual items) after tax was $74.76 million (2017: $87.29 million), a decrease of 14.3%.

The reconciliation between statutory and operating profit was attributed to $42.12 million of Unusual Items (after tax) (2017: $31.75 million). The Unusual Items fell into four categorisations, as follows:

- Net costs of $7.01 million in the Refrigerated Logistics business, including costs from early in the financial year attached to the carryover of the FY2017 transformation programme and other write-offs identified in the due diligence process with HNA;
- In FY2018, AHG continued to rationalise loss-making operations and exit facilities and leases where closure and exit is the right long-term financial decision. That led to a $7.81 write-down in FY2018 for restructure costs, plus $3.19 million impairment of non-current assets associated with these loss-making operations. However, the Group will benefit from this decision in FY2019 as we exit these loss-making operations from the business;
- In the Refrigerated Logistics business two significant decisions were made in FY2018 with regards to assets attached to that business:
  a) Written-down the IT assets of that business by $18.50 million. While AHG is very pleased to have those systems completed and operational, we reviewed the carrying value of the IT asset post 30 June 2018 and we felt this was an appropriate decision;
  b) Written-down $3.32 million of other non-current assets related to Refrigerated Logistics operating facilities that we intend to exit in the near term. These are decisions we deferred during the HNA sale process;
- The final category of unusual items, amounting to $2.29 million, related to costs associated with our M&A activity. These costs were attached to completed acquisitions during the year and also fees and costs incurred in relation to the HNA transaction.

Dividends

A fully franked final dividend of 6.8 cents per share was declared, taking the full year dividend to 16.3 cents per share, a decrease of 2.7 cents (14.2%). This is consistent with AHG's dividend policy of paying 65 to 75 percent of operating profit.

GROUP FINANCIAL POSITION

	FY2018	FY2017
Total Assets	$2.64 billion	$2.39 billion
Total Liabilities	$1.86 billion	$1.58 billion
Total Equity	$0.78 billion	$0.80 billion

TOTAL ASSETS

Total assets increased by $0.25 billion from $2.39 billion to $2.64 billion, principally driven by a combination of acquisitions (increased inventory balances) completed during the year and organic working capital/non-current asset investments net of impairments.

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 $210.95 million to $1.11 billion (2017: $0.90 billion). The acquisitions completed during FY2018, the growth of Easy Auto and Truck operations, and timing of manufacturer supplies, all contributed to this movement. AHG applies policies around its inventory management to mitigate potential obsolescence concerns.

Receivables increased $59.20 million, from $357.37 million to $416.57 million. The main drivers were FY2018 acquisitions, increase in the Refrigerated Logistics segment due to new systems implementation, and year-end timings associated with organic activities. Average debtor days increased to 23.6 days compared to 21.4 days pcp. AHG maintains an ongoing focus on working capital management, including a dedicated centralised Credit Control department.

Property, plant and equipment decreased $24.61 million to $376.52 million (2017: $401.13 million). This included $34.12 million of impairments against IT assets and leasehold improvements and $18.65 million reclassification of held-for-sale assets, leaving a net increase of $28.16 million (net of depreciation and amortisation expense) or $80.67 million gross movement. The increase was due to a combination of ongoing investment in Group operational requirements (e.g. Refrigerated Logistics), acquisitions executed, as well as property developments to Automotive Retail sites either completed or under construction at the end of FY2018.

Operating and Financial Review (continued)

Intangible assets increased $26.00 million to $539.17 million (2017: $513.17 million) linked to acquisitions of Carlins (51%), Hunter Motor Group, Auckland Motor Group and Essendon Nissan/Kia executed during FY2018, and completion of provisional accounting for FY2017 acquisitions of Doncaster Autos, City Mazda, Daimler Trucks Laverton, Newcastle Audi/Skoda and Essendon Ford/Mitsubishi, offset by impairment of $0.25 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 $0.28 billion to $1.86 billion (2017: $1.58 billion) during FY2018.

Trade and other payables increased $56.70 million to $379.50 million (2017: $322.80 million) due to timing around payment of year-end liabilities covering creditors, subcontractors and payroll accruals.

Interest-bearing liabilities rose $0.21 billion to $1.35 billion (2017: $1.14 billion) due to increased finance company loans (organic and acquisitions/Greenfields). Lease/hire purchase commitments (property, plant and equipment investment) and commercial borrowings (cash management) were materially consistent with pcp.

Total current and non-current provisions increased $15.45 million to $116.19 million (2017: $100.74 million). $8.32 million of the increase was attributed to lease provisions included within FY2018 Unusual Items in relation to restructured operations (with balance of $2.25 million previously included in other provisions in FY2017), while a further $3.88 million of the increase in other provisions was included within Unusual Items from net costs associated with Refrigerated Logistics operations. Employee provisions had a modest increase (expanded employee numbers linked to acquisitions and natural increases in existing employee service periods and entitlements), while warranties had a modest decrease over pcp.

TOTAL EQUITY

Total equity decreased by $25.83 million to $776.51 million, reflecting a reduction in net retained profit earnings between FY2018 statutory performance and dividends paid, partially offset by increase in outside equity interests attributed to the addition of Carlins (51%) and KTM (26%) to this classification in FY2018.

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

Finance company facilities of $1.15 billion (2017: $1.07 billion) were available to AHG as at 30 June 2018, of which $989.11 million (2017: $788.72 million) were used.

AHG excludes inventory-backed finance company loans from its gearing ratio calculations.

Refer note 23 – Capital Management.

Commercial Bills and Leasing Finance Facilities

There were $561.17 million (2017: $552.04 million) of these facilities available to the Group as at 30 June 2018, of which $390.77 million (2017: $382.89 million) had been utilised (including Guarantees - refer note 31). Lease Finance facilities expanded ~$6.0 million during FY2018 in conjunction with acquisitions.

Capital Management Metrics

	FY2018	FY2017
Gearing Ratio (*source: note 23.2 Capital Management)* (net debt excluding finance company loans and cash) / (net debt + equity excluding finance company loans and cash)	26.8%	24.4%
Gearing Ratio *(source: note 23.1 Capital Management)* (net debt excluding cash) / (net debt excluding cash + equity)	62.1%	56.6%
Interest Cover (times) *(source: note 2 Operating Segments)*		
• Operating Non-IFRS*	3.61	4.31
• Statutory	2.21	3.29
(EBIT / Net Interest expense)		

** Excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA). (Refer to note 1 for a further reconciliation of Non-IFRS profit to IFRS profit.)*

Net debt (borrowing excluding finance company loans and cash and cash equivalents) increased by $25.21 million to $283.94 million (2017: $258.73 million). This increase reflected:

- Operating Cash Flows of $147.31 million (2017: $140.94 million), up $6.37 million;
- Payment for acquisitions (net of divestments) of $30.74 million, down from net $60.73 million paid pcp;
- Payment for property, plant and equipment (net of proceeds of sale of property, plant and equipment) of $60.81 million, down from $79.86 million paid pcp;
- Equity issued of $nil ($111.60 million pcp); and
- Dividends paid to shareholders during FY2018 totalling $63.01 million (2017: $74.62 million). Total declared dividend for FY2018 is 16.3 cents (FY2017: 19.0 cents), with the final dividend component of 6.8 cents to be paid in October 2018.

The Group's balance sheet position continues to support growth opportunities, supported by strong operating cash flows. The FY2018 operating inflow of $147.31 million reflected AHG's ongoing focus on working capital. Investing outflows were $57.12 million lower than pcp, and expectations for FY2019 are for capital expenditure to be further reduced to ~$30 million, reflecting tight control to be exercised during the year ahead. Finally, financing outflows were also lower after exclusion of the impact on the August/September 2016 equity raise on FY2017 cash flows. AHG is focused on the management of our net debt position in the context of the challenging operating climate experienced in FY2018.

AUTOMOTIVE RETAILING

AHG is Australasia's largest motoring group, operating franchised passenger vehicle and truck and bus dealerships in Queensland, New South Wales, Victoria and Western Australia, and passenger vehicle dealerships in Auckland, New Zealand.

AHG represents 27 manufacturers, including all of the top 13* selling passenger brands in Australia.

Passenger brands[#]:

Audi, Bentley, Chrysler, Fiat, Ford, Holden, Honda, HSV, Hyundai, Infiniti, Isuzu Ute, Jaguar, Jeep, Kia, Land Rover, LDV, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Porsche, Skoda, Subaru, Suzuki, Toyota, Volkswagen, Volvo.

** VFACTS issued 3rd August 2018 YTD: Toyota, Mazda, Hyundai, Mitsubishi, Ford, Holden, Kia, Nissan, Volkswagen, Honda, Subaru, Mercedes-Benz, Isuzu Ute*

Truck and commercial vehicle brands[#]:

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

The majority of the Group's dealerships are located within "retail hubs", creating a destination for buyers and generating efficiencies in shared services and fixed operations.

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

The franchised dealerships sell both new and used cars whereas **easyauto123** sells only pre-owned vehicles, complemented by the Carlins Auctions business.

The investment in **easyauto123** and Carlins is designed to build scale in a heavily fragmented used car market with the opportunity to establish a national presence both physically and digitally.

The Carlins business has strong sourcing channels to access used vehicle stock and AHG has retail expertise and a 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 also 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 marketing.

Across the Automotive sector the Company is focused on leveraging its scale through shared services, enhancing relationships with key business partners and the development of new initiatives across a range of mobility, ride sharing and subscription services.

 # At 30 June 2018

The year in review featured continued growth from acquisitions, portfolio rationalisation and expansion of AHG's used car business.

Aug '17	Opened **easyauto123** Brooklyn (Melbourne)
Oct '17	Opened Lander LDV Blacktown (Sydney)
Oct '17	Closed Beaudesert Suzuki (Brisbane)
Nov '17	Closed Allpike Citroen and Peugeot (Perth)
Nov '17	Closed Mornington Suzuki
Dec '17	Acquired Hunter Motor Group (Newcastle – five franchises)
Dec '17	Closed Doncaster Fiat and Alfa Romeo and replaced with Infiniti (Melbourne)
Dec '17	Exited Lansvale Holden franchise (Sydney)
Dec '17	Exited City Motors Holden franchise (Perth)
Feb '18	Opened **easyauto123** Hendra (Brisbane)
Mar '18	Acquired Manukau Hyundai and Auckland Mitsubishi (NZ)
Apl '18	Opened Mazda Connect (Silverdale NZ)
May '18	Acquired Essendon Nissan and Essendon Kia (Melbourne)
Jun '18	Opened Essendon Jaguar Land Rover
Jun '18	Opened Daimler Trucks Laverton
Ongoing	Major redevelopment of Liverpool and Sutherland retail hubs (Sydney)
Ongoing	Major redevelopment of Osborne Park Nissan and Hyundai dealerships (Perth)

BUSINESS SEGMENT - AUTOMOTIVE RETAIL

	FY2018	FY2017	Movement
	$'000	*$'000*	*%*
Automotive Retail			
Revenue	5,612,913	5,234,468	7.2%
Statutory IFRS Performance			
EBITDA	149,979	153,401	(2.2%)
EBITDA %	2.7%	2.9%	
EBIT	129,411	133,454	(3.0%)
Profit before Tax	100,584	106,549	(5.6%)
Operating[1] Non-IFRS Performance			
EBITDA	166,097	171,017	(2.9%)
EBITDA %	3.0%	3.3%	
EBIT	145,529	151,070	(3.7%)
Profit before Tax	116,702	124,165	(6.0%)

- Revenue up 7.2% across acquisitions, organic and **easyauto123** expansion.
- Operating[1] EBITDA and EBIT margins lower due to weaker F&I impact and margin compression driven by manufacturers and softening consumer demand.
- Automotive F&I impact partially offset by $12 million one-off gain.
- Continued to invest in **easyauto123** business with opportunity to create national brand in heavily fragmented used car market.
- Operating[1] profit before tax down 6.0%.

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

Operating and Financial Review (continued)

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division operates in every Australian mainland state through Rand Transport, 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 and rail containers that cover more than 4,000,000km every week. The fleet includes:

- ~600 prime movers and rigid delivery vehicles
- ~1,260 road trailers
- ~500 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.

Systems – a new core transport management system featuring up to date technology with comprehensive transport capability, a new warehouse management system and ERP.

BUSINESS MODEL AND STRATEGIES

During FY2018, AHG Refrigerated Logistics successfully completed the transformation program that commenced in the prior year aimed at improving EBITDA for this segment. The program covered the integration of legacy businesses, implementation of a new organisational operating model and the generation of cost reductions and productivity improvements.

In the last quarter of FY2018 AHG Refrigerated Logistics completed implementation of a new core transport management system that replaced three separate systems in use across the legacy businesses. The new core system features modern technology and has enabled uniformity across the Refrigerated Logistics business in receiving customer orders, planning transport activities, allocating fleet, generating delivery documentation and providing visibility over delivery status.

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 enabling it to offer an integrated suite of nationwide refrigerated road and rail transport including cross-docking in temperature controlled facilities, together with chilled and frozen warehousing and distribution services supported by sophisticated IT systems.

The Group will continue to leverage the competitive advantage arising from AHG's investment in state-of-the-art systems, depots and cold storage facilities in each state, its fleet of modern equipment, the ability to provide compelling tailored transport and warehousing solutions, strong long-term relationships with customers with a reputation for reliability and the fragmented nature of the broader industry sector where AHG Refrigerated Logistics can provide an unmatched truly nationwide service capability.

BUSINESS SEGMENT - REFRIGERATED LOGISTICS

	FY2018	FY2017	Movement
	$'000	$'000	%
Refrigerated Logistics			
Revenue	598,252	595,054	0.5%
Statutory IFRS Performance			
EBITDA	(6,233)	23,763	(126.2%)
EBITDA %	(1.0%)	4.0%	
EBIT	(35,426)	(527)	(6,622.0%)
Profit / (loss) before Tax	(45,912)	(8,465)	(442.4%)
Operating[1] Non-IFRS Performance			
EBITDA	37,715	35,050	7.6%
EBITDA %	6.3%	5.9%	
EBIT	8,522	10,760	(20.8%)
Profit before Tax	(1,964)	2,822	(169.6%)

- Revenue up 0.5%.
- Operating[1] EBITDA margins increased over prior year.
- H2 earnings disrupted by HNA sale process at both management and consumer level.
- Systems implementation program substantially complete.
- Operating[1] profit before tax down $4.8 million.

Second half revenue and earnings were significantly impacted by the disruption and uncertainty caused by the offer from HNA to buy the business and by the systems implementation program.

The critical components of the systems implementation program (the implementation of the transport management system, warehouse management system and ERP) are now substantially complete. AHG now has an IT platform that enables a single view of operations, fleet and our customers.

Combined with the largest network of refrigerated logistics assets in Australia, it gives the Group an opportunity to leverage this platform to drive earnings and deliver superior customer value.

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

Operating and Financial Review (continued)

OTHER LOGISTICS

AHG's Other Logistics business units provide further diversification and offer significant 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 Solutions provides vehicle storage and truck chassis engineering to the trucking industry and Genuine Truck Bodies specialises in truck body building services.

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: commercial storage of vehicles and truck chassis preparation and modification, truck body building activities that supply complementary AHG businesses and third party customers, and building on automotive retail (truck) experiences to identify new opportunities and business relationships.

Outback adventure on the 2018 KTM Adventure Rallye

BUSINESS SEGMENT - OTHER LOGISTICS

	FY2018	FY2017	Movement
	$'000	*$'000*	*%*
Other Logistics			
Revenue	262,456	276,222	(5.0%)
Statutory IFRS Performance			
EBITDA	7,126	3,327	114.2%
EBITDA %	2.7%	1.2%	
EBIT	4,377	644	579.7%
Profit/(Loss) before Tax	3,763	(394)	(1,055.0%)
Operating[1] Non-IFRS Performance			
EBITDA	7,126	14,210	(49.9%)
EBITDA %	2.7%	5.1%	
EBIT	4,377	11,527	(62.0%)
Profit before Tax	3,763	10,489	(64.1%)

- Revenue down 5.0%.
- Operating[1] EBITDA lower due to adverse foreign exchange movements and lower wholesale volumes experienced by KTM and Husqvarna.
- AMCAP business remained stable and invested in new partnership venture to create a national specialist coatings division.
- Restructure of VSE Solutions and GTB to focus on clearly identified client requirements to match its specialist workforce and modern facilities.
- Operating[1] profit before tax down 64.1%.

PROPERTY

The Company continued the expansion of its Daimler Trucks brand with the successful opening of a 68,000 square metre super site in Laverton, Victoria. It was another development in conjunction with Charter Hall, further cementing this successful partnership.

In partnership with Mazda, AHG opened its first shopping centre retail store in Silverdale, Auckland.

The **easyauto123** national expansion continued with the successful opening of our Hendra site in Brisbane.

Direct investment continues in energy efficient technologies including LED and Solar.

The Auckland and Sydney rental markets are challenging due to high escalation of underlying property values. However, Brisbane, Melbourne and Perth are delivering positive results to operations as landlords continue to secure long term tenants.

Operating[1] – (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

Operating and Financial Review (continued)

The following projects were delivered in FY2018 inclusive of developer and landlord contributions:

				Project value
WA	Canning Vale	**easyauto123** / Carlins	New dealership	$1.4m
	Bentley	Diesel Motors	Refurbishment	$0.4m
	Corporate office	Call Centre	Refurbishment	$0.1m
NSW	Liverpool	Holden / VW / Nissan	New dealership	$16.0m
	Liverpool	Mitsubishi	New dealership	$13.0m
	Liverpool	Subaru	New dealership	$3.5m
	Coffs Harbour	Hino / Iveco	New truck workshop	$2.6m
	Seven Hills	**easyauto123**	New dealership	$1.0m
QLD	Hendra	**easyauto123** / Carlins	New dealership	$0.8m
VIC	Essendon Fields	Jaguar Land Rover	New dealership	$8.5m
	South Morang	Toyota	New dealership	$10.0m
	Truganina (Laverton)	Daimler Trucks	New dealership	$22.0m
	Knox	Mitsubishi	Refurbishment	$0.2m
	Brooklyn	**easyauto123** / Carlins	New dealership	$0.4m
NZ	North Harbour	Ford	New dealership	$4.5m
	North Harbour	Ford	Workshop & PD centre	$2.1m
	Silverdale	Mazda	Shopping centre	$0.4m

WORKPLACE HEALTH AND SAFETY

AHG's five year Workplace Health, Safety and Environment strategy, implemented in 2014, continues to underpin the principles that help guide decisions and behaviours designed to secure a workplace free of risk and injury.

In line with those commitments, FY2018 has been another strong year for safety at AHG across all business units as we continue to develop and enhance WHSE processes, and further identify strategies for injury prevention, enhanced health and wellbeing and improved injury management outcomes.

In FY2018 AHG refreshed the suite of WHSE Policies in line with the three year review cycle. The Company also included additional lead and lag indicators directly linked to short term incentive plans for senior leaders.

The year in review also saw a continued focus on Chain of Responsibility management, both in terms of the Company's Logistics operations and the trucking industry CoR focus from the National Heavy Vehicle Regulator.

Management recognises that sound WHSE performance contributes to overall business success. AHG demands accountability from senior management, dealer principals and business unit management for leading health and safety programs in their areas of responsibility, which is characterised by:

- Safety leaders being evident and available at all levels of the organisation;
- Establishing specific KPIs to support the monitoring of WHSE performance;
- WHSE being valued and considered in decisions made;
- A culture of communicating, reporting, learning and continual growth;
- Employees choosing to work safely and not being dependant 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.

In FY2018 AHG's automotive and logistics businesses have continued to undertake the AS/NZS 4801 Audit with accreditations again achieved in 100% of the twenty five businesses audited. It is encouraging that 62% achieved the Gold certification standard while the remaining 38% reached Silver standard.

The AHG WHSE Team has now completed more than 100 audits and 21 re-audits in the past four years, and 93% of business units have achieved either silver or gold accreditation in this time.

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 expansion of the **easyauto123** business, and the acquisition of dealerships at Auckland Motors Mitsubishi and Manukau Hyundai, Essendon Fields (Nissan/KIA), the Hunter Group in Newcastle and the opening of the new Daimler Trucks Laverton dealership 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 following the current strategies of:

- Continued implementation and review of the Data Station WHSE program in line with AS4804 requirements at new dealerships;
- Complete revision and dissemination of the Health and Safety Policies;
- Revision of all tool box talk topics and safe work method statements for high risk activities;
- AS/NZS 4801 Audits completed at a number of dealerships;
- Safety Management Plans being developed, implemented and reviewed in each business;
- Consolidation of the High Risk activity register across the Group;
- Development of Traffic management plans for each dealership;
- Development and implementation of the Velpic induction program; and
- Development and implementation of core e-learning modules, including WHSE Roles and Responsibilities for Workers, Supervisors, Managers and Dealer Principals.

In respect to the National WHSE Steering Committee, AHG continues to foster a truly aligned consultative mechanism, including involvement of members of senior management 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 corporate health and safety activities to enable their implementation.

The Company's WHSE Key Performance Indicators continue to show a very healthy trend. The AHG Lost Time Injury Frequency Rate (LTIFR) of 4.8 is down by 7.7% on FY2017 (down over 26% in the last three years) and the Incident Rate (IR) of 0.93 is down 10% on FY2017 (down 27% in the last three years) across all businesses. National Franchised Automotive, **easyauto123**, AHG Refrigerated Logistics and VSE/GTB all outperformed 2017 results.

Positive performance indicators for FY2018 again show a pleasing trend across three significant WHSE areas. Health and Safety Committee participation across the group increased by 10% (778) on 2017 figures, with more than 3,700 toolbox talks undertaken and 2,336 workplace inspections completed. These numbers illustrate the commitment and dedication to ensuring continued to maturity across the Group.

The WHSE team at AHG, led by the Board and management, continues to innovate in respect to proactive safety and reduction of injuries by continuing to review the WHSE Strategic Plan with an emphasis on a number of additional activities to further enhance the safety program.

One of the first activities under review is the way WHS metrics are reported to the Board, to assist Directors in exercising due diligence in discharging their duties under the model Work Health and Safety Act and other state-based legislation.

Operating and Financial Review (continued)

Further work in the area of safety management, traffic management and emergency management planning has assisted in the continued development of the AHG risk register and subsequent development and implementation of more than 45 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 WHSE 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 and implemented include Work Health & Safety for Supervisors and Managers, and a master class for dealer principals.

CHAIN OF RESPONSIBILITY

Under law, 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 compliance with the Heavy Vehicle National Law (HVNL).

The AHG Refrigerated Logistics ‘On Road Compliance’ Team works 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 critical disciplines:

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

These key metrics enable AHG 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. In the area of maintenance management, AHG has achieved close to 100% compliance in vehicle servicing, as well as the completion of pre-trip inspections, which have consistently exceeded compliance requirements. Closure rates from defect reports in FY2018 continue to improve with figures showing above 98% of defect reports being closed out each month during the year.

Mass management continues a pleasing trend with only a small number of minor breaches (16) out of (62,200) trips noted in FY2018, equating to over 99.5% compliance. Fatigue management figures show a consistent trend with over 99% compliance based on work diary pages audited.

The FY2018 Speed management data indicates less than 0.55% (69) speed breaches per month from an average 12,500 trips.

AHG Refrigerated Logistics undertook 519 drug and alcohol tests in FY2018 with five drivers being terminated from the business for recording non-negative results. This equates to a 35% reduction (year-on-year) in non-negative results ending in termination.

On 1 October 2018, the Heavy Vehicle National Law (HVNL) will be amended to provide that every party in the heavy vehicle transport supply chain has a duty to ensure the safety of their transport activities. In practical terms, this primary duty represents an obligation to eliminate or minimise potential harm or loss (risk) by doing all that is reasonably practical to ensure safety.

INJURY MANAGEMENT

AHG continues to support any employee who suffers an injury at work with dedicated return to work programs.

AHG provides a culture of acceptance for workplace rehabilitation and has processes in place to support an early and safe return to work.

Workers’ compensation initiatives delivered by a partnership between AHG and the Recovre Group in FY2018 will further improve return-to-work outcomes for injured employees, reduce human and financial costs associated with workplace injuries, provide support and advisory services to workplace managers and injured workers, build the capability of the organisation to manage workers’ compensation and return-to-work responsibilities effectively, and meet legislative compliance.

AHG developed a number of further initiatives to improve the health and wellbeing of staff, including the appointment of a new provider for the Company’s Employee Assistance Program.

ENVIRONMENT

Environmental management is a major focus for AHG.

In line with a commitment to conducting all operations in an environmentally responsible manner, AHG’s approach has reflected a strong commitment to fostering the sustainable use of the earth’s resources, thereby minimising the impact of the Company’s operations on local communities, flora and fauna.

The Group continues to be at the forefront of environmental compliance in its operations and in the design of new and refurbished facilities. In FY2018, much work was completed to achieve significant reductions in its environmental footprint in line with AHG’s Environmental Policy objectives:

- 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 negative impacts on the environment, through efficient use of resources, and reductions in emissions and waste;
- Fostering initiatives and ownership of environmental activities by employees 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 included installation of solar paneling at a further twelve facilities, mainly new and refurbished dealerships in Australia and New Zealand. The Group is currently working in partnership with energy monitoring engineers to further improve the proactive identification, assessment and control of inefficient facilities.

FY2018 also saw the installation of a further seven water recycling systems across the Group 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 and efficiency.

AHG continues 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 installed a further nineteen systems in FY2018 taking to 73 the number of business units using BMS controls and monitoring.

Operating and Financial Review (continued)

The Group also continues to work closely with its 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.

AHG contracts two recycling companies in the process.

The average recycling rates across FY2018 were 42.6% and 50% respectively, representing significant increases on the consolidated 34% recycling rate a year earlier.

Significant improvements have also been recorded in a program that reduces the number of hazardous substances used in car detailing operations and a separate initiative to reduce the amount of paper used in printing across the Group's operations.

The Group's automotive dealerships across Australia and New Zealand continue to maintain the coveted Green Stamp accreditation program run through the MTA. This allows dealerships to foster initiatives and ownership of environmental issues, to identify resources to achieve actions and agree to planned actions. The Green Stamp accreditation rewards initiatives such as energy efficient lighting, building management systems for air-conditioning and lighting control, storage and containment practices, waste water management, waste disposal management and air quality. Again a number of dealerships within the Group attained Green stamp Advantage. The AMCAP business unit is also undertaking the MTA Green Stamp accreditation process and is expected to meet compliance in the coming months.

PEOPLE AND CULTURE

Key areas of focus during the past 12 months included:

- The effective integration of acquired businesses;
- Performance management frameworks and the creation of succession plans for key positions; and
- Initiation of a culture program.

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.

Acquisitions that were completed during the year were integrated effectively and quickly generated a positive employee experience. This was achieved in part through the use of on-line learning platforms enabling new employees to gain information about the company at their own pace.

Performance management frameworks were reviewed and enhanced during the year and visible pipelines of talent for key positions were created. Development plans were created and implementation has commenced.

An AHG culture program was initiated with focus groups being conducted across the business. Output from these groups will be used to develop and enhance a values based culture within AHG.

Throughout the financial year staff retention continued to be a key focus including the trial of a centralised recruitment function for our Franchised Automotive operations. The adoption of technology has also improved efficiency and provided a better experience for candidates. 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

AHG believes a diverse and inclusive workforce creates opportunity to drive sustainable business units and create superior shareholder returns.

While the challenges in increasing the number of women in senior operational roles in the automotive retail and logistics sectors are long-standing and industry-wide, AHG is committed to investing in programs that offer women the opportunity to build rewarding careers in a broad range of roles across the Group.

Across AHG's business units, our key stakeholders, including customers, reflect the diversity in the communities in which we operate. It is in our best interests that our employees reflect that diversity.

Attracting, developing and retaining talent with a diverse range of strengths and experiences enhances creativity and innovation.

AHG supports the rights of all its employees and customers to live and work free of discrimination.

AHG reports annually to the Workplace Gender Equality Agency on the number of women working in the Group in Australia. There were 1647 females employed by AHG in Australia as at April 2018, equivalent to 20.9% of total workforce.

AHG WORKFORCE GENDER PROFILE AUSTRALIA (WGEA CATEGORIES)

WGEA Category APRIL 2018	Female	Male	Total	Female%	Male%
Managing Director and CEO*		1	1	0%	100%
Clerical and administrative	880	289	1169	75%	25%
Key Management Personnel	2	15	17	12%	88%
Labourers	79	528	607	13%	87%
Machinery operators and drivers	35	1283	1318	3%	97%
Other executives / general managers	3	64	67	4%	96%
Other managers	96	629	725	13%	87%
Professionals	92	157	249	37%	63%
Sales	315	877	1192	26%	74%
Senior managers	11	104	115	10%	90%
Technicians and trade	134	2293	2427	6%	94%
Grand Total (Australian workforce)	**1647**	**6239**	**7886**	**21%**	**79%**
Board (includes MD / CEO)	2	4	6	33%	67%

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

RISK MANAGEMENT AND SUSTAINABILITY

AHG recognises the importance of identifying, monitoring and managing material risks associated with the Group's activities.

The Company has identified key risks that have the potential to impact materially on the Group's ability to execute and achieve its business strategies and affect the sustainability of the Company.

The key risks listed in this report cannot be taken as an exhaustive list of the uncertainties or risks that the Group faces. It is also noted that many of them remain outside the control of AHG or its officers.

AHG's risk management process analyses and manages business risks, and identifies business process improvement opportunities.

The Group undertakes regular assessment of the effectiveness of AHG's existing internal controls on a risk-by-risk basis, from which a consolidated risk assessment is derived. Action plans are established where existing controls are assessed as requiring improvement in order to mitigate identified risks to an acceptable level.

These risk assessments are presented to the Audit and Risk Management Committee, with appropriate risk management strategies.

Operating and Financial Review (continued)

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.

The Group actively considers and reviews strategies to adapt to potential future disruptors.

Automotive retailing is exposed to potential technology changes and regulatory 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 and range of strategic partnerships offer opportunities to mitigate the potential impacts.

REGULATORY CHANGE

The Company recognises the potential for the impact of regulatory change and has experienced the effects of regulatory intervention in automotive finance and add-on insurance product sales over the past two financial years.

The intervention has impacted the earnings of all Australian automotive dealerships including those operated by AHG.

DELIVERING ON GROWTH OPPORTUNITIES

AHG's strategy has seen it execute numerous acquisitions in what remains a highly fragmented automotive retail market. Should some of these acquisitions fail to achieve targeted performance or do so at a slower rate than anticipated due to factors either beyond or within the Group's control this may adversely impact performance.

AHG has strong partner relationships and 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 businesses depend in part on 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 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 any significant workplace health and safety or environmental incident involving employees, contractors, customers or the community.

AHG has implemented systems and processes to administer and monitor the WHSE management of the business, including the development and implementation of positive WHSE metrics and a business-wide reporting standard to provide reporting that is relevant, valid, comparable and reliable.

INFORMATION TECHNOLOGY

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

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

Corporate Responsibility Highlights

COMMUNITY INVOLVEMENT

AHG is committed to supporting the communities in which it operates. The Company and its many business units collectively support a wide range of charitable, community and sporting organisations representing a broad cross-section of those communities across Australia and New Zealand.

Each AHG business unit conducts its own partnership programs to ensure their respective endeavours most effectively suit both the needs of the business and its local community.

AHG also provides charity day leave where employees can apply to be paid to spend a day serving approved community organisations.

Bobbie-Lee Webster (front right) kneeling with Monica Noonan. Back L-R: Yvette Donaher, Penny Petralito, Kaela Biffin, Paul Spooner, Jenni Hickman and Susan Daniel

AHG applauds the many employees across the Group who volunteer to support their local communities.

That support was on show in Sydney when NSW customer relations team leader Bobbie-Lee Webster participated in Wear Orange Wednesday along with her team and IT specialist Paul Spooner.

The aim of the day was to raise awareness and show support for State Emergency Service volunteers by wearing orange at AHG's east coast corporate office.

Wear Orange Wednesday is celebrated annually in May and is a national campaign to recognise and support the thousands of volunteers who assist the community through emergency and rescue services.

Bobbie-Lee has been an SES volunteer for ten years while Paul joined the organisation this year.

AHGNZ dealer principal Paul Ah Kuoi with Cure Kids CEO Frances Benge

AHG is the Foundation Partner of Perth Symphony Orchestra and is now in its third three-year term of support

Annual Financial Report Contents

AUTOMOTIVE HOLDINGS GROUP

DIRECTORS' REPORT

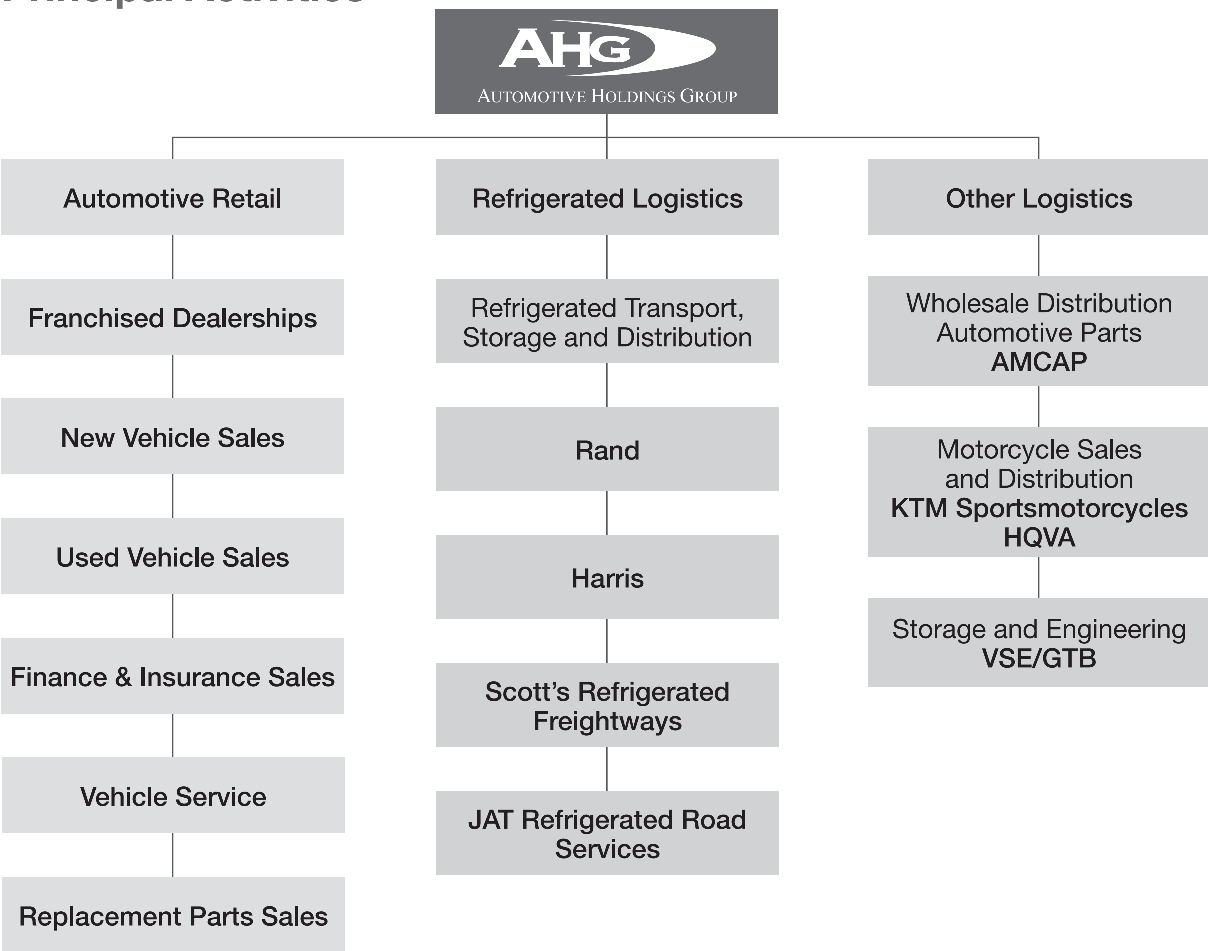
The Directors present their report on the consolidated entity consisting of Automotive Holdings Group Limited (AHG or Company) and the entities it controlled (Group) at the end of, or during, the year ended 30 June 2018.

Directors

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

David Griffiths	*Non-Executive Chairman (Retired 27 February 2018)*
Howard Critchley	*Non-Executive Director*
Greg Duncan	*Non-Executive Director*
Giovanni (John) Groppoli	*Non-Executive Director*
Andrea Hall	*Non-Executive Director (Appointed 2 May 2018)*
John McConnell	*Managing Director*
Robert McEniry	*Non-Executive Director (to 26 February 2018)* *Non-Executive Chairman (27 February to 4 April 2018, retired)*
Jane McKellar	*Non-Executive Director*

Principal Activities



DIRECTORS' REPORT

Dividends

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

	Parent	
Dividends on ordinary shares:	**2018 $'000**	2017 $'000
Final dividend for the year ended 30 June 2017 of 9.5 cents per fully paid share paid on 6 October 2017 (2017: 13.0 cents, paid on 5 October 2016)	**31,504**	43,111
Interim dividend for the half-year ended 31 December 2017 of 9.5 cents per fully paid share paid on 4 April 2018 (2017: 9.5 cents, paid on 5 April 2017)	**31,504**	31,504
	63,008	74,615

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 6.8 cents per share, based on tax paid at 30%. The aggregate amount of dividend to be paid on 9 October 2018 out of the retained profits at 30 June 2018, but not recognised as a liability at year end, will be $22.55 million (2017: $31.50 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 2018 compared to 30 June 2017 included:

- acquisition of Carlins (51%), Hunter Motor Group, Auckland Motor Group, Essendon Nissan/Kia (refer note 25);
- disposal of a 26% share in Motorcycles Distributors Australia Pty Ltd;
- interruption from the HNA sale process, with a binding agreement announced on 23 November 2017, which was subsequently terminated on 2 July 2018;
- restructure of underperforming operations across the Automotive division;
- undertaking facility rationalisation, write-down activities post HNA, which combined with other unusual items, resulted in $42.12 million expense between operating and statutory profit after tax attributable to members;
- $29 million impact of regulatory intervention in finance and insurance product sales; and
- receipt of a one-off $12 million insurance income.

Likely Developments and Expected Results of Operations

Refer to Operating and Financial Review for details.

Environmental Regulation

Refer to Operating and Financial Review for details.

Matters Subsequent to the End of the Year

(a) On 2 July 2018, AHG announced that HNA International confirmed to terminate the agreement announced on 23 November 2017 to acquire the Company's Refrigerated Logistics business. The Refrigerated Logistics business was classified and disclosed as discontinued operation during half-year reporting. Based on the termination status of the transaction, the Group considers the business as a part of the continuing operations throughout this report.

(b) Prior to the issuance of this report, AHG entered into unconditional sales contracts to dispose two blocks of land located in Hillcrest and Oxley, Queensland. The land was classified as held for sale as at 30 June 2018 (refer to note 12).

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2018 require disclosure 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.

DIRECTORS' REPORT

Non-Audit Services

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

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

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

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2018:

	Consolidated	
	2018 $	2017 $
Non-audit services		
Taxation services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	65,778	524,946
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	9,138	25,779
Other services		
Fees paid or payable to BDO Corporate Finance (WA) Pty Ltd	45,000	-
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	11,423	-
Total of Non-Audit Services provided to the Group	131,339	550,725

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 Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Information on Directors

Pictured (L-R): Greg Duncan, Jane McKellar, Howard Critchley, Andrea Hall, John Groppoli, John McConnell

DAVID GRIFFITHS

B Econ (Honours) UWA, Master of Economics ANU, Hon.Dec UWA, FAICD

Former Chairman (Independent)

Retired 27 February 2018

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. He retired from the Board 27 February 2018.

ROBERT MCENIRY

MBA, MAICD

Former Chairman (Independent)

Retired 4 April 2018

Experience and expertise

Mr McEniry was appointed to the Board on 3 May 2012. He was appointed Chairman of the Board on 27 February 2018. He retired from the Board 4 April 2018.

HOWARD CRITCHLEY

BEc, MA

Non-Executive Director (Independent)

Experience and expertise

Mr Critchley was appointed as a non-executive Director on 3 April 2014. He has more than 25 years of 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).

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.

He is currently a non-executive Director of unlisted Linfox Australia Pty Ltd and was previously on the Board of the ASX-listed Boom Logistics. Mr Critchley is also a member of the Advisory Board for TVS Logistics, an Indian headquartered global logistics company.

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

Other current directorships (of listed entities)

Nil

Former directorships in the last 3 years

Boom Logistics

Interest in shares

6,500 ordinary shares in AHG

Special responsibilities

- Refrigerated Logistics advisory activities

GREG DUNCAN OAM

B.Ec., FCA

Non-Executive Director (Independent)

Experience and expertise

Mr Duncan was appointed to the Board on 25 March 2015. He is a highly regarded automotive retailer and business leader. Since 2013 he has been a shareholder, director and partner in JWT Bespoke, a family owned and operated boutique advisory and investment business.

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.

Mr Duncan is also a shareholder and Chairman of the Board of Management of Cox Automotive Australia Proprietary 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

Nil

Interest in shares

150,000 ordinary shares in AHG

Special responsibilities

- Member of the Remuneration and Nomination Committee
- Member and former Chair of the Audit and Risk Committee

DIRECTORS' REPORT

GIOVANNI (JOHN) GROPPOLI

LLB, B.Juris, FAICD

Non-Executive Director (Independent)

Experience and expertise

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

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

Mr Groppoli left private practice in 2004 and is a Principal (formerly, the Managing Director of) with Milner's Brand Marketing and Aviva Mann Optical Group whose business operations consist of the importation and national distribution of international homewares, optical products and accessories.

Mr Groppoli is a non-executive director of Senses Australia Ltd (a leading disability services provider in Western Australia) and Stealth Global Holdings Ltd specialising in the supply of industrial, mining, safety and healthcare products and bespoke supply chain/logistic services. He was formerly a director of ASX-listed Quintis Ltd.

Other current directorships (of listed entities)

Stealth Global Holdings Ltd
(ASX listing scheduled October 2018)

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

Quintis Ltd

Interest in shares

45,898 ordinary shares in AHG

Special responsibilities

- Chairman of the Remuneration and Nomination Committee

ANDREA HALL

BComm, FCA, GAICD

Non-Executive Director (Appointed 2 May 2018)

Experience and expertise

Ms Hall was appointed to the Board on 2 May 2018. The appointment will be subject to ratification by Shareholders at the Company's 2018 Annual General Meeting in November.

Ms Hall is an experienced director who sits on the boards of listed companies Evolution Mining Ltd and Pioneer Credit Ltd. She also holds director positions with the Insurance Commission of WA, privately-held company C-Wise, the Fremantle Football Club.

Andrea is a former KPMG Risk Consulting partner with more than 20 years of experience in corporate, operational and board governance; risk management, financial management, and internal and external audit.

She was previously on the Senate of Murdoch University, a Director of Lotterywest, and a former Chair and member of the WA Council for Chartered Accountants Australia and New Zealand.

After graduating with a Bachelor of Commerce (Accounting/Finance) from The University of Western Australia, Andrea completed a Masters in Applied Finance (Corporate Finance). She is a Fellow of Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors.

Other current directorships (of listed entities)

Evolution Mining Ltd

Pioneer Credit Ltd

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

Tap Oil Ltd

Interest in shares

Nil

Special responsibilities

- Chair Audit and Risk Management Committee

DIRECTORS' REPORT

JOHN MCCONNELL

BEc, MBA, CPA

Chief Executive Officer (from 29 August 2016)
Managing Director (from 1 January 2017)

Experience and expertise

Mr McConnell is a CPA 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)

Nil

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

UBM plc (UK)

Inchape plc (UK)

Interest in shares

100,000 ordinary shares in AHG

Special responsibilities

- Managing Director

JANE MCKELLAR

MA (Hons), GAICD

Non-Executive Director (Independent)

Experience and expertise

Ms McKellar was appointed to the Board on 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 unlisted Terry White Chemmart Pty Ltd.

Ms McKellar also consults at Board and C-suite levels on growth strategies and performance improvement. She holds an honours degree (Arts) from the University of Aberdeen.

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

1,436 ordinary shares in AHG

Special responsibilities

- Member of the Remuneration and Nomination Committee

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	3
Consumer / brand / marketing	5
Digital / e-commerce	4
Refrigerated and other logistics	2
Mergers and acquisitions / equity capital markets	5
International operations	6
Finance, accounting, audit and banking	3
Legal	1
Regulatory compliance	4
Business development	6
Human resources management	5
Occupational health and safety and risk management	5
Former director experience	6
Former executive management (e.g. CEO, CFO) experience	5

PHILIP MIRAMS

B.Com, CA

Chief Financial Officer
(Resigned 27 April 2018)

ADAM IRVING

B.Com, CA
Chief Financial Officer
(Appointed 1 May 2018)

Experience and expertise

Mr Irving was appointed CFO on 1 May 2018. He holds a Commerce degree from the University of Western Australia and qualified as a Chartered Accountant. He gained extensive experience in overseas equity and capital markets, including roles in London and Europe as an Associate Director with Jones Lang LaSalle Corporate Finance and as an Executive Director with GE Commercial Finance.

Prior to joining AHG in 2010 he worked with Westpac's institutional banking division in Perth.

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.

DIRECTORS' REPORT

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 2018 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#	6	6	3	3	3	3	12	12
H Critchley	11	11	n/a	n/a	n/a	n/a	11	11
G Duncan	11	10	3	3	3	3	17	16
G Groppoli	11	11	n/a	n/a	3	3	14	14
A Hall*	2	2	n/a	n/a	n/a	n/a	2	2
J McConnell	11	11	n/a	n/a	n/a	n/a	11	11
R McEniry^	8	7	3	3	n/a	n/a	11	10
J McKellar	11	11	n/a	n/a	3	3	14	14

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.

D Griffiths retired as Non-Executive Chairman on 27 February 2018. Meeting attendances recorded are for the period from 1 July 2017 to 27 February 2018.

^ R McEniry retired as Non-Executive Chairman on 4 April 2018. Meeting attendances recorded are for the period from 1 July 2017 to 4 April 2018.

* A Hall appointed as Non-Executive Director on 2 May 2018. Meeting attendances recorded are for the period from 2 May 2018 to 30 June 2018.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of the Company, Mr Greg Duncan will retire by rotation. Being eligible, Mr Duncan offers himself for re-election at the next Annual General Meeting. In accordance with the Constitution of the Company, Ms Andrea Hall was appointed as Director on 2 May 2018 as a casual vacancy and offers herself for election at the next Annual General Meeting.

Report from the Chairman of the Board's Remuneration Committee

On behalf of your Board I am pleased to present AHG's 2018 Remuneration Report.

BUSINESS CONTEXT

As experienced in other predominantly consumer facing retail organisations, underlying business conditions during FY2018 were challenging on a number of fronts, in particular the unsuccessful but incredibly disruptive sale process that affected the Company's Refrigerated Logistics division and the impacts of regulatory intervention in automotive finance and insurance sales by the Australian Securities and Investments Commission.

These impacts affected both revenue and earnings across the board, despite the best efforts of our employees, including Key Management Personnel (KMP).

SHORT TERM INCENTIVES (STI)

The substantial majority of KMP have not received a financial short term incentive payment for FY2018. However, those who did receive a financial STI payment are typically business unit leaders who (as part of their traditional remuneration) receive a commission on monthly performance against target or completion bonuses on acquisitions.

LONG TERM INCENTIVES (LTI)

The LTI program has again not vested this financial year and the broader remuneration structure will be reviewed by external consultants to ensure it better aligns with the long-term financial success of the Company and is commensurate with the interests of Shareholders and the retention of the Group's key business leaders.

DISCRETIONARY BONUS

The Board has decided to provide a discretionary bonus to certain KMP. The decision to award a discretionary bonus, despite the negative impacts, takes into account the need to retain key management who are critical to the Company's business strategy. In any event, the Board expects to complete a review of the remuneration arrangements during FY2019 and present the report to Shareholders at the 2019 Annual General Meeting.

John Groppoli

Chair REMC

DIRECTORS' REPORT

Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2018 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 FY2018
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 FY2018 (including the link to performance)
5. Executive Employment Contracts
6. Non-Executive Directors Remuneration Arrangements
7. Additional Statutory Disclosures

This 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, Managing Director 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 the Managing Director and other key executives of AHG.

NON-EXECUTIVE DIRECTORS (NEDs)

- Robert McEniry, *Non-Executive Director, Chairman (appointed 27 February 2018) (retired 4 April 2018)*
- David Griffiths, *Chairman (retired 27 February 2018)*
- Howard Critchley, *Non-Executive Director*
- Greg Duncan, *Non-Executive Director*
- John Groppoli, *Non-Executive Director*
- Jane McKellar, *Non-Executive Director*
- Andrea Hall, *Non-Executive Director (appointed 2 May 2018)*

EXECUTIVE DIRECTOR

- John McConnell, *Managing Director*

OTHER KMPs

- Philip Mirams, *Chief Financial Officer (resigned 27 April 2018)*
- Adam Irving, *Chief Financial Officer (appointed 1 May 2018)*
- David Rowland, *Company Secretary & General Counsel*
- Stephen Cleary, *Chief Operating Officer – Logistics*
- Paul Morris, *Chief Operating Officer – Franchised Automotive (resigning 31 October 2018)*
- Eugene Kavanagh, *Chief Information Officer*
- Gus Kininmont, *General Manager Finance*
- Martin Wandmaker, *Head of Human Resources (resigned 31 August 2018)*
- Jo Cairns, *Chief Human Resources Officer (appointed 13 August 2018)*

1. Remuneration Overview for FY2018

OVERVIEW

The following provides an overview of AHG's remuneration framework and summary of outcomes for FY2018.

Executive remuneration	
Fixed remuneration	The FY2018 annual remuneration review process resulted in an average increase in fixed remuneration over FY2017 for key executives (excluding new appointments and retirements) of 0%. No general or CPI increase in fixed remuneration is being granted to KMP for FY2019.
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 FY2018 outcomes for financial targets produced an average payment of 27% of the threshold opportunity. Non-financial targets provided an average payment of 72% of the threshold opportunity (inclusive of discretionary bonus). This compares to 5% for financial targets and 95% for non-financial targets in FY2017. This actual STI award reflected the financial performance of AHG during FY2018.
Long-term incentives (LTI)	Zero percent vesting of the 2016 LTI (performance period 1 July 2015 to 30 June 2018) reflected negative TSR of 16.3% (which ranked the Company at 33 percentile of the TSR comparator group) and negative EPS growth of 9.8%.
Total Remuneration	In FY2018, total remuneration on a consistent roles basis was $5.77 million compared to $5.29 million in FY2017 (see table and explanation on page 54). Including the impact of new KMP appointments and other retirements, total remuneration was $6.99 million (see table on page 58). The above figures are all inclusive of the one-off discretionary bonus awarded in FY2018, as noted in the Report from the Chairman of the Board's remuneration committee, being $0.64 million for the KMP (see table on page 53).
Non-Executive Director remuneration	
	With the change in composition of NEDs between FY2017 and FY2018 total remuneration was $0.82 million, a decrease of 6.4% over FY2017 (see table on page 61). Board fees for the Chairman and Members were unchanged during FY2018, the last increase effective 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.

DIRECTORS' REPORT

During the financial year remuneration consultants were engaged by the Remuneration Committee for the purpose of verifying the FY2015, FY2016, FY2017 and FY2018 LTI performance tests and also to set the LTI peer group for FY2019, being The Reward Practice Pty Ltd and PwC respectively. During the financial year no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by the remuneration consultants.

REMUNERATION REPORT APPROVAL AT FY2017 AGM

The FY2017 Remuneration Report received positive shareholder support at the FY2017 AGM with a vote of 76.7% 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 seeks to align executive reward with the achievement of strategic objectives and the creation of long-term value for shareholders, subject to recognising 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 short-term business outcomes, as well as professional individual and role-specific 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's 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.
Discretionary bonus	Paid in cash, other than Managing Director, where payable 100% in Performance Rights.	To retain key management who are critical to the Company's business strategy.	One-off discretionary payment linked to non-financial measures, including commitment to HNA sale process and retention for strategy execution purposes.

DIRECTORS' REPORT

B. APPROACH TO SETTING REMUNERATION

In FY2018, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below.

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

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 and/or competitive 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 industry trends and the broader economic environment.

The following summarises the Managing Director's and key executives' target remuneration mix for FY2018. This mix changes from year to year as personnel and targets evolve.

Managing Director – Target remuneration mix

Key Executives – Target remuneration mix

C. DETAILS OF INCENTIVE PLANS

Short-Term Incentive (STI)

AHG operates an annual STI program that is available to key executives and provides an award subject to the attainment of clearly defined Group and business unit financial measures and role specific non-financial 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 actually 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	42%	0%	58%
Key Executives (KMP)	13%	37%	50%

DIRECTORS' REPORT

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 financial STI's 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 core values, employment, policies and behaviours
Compliance & reporting	• Specific measures surrounding compliance with accounting standards and 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 and other key stakeholders) • 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 lapsed/forfeited during the year.

Performance Conditions (FY2018)

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, industry sector, business activities, volatility and management/board structure.

DIRECTORS' REPORT

- AMA Group Limited
- A.P. Eagers Limited
- ARB Corporation Limited
- Apollo Tourism & Leisure Ltd
- Autosports Group Limited
- Breville Group Limited
- Bapcor Limited
- Flight Centre Travel Group Limited
- Harvey Norman Holdings Limited
- JB Hi-Fi Limited
- Myer Holdings Limited
- Nick Scali Limited
- Super Retail Group Limited
- Thorn 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 (The Reward Practice Pty Ltd) 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	Vesting outcome of EPS portion of grant
Below 7% pa	Nil
At 7% pa	50% vesting
7% p.a. 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 the terms of the executive service agreements 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 FY2018 (including the link to performance)

FY2018 TOTAL REALISED EARNINGS

The table below sets out the total realised earnings for each of the successive Managing Directors and executive KMP for FY2018 and FY2017 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 2018. 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 53 of this remuneration report.

DIRECTORS' REPORT

EXECUTIVE TOTAL REALISED EARNINGS IN FY2018 AND FY2017

(Non-International Finance Reporting Standards (IFRS))

		Fixed Remuneration[6] $	STI[7] $	LTI[8] $	Realised Earnings $	Discretionary Bonus $	Total Realised Earnings $
Executive Directors							
J McConnell[1] *Managing Director*	2018	1,200,000	360,500	Nil	1,560,500	400,000	1,960,500
	2017	1,050,314	502,000	Nil	1,552,314	n/a	1,552,314
B Howson[2] *Managing Director*	2018	n/a	n/a	n/a	n/a	n/a	n/a
	2017	617,002	300,000	53,037	970,039	n/a	970,039
Key Executives							
P Mirams[3] *Chief Financial Officer*	2018	548,482	Nil	Nil	548,482	n/a	548,482
	2017	658,178	122,250	Nil	780,428	n/a	780,428
A Irving[4] *Chief Financial Officer*	2018	87,500	Nil	n/a	87,500	n/a	87,500
	2017	n/a	n/a	n/a	n/a	n/a	n/a
D Rowland *Company Secretary and General Counsel*	2018	500,000	72,200	Nil	572,200	75,000	647,200
	2017	500,000	119,900	Nil	619,900	n/a	619,900
G Kininmont *GM Finance*	2018	425,000	203,800	Nil	628,800	38,000	666,800
	2017	425,000	144,900	Nil	569,900	n/a	569,900
E Kavanagh *Chief Information Officer*	2018	367,772	32,020	Nil	399,792	32,000	431,792
	2017	367,772	23,350	Nil	391,122	n/a	391,122
M Wandmaker *Head of Human Resources*	2018	336,453	27,700	Nil	364,153	30,000	394,153
	2017	336,453	37,350	Nil	373,803	n/a	373,803
S Cleary *Chief Executive Officer – Logistics*	2018	800,000	175,000	Nil	975,000	60,000	1,035,000
	2017	800,000	198,500	Nil	998,500	n/a	998,500
P Morris[5] *Chief Operating Officer – Franchised Automotive*	2018	540,000	458,214	Nil	998,214	n/a	998,214
	2017	90,000	100,000	Nil	190,000	n/a	190,000
Total	2018	4,805,207	1,329,434	Nil	6,134,641	635,000	6,769,641
	2017	4,844,719	1,548,250	53,037	6,446,006	n/a	6,446,006

The table below sets out comparable remuneration based on consistent roles for FY2018, FY2017 and FY2016, being Managing Director (J McConnell FY2017 & FY2018; B Howson FY2016) and key executives employed for these financial years (all except P Morris, being a role not existing for FY2016 or majority of FY2017; S Cleary included in FY2016 at same achievement level as FY2017).

A component of the below year-on-year increase in Total Realised Earnings between FY2017 and FY2018 relates to the timing of J McConnell being AHG's Managing Director for the whole of FY2018 but not being so for the whole of FY2017 (CEO/MD from 28 August 2016 to 30 June 2017). The one-off discretionary bonus award in FY2018 further contributed to the increase between FY2017 and FY2018. Had these two matters not arisen, FY2018 Total Remuneration is lower than FY2017, and further reduced compared to FY2016.

DIRECTORS' REPORT

		Fixed Remuneration[6] $	STI[7] $	LTI[8] $	Realised Earnings $	Discretionary Bonus $	Total Realised Earnings $
Total	2018	4,265,206	871,220	Nil	5,136,426	635,000	5,771,426
	2017	4,137,716	1,148,250	Nil	5,285,966	n/a	5,285,966
	2016	4,219,553	2,256,582	Nil	6,476,135	n/a	6,476,135

[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.
[3] Resigned 27 April 2018.
[4] Appointed 1 May 2018.
[5] Appointed 1 May 2017.
[6] Fixed remuneration includes cash salary, paid leave, superannuation, and non-monetary benefits.
[7] Represents the value of the FY2017 STI which was awarded in September 2017 and FY2018 STI which was/will be awarded in September 2018. 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 either FY2018 or FY2017.

COMPANY PERFORMANCE AND ITS LINK TO SHORT-TERM INCENTIVES

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

	2014	2015	2016	2017	2018
Statutory Profit before Tax ($'000)	109,544	130,028	137,149	89,994	**52,327**
CAGR (five-year)	(16.9%)				
Operating (Non-IFRS) Profit before Tax* ($'000)	117,527	141,650	145,522	129,780	**112,393**
CAGR (five-year)	(1.1%)				
Operating (Non-IFRS) NPAT* ($'000)	78,512	94,213	87,247	87,291	**74,760**
Operating (Non-IFRS) EPS (cents)*	29.00	30.73	31.70	26.65	**22.54**
CAGR (five-year)	(6.1%)				
Dividend (cents)	21.00	22.00	22.50	19.00	**16.30**
CAGR (five-year)	(6.1%)				
Share Price @ 30 June	$3.65	$3.99	$3.76	$3.35	**$2.85**
CAGR (five-year)	(6.0%)				
KMP (inc. NED) Total Remuneration ($'000)	6,772	8,105	7,350	8,573	**7,810**
Operating (Non-IFRS) NPAT: Total Remuneration % ratio*	8.6%	8.6%	7.6%	9.8%	**10.4%**
Remuneration Report – STI** ($'000)	1,827	2,200	2,058	1,548	**1,329**
Operating (Non-IFRS) NPAT: Remuneration STI % ratio*	2.3%	2.3%	2.1%	1.8%	**1.8%**

* *Operating (Non-IFRS) excludes costs and fees in relation to integration, acquisition and disposal-related activities, profit/loss on restructure of assets and operations, impairment of assets, and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.*

** *STI remuneration reflects the STI amounts that were paid or payable to KMP (excludes one-off discretionary bonus paid FY2018).*

DIRECTORS' REPORT

The FY2018 Group financial performance measure is Group Operating Profit after Tax attributable to Members. FY2018 performance was below target in this regard.

The table below outlines FY2018 Group performance against non-financial targets.

	OH&SE	People Management	Compliance & Reporting	Business Development	Stakeholder Relationships	Expense/ Asset Management
Group	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 (inclusive of discretionary bonus) earned and forfeited in relation to the FY2018 was:

	Proportion of maximum STI earned in FY2018	Proportion of maximum STI forfeited in FY2018
J McConnell *Managing Director*	53%	47%
P Mirams[1] *Chief Financial Officer*	0%	100%
A Irving[2] *Chief Financial Officer*	n/a	n/a
D Rowland *Company Secretary and General Counsel*	42%	58%
G Kininmont *GM Finance*	71%	29%
E Kavanagh *Chief Information Officer*	46%	54%
M Wandmaker *Head of Human Resources*	43%	57%
S Cleary *Chief Executive Officer – Logistics*	38%	62%
P Morris *Chief Operating Officer – Franchised Automotive*	83%	17%

[1] Resigned 27 April 2018.
[2] Appointed 1 May 2018.

DIRECTORS' REPORT

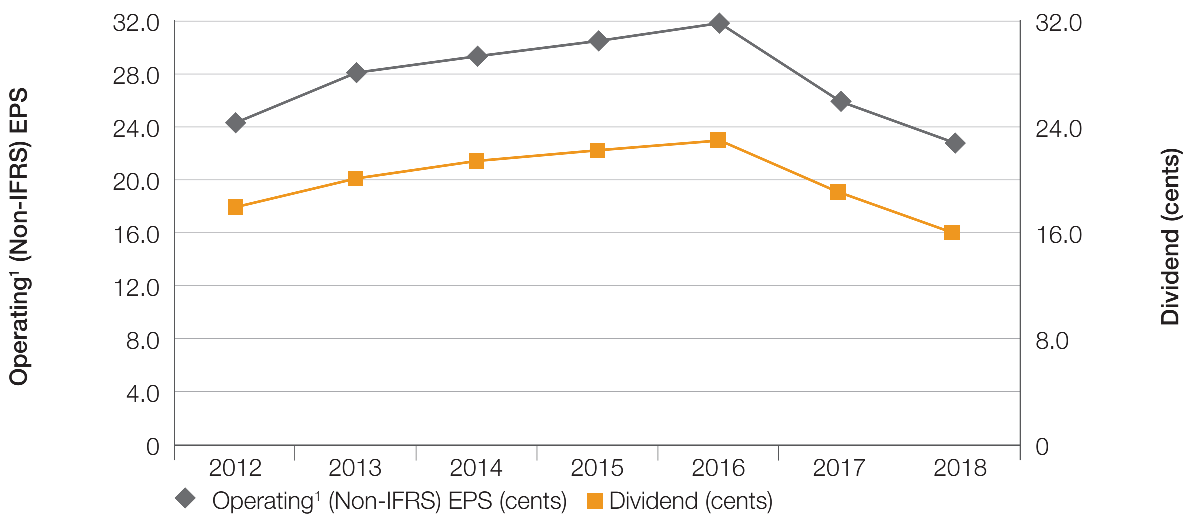
COMPANY PERFORMANCE AND ITS LINK TO LONG-TERM INCENTIVES

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 FY2018. 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:

	2015 grant (FY2016)	2016 grant (FY2017)	2017 grant (FY2018)
Relative TSR performance:			
• AHG performance	(16.3%) return over 3 years	(11.4%) return over 2 years	(5.3%) return over 1 years
• AHG vs peer group	33 percentile ranking	10 percentile ranking	29 percentile ranking
EPS Growth*	(9.8%) p.a.	(15.7%) p.a.	(15.4%) p.a.
Implication for vesting:			
• TSR component	0% will vest on 30 September 2018.	0% will vest on 30 September 2019 if TSR ranking remains unchanged to the vesting date in FY2019.	0% will vest on 30 September 2020 if TSR ranking remains unchanged to the vesting date in FY2020.
• EPS component	0% will vest on 30 September 2018.	0% will vest on 30 September 2019 if EPS growth remains unchanged to the vesting date in FY2019.	0% will vest on 30 September 2020 if EPS growth remains unchanged to the vesting date in FY2020.

** 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, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1 for further reconciliation.

DIRECTORS' REPORT

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

		Fixed Remuneration	At risk - STI	At risk - LTI
Executive Directors				
John McConnell[1]	2018	36.3%	43.5%	20.2%
	2017	39.9%	37.9%	22.2%
Bronte Howson[2]	2018	n/a	n/a	n/a
	2017	51.2%	48.8%	0.0%
Key Executives				
Philip Mirams[3]	2018	58.6%	23.6%	17.8%
	2017	58.6%	23.6%	17.8%
Adam Irving[4]	2018	100%	0%	0%
	2017	n/a	n/a	n/a
David Rowland	2018	52.7%	36.8%	10.5%
	2017	66.7%	20.0%	13.3%
Gus Kininmont	2018	50.6%	43.5%	5.9%
	2017	56.7%	36.6%	6.7%
Eugene Kavanagh	2018	65.9%	25.1%	9.0%
	2017	74.6%	15.3%	10.1%
Martin Wandmaker	2018	64.5%	25.9%	9.6%
	2017	72.9%	16.3%	10.8%
Stephen Cleary	2018	47.9%	37.1%	15.0%
	2017	51.6%	32.3%	16.1%
Paul Morris[5]	2018	45.4%	46.2%	8.4%
	2017	47.6%	52.4%	0.0%

[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.
[3] Resigned 27 April 2018.
[4] Appointed 1 May 2018.
[5] Appointed 1 May 2017.

DIRECTORS' REPORT

The table below provides remuneration details for the Executive Directors of the Company and KMP of the Group for the years ended 30 June 2018 and 30 June 2017:

		Short-term Employment Benefits				Long-term Benefits			Post Employment Benefits	Total
		Cash Salary $	Commission / Bonus accrued for June 2018 $	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]	2018	1,180,384	760,500	29,113	-	2,909	168,426	-	20,049	2,161,381
	2017	1,030,698	502,000	71,965	-	1,846	147,996	-	19,616	1,774,122
Bronte Howson[2]	2018	-	-	-	-	-	-	-	-	-
	2017	547,752	300,000	28,813	600,000	21,171	(56,946)	53,037	35,000	1,528,827
Key Executives										
Philip Mirams[3]	2018	533,215	-	68,610	-	(50,896)	(162,234)	-	19,894	408,589
	2017	613,563	122,250	34,589	-	27,127	54,088	-	19,616	871,233
David Rowland	2018	455,383	147,200	40,096	-	(921)	138	-	20,049	661,945
	2017	455,384	119,900	39,530	-	28,172	27,044	-	35,566	705,596
Gus Kininmont	2018	378,222	241,800	13,443	-	9,077	69	-	20,049	662,660
	2017	380,384	144,900	33,660	-	21,022	13,522	-	34,616	628,104
Eugene Kavanagh	2018	327,493	64,020	20,452	-	(8,808)	69	-	20,049	423,275
	2017	323,232	23,350	34,740	-	9,531	13,522	-	34,016	438,391
Martin Wandmaker	2018	287,612	57,700	23,170	-	1,580	(25,132)	-	20,049	364,979
	2017	291,616	37,350	16,912	-	7,926	13,522	-	19,616	386,942
Stephen Cleary	2018	792,479	235,000	52,991	-	1,446	35,029	-	20,049	1,136,994
	2017	780,384	198,500	70,338	-	1,250	94,656	-	19,616	1,164,744
Paul Morris[4]	2018	474,413	458,214	46,902	-	1,807	32,228	-	20,049	1,033,613
	2017	80,064	100,000	6,517	-	134	-	-	7,606	194,321
Adam Irving[5]	2018	79,992	-	31,258	-	18,705	-	-	1,925	131,880
	2017	-	-	-	-	-	-	-	-	-
Total Executive Directors and Key Executives	2018	4,509,193	1,964,434	326,035	-	(25,101)	48,593	-	162,162	6,985,316
	2017	4,503,078	1,548,250	337,066	600,000	118,178	307,404	53,037	225,266	7,692,278

* *LTI Performance Rights are expensed over their three-year performance period. For FY2018 the accrual relates to three years for all Key Executives. In relation to the Executive Director (J McConnell) it relates to two years. FY2017 relates to three years for Key Executives. 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.*

[3] *Resigned 27 April 2018.*

[4] *Appointed 1 May 2017.*

[5] *Appointed 1 May 2018.*

DIRECTORS' REPORT

5. Executive Employment Contracts

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

DETAILS OF EXECUTIVE SERVICE CONTRACT FOR THE MANAGING DIRECTOR

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

Mr McConnell's total remuneration package for FY2018 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, however if the issue of any STI Performance Rights is not approved then, subject to Mr McConnell remaining employed for 12 months following the AGM, Mr McConnell will instead receive a cash payment equivalent in value to the STI Performance Rights he would have received had shareholder approval been obtained; 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 other terms of employment for the Managing Director and 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:

<table>
<tr><th></th><th>Duration of contract</th><th>Notice required by employee to terminate*</th><th>Notice required by Company to terminate*</th><th>Termination benefit**</th><th>Treatment of STI on termination</th><th>Treatment of LTI on termination</th></tr>
<tr><td>Executive Director</td><td></td><td></td><td></td><td rowspan="12">6 months base salary.</td><td rowspan="12">Must be employed at 30 September in the year of payment to receive.</td><td rowspan="12">At the ultimate discretion of the Board as to whether any LTI is payable on termination.</td></tr>
<tr><td>John McConnell</td><td>Rolling contract (commenced 28 August 2016)</td><td>6 months</td><td>6 months</td></tr>
<tr><td>Key Executives</td><td></td><td></td><td></td></tr>
<tr><td>Eugene Kavanagh</td><td>Rolling contract (commenced 24 December 2002)</td><td>3 months</td><td>6 months</td></tr>
<tr><td>Gus Kininmont</td><td>Rolling contract (commenced 27 January 2010)</td><td>3 months</td><td>6 months</td></tr>
<tr><td>David Rowland</td><td>Rolling contract (commenced 11 August 2011)</td><td>3 months</td><td>6 months</td></tr>
<tr><td>Martin Wandmaker</td><td>Rolling contract (commenced 14 October 2013)</td><td>3 months</td><td>6 months</td></tr>
<tr><td>Stephen Cleary</td><td>Rolling contract (commenced 15 February 2016)</td><td>3 months</td><td>3 months</td></tr>
<tr><td>Paul Morris</td><td>Rolling contract (commenced 1 May 2017)</td><td>3 months</td><td>6 months</td></tr>
<tr><td>Adam Irving</td><td>Rolling contract (commenced 1 May 2018)</td><td>3 months</td><td>3 months</td></tr>
<tr><td>Jo Cairns</td><td>Rolling contract (commenced 13 August 2018)</td><td>3 months</td><td>3 months</td></tr>
</table>

* *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.*

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 suitably qualified directors, 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 2018:

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

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 undertaking activities 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 2018 and 30 June 2017 is detailed below:

Non-Executive Directors	Financial year	Short-term benefits Fees $	Short-term benefits Non-monetary benefits $	Other $	Post employment Superannuation $	Total $
David Griffiths[1]	2018	162,557	Nil	Nil	15,443	**178,000**
	2017	218,721	Nil	Nil	19,616	**238,337**
Howard Critchley	2018	104,110	Nil	Nil	9,890	**114,000**
	2017	109,589	Nil	Nil	10,411	**120,000**
Greg Duncan	2018	126,331	Nil	Nil	12,002	**138,334**
	2017	105,023	Nil	Nil	9,977	**115,000**
John Groppoli	2018	122,375	Nil	Nil	11,625	**134,000**
	2017	114,155	Nil	Nil	10,845	**125,000**
Robert McEniry[2]	2018	105,670	Nil	Nil	10,039	**115,709**
	2017	115,525	Nil	Nil	10,975	**126,500**
Jane McKellar	2018	113,242	Nil	Nil	10,758	**124,000**
	2017	105,023	Nil	Nil	9,977	**115,000**
Peter Stancliffe[3]	2018	n/a	Nil	Nil	n/a	**n/a**
	2017	37,401	Nil	Nil	3,553	**40,954**
Andrea Hall[4]	2018	18,434	Nil	Nil	1,751	**20,185**
	2017	n/a	n/a	n/a	n/a	**n/a**
FY2018 NEDs		**752,719**	**Nil**	**Nil**	**71,508**	**824,228**
FY2017 NEDs		**805,437**	**Nil**	**Nil**	**75,354**	**880,791**

[1] Retired 27 February 2018.
[2] Retired 4 April 2018.
[3] Retired by Rotation 18 November 2016.
[4] Appointed 2 May 2018.

7. Additional Statutory Disclosures

PERFORMANCE RIGHTS AWARDED, VESTED AND LAPSED/FORFEITED DURING THE YEAR

The table below discloses the number of Performance Rights granted to executives as LTI-based remuneration during FY2018, FY2017, FY2016 and FY2015, as well as the number of Performance Rights that vested or lapsed/forfeited during the year. Refer to note 27 of the Annual Report for details supporting grant date valuations, with the grant date value disclosed in the table below being the average of the TSR and EPS components. Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met.

Deferred Performance Rights								
	Year Granted	No. Granted	Grant date value per share	Vested %	Vested number	Lapsed/ Forfeited %	Financial years in which shares may vest	Maximum value yet to vest
John McConnell	2017	174,114	$2.55				2020	$147,996
	2018	249,688	$2.58				2021	$429,463
Bronte Howson	2015	109,649	$2.68	0%	-	100%	2018*	$0
	2016	61,218	$2.98	0%	-	100%	2018*	$0
Philip Mirams	2015	65,789	$2.68	0%	-	100%	2018#	$0
	2016	55,096	$2.98	0%	-	100%	2019#	$0
	2017	62,305	$2.55	0%	-	100%	2020#	$0
	2018	74,906	$2.58	0%	-	100%	2021#	$0
David Rowland	2015	32,895	$2.68	0%	-	100%	2018	$0
	2016	27,548	$2.98				2019	$0
	2017	31,153	$2.55				2020	$26,480
	2018	37,453	$2.58				2021	$64,419
Gus Kininmont	2015	16,447	$2.68	0%	-	100%	2018	$0
	2016	13,774	$2.98				2019	$0
	2017	15,576	$2.55				2020	$13,240
	2018	18,727	$2.58				2021	$32,210
Eugene Kavanagh	2015	16,447	$2.68	0%	-	100%	2018	$0
	2016	13,774	$2.98				2019	$0
	2017	15,576	$2.55				2020	$13,240
	2018	18,727	$2.58				2021	$32,210
Martin Wandmaker	2015	16,447	$2.68	0%		100%	2018^	$0
	2016	13,774	$2.98				2019^	$0
	2017	15,576	$2.55				2020^	$13,240
	2018	18,727	$2.58				2021^	$32,210
Stephen Cleary	2016	28,696	$2.98				2019	$0
	2017	77,882	$2.55				2020	$66,199
	2018	93,633	$2.58				2021	$161,049
Paul Morris	2017	Nil	$2.55				2020^	$0
	2018	37,453	$2.58				2021^	$64,419
Adam Irving	2018	Nil	$2.58				2021	$0
Total	2015	257,675	$2.68	0%	-	100%	2018	$0
	2016	213,881	$2.98				2019	$0
	2017	392,182	$2.55				2020	$280,395
	2018	549,314	$2.58				2021	$815,982

** 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 nil vesting occurred during FY2018;*
 # Resigned during FY2018, all 2016/2017/2018 LTIs immediately forfeited.
^ Resigned after 30 June 2018.

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

Total value of Performance Rights awarded to the Executive Director and KMP for FY2018 was $1,417,230.

The FY2015 Performance Rights vested on 30 September 2017, with nil Performance Rights awarded per the previous table, thus representing 100% forfeiture. The FY2016 Performance Rights will be performance tested on 30 September 2018. However (as per prior disclosures in this Directors' Report) no Performance Rights will vest.

Refer to note 27 of the Annual Report for further details on AHG Performance Rights Plan.

SHARES VESTED ON EXERCISE OF PERFORMANCE RIGHTS

No shares were issued during FY2018 on the exercise of Performance Rights.

LOANS TO KMP

There were no loans to KMP (FY2017: Nil).

OTHER TRANSACTIONS WITH KMP

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

	2018 $'000	2017 $'000
Amounts recognised as distributions to shareholders		
Dividends paid	49	537

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 9 of the Annual Report). 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 KEY MANAGEMENT PERSONNEL

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:

2018		Balance at the start of the year	Changes[1] during the year	Balance at the end of the year
Directors	**Beneficial Owners**			
John McConnell		Nil	100,000[7]	100,000
David Griffiths	Darju Pty Ltd; NTH Citrus Pty Ltd atf Lake Avenue Trust	77,243	(77,243)[2]	Nil
Howard Critchley	Suehow Pty Ltd	6,500	Nil	6,500
Greg Duncan	Cleopatra Nominees Pty Ltd	150,000	Nil	150,000
Giovanni (John) Groppoli	Magix Communications Pty Ltd	45,898	Nil	45,898
Robert McEniry	PA McEniry and RJH McEniry	4,950	(4,950)[3]	Nil
Jane McKellar		Nil	1,436[7]	1,436
Andrea Hall		n/a	Nil[4]	Nil
Other KMP				
Philip Mirams		Nil	Nil[5]	n/a
Adam Irving		n/a	Nil[6]	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	Nil
Paul Morris		Nil	Nil	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 Director 27 February 2018.*
[3] *Retired as Director 4 April 2018.*
[4] *Appointed as Director 2 May 2018.*
[5] *Resigned 27 April 2018.*
[6] *Appointed 1 May 2018.*
[7] *On-market purchase.*

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

John McConnell
Managing Director
27 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

BDO

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Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUTOMOTIVE HOLDINGS GROUP LIMITED

As lead auditor of Automotive Holdings Group Limited for the year ended 30 June 2018, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2018

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONTINUING OPERATIONS

For the year ended 30 June 2018	Notes	2018 $'000	2017 $'000
Revenue from continuing operations	3	6,474,053	6,106,064
Profit on sale of assets and investments	3	10	-
Raw materials and inventory expense		(4,966,237)	(4,634,829)
Employee benefits expense	4	(786,142)	(766,977)
Depreciation and amortisation expense	4	(52,509)	(46,920)
Finance costs	4	(44,584)	(41,447)
Advertising and promotion		(45,707)	(48,336)
Occupancy costs		(196,341)	(180,650)
Vehicle preparation and service		(53,036)	(52,615)
Supplies and outside services		(85,262)	(80,666)
Motor vehicle expense		(14,286)	(12,454)
Equipment rental		(19,406)	(21,169)
Professional services		(12,427)	(13,568)
Other expenses		(111,771)	(97,427)
Loss on sale of assets and investments		-	(636)
Impairment of non-current assets	4,24	(34,368)	(18,713)
Share of profit of joint venture		340	337
Profit before income tax		52,327	89,994
Income tax expense	5	(14,535)	(28,901)
Profit from continuing operations		37,792	61,093
Profit attributable to:			
Owners of Automotive Holdings Group Limited	17	32,639	55,539
Non-controlling interest		5,153	5,554
		37,792	61,093
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Available-for-sale financial assets			
Unrealised changes in the fair value of cash flow hedges	17	745	637
Loss on translation of foreign operations	17	(1,278)	(157)
Total comprehensive income for the year (net of tax)		37,259	61,573
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		32,106	56,019
Non-controlling interest		5,153	5,554
		37,259	61,573
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	20	9.8	17.0
Diluted earnings per share (cents)	20	9.8	17.0

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 2018	Notes	2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	73,046	95,035
Trade and other receivables	7	416,570	357,373
Inventories	8	1,110,746	899,796
Other current assets		26,331	49,707
Assets classified as held for sale	12	18,650	-
TOTAL CURRENT ASSETS		1,645,343	1,401,911
NON CURRENT ASSETS			
Investments accounted for using the equity method		1,127	1,088
Available-for-sale financial assets	9	7,228	7,228
Property, plant and equipment	10	376,524	401,130
Intangible assets	11	539,168	513,170
Deferred tax assets	5	68,701	60,866
TOTAL NON CURRENT ASSETS		992,748	983,482
TOTAL ASSETS		2,638,091	2,385,393
CURRENT LIABILITIES			
Trade and other payables	13	379,501	322,796
Interest-bearing loans and borrowings	15	1,028,661	827,830
Income tax payable		8,013	(4,110)
Provisions	14	87,032	78,041
TOTAL CURRENT LIABILITIES		1,503,207	1,224,557
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	317,439	314,657
Deferred tax liabilities	5	11,778	21,136
Provisions	14	29,153	22,700
TOTAL NON CURRENT LIABILITIES		358,370	358,493
TOTAL LIABILITIES		1,861,577	1,583,050
NET ASSETS		776,514	802,343
EQUITY			
Contributed equity	16	653,134	653,134
Reserves	17	2,440	2,997
Retained earnings	17	100,929	131,298
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		756,503	787,429
Non-controlling interest	18	20,011	14,914
TOTAL EQUITY		776,514	802,343

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 2018	Notes	Attributable to owners of Automotive Holdings Group Limited: Contributed Equity	Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017		**653,134**	**2,997**	**131,298**	**787,429**	**14,914**	**802,343**
Profit for the year (after tax)		-	-	32,639	32,639	5,153	37,792
Changes in fair value of cash flow hedges		-	1,064	-	1,064	-	1,064
Loss on translation of foreign operations		-	(1,278)	-	(1,278)	-	(1,278)
Income tax relating to components of other comprehensive income		-	(319)	-	(319)	-	(319)
Total comprehensive income for the year		**-**	**(533)**	**32,639**	**32,106**	**5,153**	**37,259**
Transactions with owners in their capacity as equity holders:							
Acquisition of controlled entities	25	-	-	-	-	221	221
Disposal to non-controlling interest holder		-	260	-	260	4,708	4,968
Dividends provided for or paid	19	-	-	(63,008)	(63,008)	(4,985)	(67,993)
Employee share scheme	27	-	(284)	-	(284)	-	(284)
		-	**(24)**	**(63,008)**	**(63,032)**	**(56)**	**(63,088)**
At 30 June 2018		**653,134**	**2,440**	**100,929**	**756,503**	**20,011**	**776,514**

For the year ended 30 June 2017	Notes	Attributable to owners of Automotive Holdings Group Limited: 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
Gain 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:							
Issue of shares (after transaction costs)	16	111,602	-	-	111,602	-	111,602
Non-controlling interest on acquisition of subsidiary		-	-	-	-	(8,726)	(8,726)
Dividends provided for or paid	19	-	-	(74,615)	(74,615)	(6,842)	(81,457)
Employee share scheme	27	-	(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 2018	Notes	2018 $'000	2017 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		**7,060,057**	6,653,825
Payments to suppliers and employees (inclusive of GST)		**(6,850,708)**	(6,442,693)
Interest paid and costs of finance		**(44,585)**	(41,447)
Interest received		**1,482**	2,193
Income tax paid		**(18,937)**	(30,940)
Net cash inflow from operating activities	6	**147,309**	140,938
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired	25	**(30,736)**	(74,691)
Proceeds from sale of businesses		**-**	13,964
Payment for property plant and equipment		**(80,060)**	(101,696)
Proceeds of sale of property, plant and equipment		**19,248**	21,837
Dividends and distributions received		**378**	468
Proceeds of sale of investments		**4,968**	-
Payment for purchase of investment (net)		**-**	(3,200)
Net cash outflow from investing activities		**(86,202)**	(143,318)
Cash flows from financing activities			
Net repayments for borrowings		**(15,103)**	(41,323)
Proceeds from issue of shares, net of transaction costs	16	**-**	111,602
Dividends paid to members	19	**(63,008)**	(74,615)
Dividends paid to non-controlling interest		**(4,985)**	(6,842)
Net cash outflow from financing activities		**(83,096)**	(11,178)
Net decrease in cash and cash equivalents		**(21,989)**	(13,558)
Cash and cash equivalents at the beginning of the year		**95,035**	108,593
Cash and cash equivalents at the end of the year	6	**73,046**	95,035

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 $21,021,000 (2017: $14,378,000) by means of finance lease and hire purchase (excluding those assumed in acquisitions - refer note 10). These acquisitions are not reflected in the statement of cash flows.

Contents to the 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 2018 as compared to 30 June 2017 was impacted by the following events and transactions during the reporting period:

- acquisition of Carlins (51%), Hunter Motor Group, Auckland Motor Group, Essendon Nissan/Kia (refer note 25);
- disposal of a 26% share in Motorcycles Distributors Australia Pty Ltd (refer note 18);
- interruption from the HNA sale-process, with a binding agreement announced on 23 November 2017, which was subsequently terminated on 2 July 2018;
- restructure of underperforming operations across the Automotive division;
- undertaking facility rationalisation, write-down activities post-HNA, which combined with other unusual items, resulted in $42.12 million expense between operating and statutory profit after tax attributable to members;
- $29 million impact of regulatory intervention in finance and insurance product sales; and
- receipt of a one-off $12 million insurance income.

Key Financial Data	Statutory IFRS Result	Unusual items*	Operating Non-IFRS Result
For the year ended 30 June 2018	**$'000**	**$'000**	**$'000**
Revenue	**6,474,053**	**-**	**6,474,053**
EBITDA	147,938	60,066	208,004
EBITDA margin %	2.3%		3.2%
Depreciation and amortisation	(52,509)	-	(52,509)
EBIT	95,429	60,066	155,495
Interest (net)	(43,102)	-	(43,102)
Profit before tax	52,327	60,066	112,393
Tax expense	(14,535)	(17,945)	(32,480)
Profit after tax	37,792	42,121	79,913
Non-controlling interest	(5,153)	-	(5,153)
Net profit after tax attributable to shareholders	**32,639**	**42,121**	**74,760**
Basic EPS (cents per share)	9.8		22.5

Net profit after tax attributable to members for the year ended 30 June 2018 was $32.64 million (2017: $55.54 million). Net profit after tax excluding unusual items* attributable to members for the year ended 30 June 2018 was $74.76 million (2017: $87.29 million).

* ***Unusual items:*** *costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2018 $'000	2017 $'000
Statutory IFRS Profit (net of tax) attributable to members	32,639	55,539
Unusual items		
Add-back:		
- Net costs relating to Refrigerated Logistics transformation	7,013	5,799
- Costs relating to restructure of operations and discontinued operations	7,805	9,278
- Impairment of non-current assets - plant and equipment, goodwill and franchise rights	25,013	13,647
- Costs relating to integration, acquisitions and MD transition	2,290	3,028
Operating Non-IFRS Profit (net of tax) attributable to members	74,760	87,291

2. Operating segments

The Board has determined that AHG's operating segments be divided between a single reportable automotive retail segment, two reportable logistics segments comprising of AHG's refrigerated logistics and the balance of 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 contains four cash generating units (CGUs), refer note 11 for details, with 182 motor vehicle franchises at 113 dealership locations operating within the geographical areas of Australia and New Zealand.

AHG's automotive operations in the four CGUs exhibit similar economic characteristics. They have similar product offerings and a consistency of customer base. The generic characteristics of these businesses allow AHG management to consistently measure operating performance and aggregate into one reportable 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 and vehicle storage and engineering.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

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.

Segment Reporting June 2018	Automotive Retail	Logistics		Property	Total
		Refrigerated Logistics	Other Logistics		
	$'000	$'000	$'000	$'000	$'000
Gross revenue	6,247,836	625,008	296,974	432	7,170,250
Less: intercompany sales	(636,321)	(26,763)	(34,595)	-	(697,679)
Segment revenue	**5,611,515**	**598,245**	**262,379**	**432**	**6,472,571**
Interest earned	1,398	7	77	-	1,482
Total revenue					**6,474,053**
EBITDA	**149,979**	**(6,233)**	**7,126**	**(2,932)**	**147,939**
Depreciation and amortisation	(20,568)	(29,193)	(2,749)	-	(52,509)
EBIT	**129,411**	**(35,426)**	**4,377**	**(2,932)**	**95,430**
Interest expense (net)	(28,827)	(10,486)	(614)	(3,176)	(43,103)
Profit before tax for the year					**52,327**
Income tax expense					**(14,535)**
Reportable segment profit after tax for the year					**37,792**
Detailed Segment Trading Analysis:					
Total revenue	**5,612,913**	**598,252**	**262,456**	**432**	**6,474,053**
EBITDA before unusual items (non-IFRS)	**166,097**	**37,714**	**7,126**	**(2,932)**	**208,005**
EBIT before unusual items (non-IFRS)	**145,529**	**8,522**	**4,377**	**(2,932)**	**155,496**
Non-IFRS Segment result before unusual items	**116,702**	**(1,964)**	**3,763**	**(6,108)**	**112,393**
Unusual items*	(16,118)	(43,948)	-	-	(60,066)
Reportable segment result after unusual items	**100,584**	**(45,912)**	**3,763**	**(6,108)**	**52,327**
Segment assets	1,974,503	458,773	186,022	18,793	2,638,091
Total consolidated assets					**2,638,091**
Segment liabilities	1,174,781	470,733	170,729	45,334	1,861,577
Total consolidated liabilities					**1,861,577**
Acquisition of property, plant, equipment and intangibles	**64,130**	**58,203**	**2,934**	**-**	**125,267**

* ***Unusual items:*** *costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

Segment Reporting June 2017	Automotive Retail	Logistics: Refrigerated Logistics	Logistics: Other Logistics	Property	Total
	$'000	$'000	$'000	$'000	$'000
Gross revenue	5,851,096	614,941	318,021	320	6,784,378
Less: intercompany sales	(618,699)	(19,906)	(41,902)	-	(680,507)
Segment revenue	**5,232,397**	**595,035**	**276,119**	**320**	**6,103,871**
Interest earned	2,071	19	103	-	2,193
Total revenue^					**6,106,064**
EBITDA	**153,401**	**23,763**	**3,327**	**(4,322)**	**176,169**
Depreciation and amortisation	(19,947)	(24,290)	(2,683)	-	(46,920)
EBIT	**133,454**	**(527)**	**644**	**(4,322)**	**129,249**
Interest expense (net)	(26,905)	(7,938)	(1,038)	(3,374)	(39,255)
Profit before tax for the year					**89,994**
Income tax expense					**(28,901)**
Reportable segment profit after tax for the year					**61,093**
Detailed Segment Trading Analysis:					
Total revenue	**5,234,468**	**595,054**	**276,222**	**320**	**6,106,064**
EBITDA before unusual items (non-IFRS)	**171,017**	**35,050**	**14,210**	**(4,322)**	**215,955**
EBIT before unusual items (non-IFRS)	**151,070**	**10,760**	**11,527**	**(4,322)**	**169,035**
Non-IFRS Segment result before unusual items	**124,165**	**2,822**	**10,489**	**(7,696)**	**129,780**
Unusual items*	(17,616)	(11,287)	(10,883)	-	(39,786)
Reportable segment result after unusual items	**106,549**	**(8,465)**	**(394)**	**(7,696)**	**89,994**
Segment assets	1,809,945	414,795	141,398	19,255	2,385,393
Total consolidated assets					**2,385,393**
Segment liabilities	993,369	425,022	123,830	40,829	1,583,050
Total consolidated liabilities					**1,583,050**
Acquisition of property, plant, equipment and intangibles	**68,963**	**91,174**	**17,204**	**-**	**177,341**

* ***Unusual items:*** *costs and fees in relation to integration, 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.*

^ *Refrigerated Logistics revenue restated from $570,735,000 to $595,054,000 due to reclassification, resulting consolidated revenue increase by 0.4% from $6,081,745,000 to $6,106,064,000. There is no impact to EBITDA or Profit Before Tax.*

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.

This has resulted in the aggregated disclosure of the four automotive CGUs (operating segments) in the Group's Automotive Retail reportable segment.

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 the total Logistics Division.

3. Revenue and other income

	2018 $'000	2017 $'000
Sales revenue		
Sale of goods	5,444,541	5,089,614
Rendering of services	991,563	994,316
	6,436,104	6,083,930
Other revenue		
Interest	1,482	2,193
Other revenue	36,467	19,941
	37,949	22,134
Total Revenue	6,474,053	6,106,064
Other Income		
Net gain on disposal of assets	10	-
	10	-

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 basis, 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

	2018 $'000	2017 $'000
Depreciation		
Vehicles, plant, furniture and equipment	38,376	35,599
	38,376	35,599
Amortisation		
Capitalised leased assets	6,380	4,278
Leasehold improvements	7,753	7,043
	14,133	11,321
Finance costs ***(for financial liabilities not at fair value through profit or loss)***		
Interest paid - other	6,616	6,905
Interest paid - finance leases	1,491	1,352
Interest paid - hire purchase	4,449	4,707
Interest paid - floor plan	32,028	28,483
	44,584	41,447
Lease payments		
Rental expenses relating to property operating leases	159,011	145,551
Rental expenses relating to equipment operating leases	19,406	21,169
	178,417	166,720
Employee benefits expense		
Wages, salaries and employee benefits	733,617	715,374
Superannuation	52,809	51,755
Share-based payments expense / (credit)	(284)	(152)
	786,142	766,977
Other expenses, net loss on sale of assets and impairment		
Bad debts written off	2,280	1,278
Repairs and maintenance	11,711	16,908
Insurances	32,732	28,002
Stamp duty and bank fees	8,734	8,483
Impairment of intangibles and other assets (current & non-current)	34,368	18,713
Office, IT, telephone and travel	44,072	37,239
Net loss on sale of asset	-	636
Miscellaneous	12,242	5,517
	146,139	116,776

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

	2018 $'000	2017 $'000
Current tax	30,955	24,680
Deferred tax	(16,872)	6,998
Adjustment for current tax of prior periods	452	(2,777)
Income tax attributable to profit from continuing operations	14,535	28,901

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2018 $'000	2017 $'000
Profit from continuing operations before income tax expense	52,327	89,994
Corporate tax at the rate of 30% (2017: 30%)	15,698	26,998
Non-deductible expenses	578	685
Non-deductible diminution of investment and impairment of intangibles	75	5,614
Transaction costs added to cost base of shares	93	346
Other accessible income	-	594
Derecognition of deferred tax balances	(590)	-
Recognition of deductible blackhole transaction costs	(148)	-
Non-assessable income	-	(2,250)
Other deductible expenses	(1,188)	-
Difference in foreign tax rates	(175)	(180)
Other	(260)	(130)
	14,083	31,678
Adjustments in respect of current income tax of previous years	452	(2,777)
Income tax expense	14,535	28,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income tax (continued)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	2018 $'000	2017 $'000
Deferred tax assets		
Opening balance 1 July	60,866	60,192
Acquisition of subsidiaries	640	2,048
Credited / (debited) to profit or loss	7,515	(1,662)
Credited / (debited) directly to equity	(320)	288
Closing balance 30 June	68,701	60,866
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss and other comprehensive income		
Allowance for impaired receivables	1,278	1,403
Inventory	6,479	6,275
Property, plant & equipment	6,162	7,760
Accrued expenses	8,163	10,248
Provisions:		
Employee benefits	25,538	24,822
Warranties	4,144	4,199
Other provisions	9,002	2,415
Other	7,468	2,582
Amounts recognised directly in the statement of financial position		
Share issue expenses	453	828
Cash flow hedges	15	334
Deferred tax assets	68,701	60,866
Settled < 12 months	41,457	42,745

	2018 $'000	2017 $'000
Deferred tax liabilities		
Opening balance 1 July	21,136	15,800
Debited / (credited) to profit or loss	(9,357)	5,336
Closing balance 30 June	11,778	21,136
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss and other comprehensive income		
Finance leases	1,525	1,083
Other	10,253	20,053
Deferred tax liabilities	11,778	21,136
Settled < 12 months	1,525	1,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income Tax (continued)

Accounting Policy

The income tax expense for the period is the tax payable on the current period's taxable income based on corporate taxation rate of 30% (28% for New Zealand) adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of profit or loss and other comprehensive income, or directly in equity when it relates to items recognised in equity.

Tax Consolidation Legislation Refer to note 29 Accounting Policy (ii) for details.

Significant accounting judgements, estimates and assumptions

Deferred tax assets recognised on capital losses

The Group has recognised benefits relating to carried forward capital losses, which can only be offset against eligible capital gains. The Group determined that the estimated future eligible capital gains will be sufficient to offset any carried forward capital losses.

6. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	72,536	94,525
Deposits at call	510	510
	73,046	95,035

Cash on hand is non-interest bearing. Cash at bank attracts floating interest rates between 0.25% and 1.50% (2017: 0.25% and 1.40%). The interest rates applicable to deposits at call at 30 June 2018 vary between 1.50% and 2.00% (2017: 0.50% and 2.65%).

The Group's exposure to interest rate risk is disclosed in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Cash and cash equivalents (continued)

Accounting Policy

Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash at bank and 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.

	2018 $'000	2017 $'000
Profit for the year after tax	37,792	61,093
Non Operating Activity Cash flow in profit		
- Distributions received	(378)	(468)
- Loss/(profit) on sale of assets	(10)	636
Non Cash flow in profit		
- Depreciation	38,376	35,599
- Amortisation	14,133	11,321
- Impairment of non-current assets	34,368	18,713
Changes in operating assets and liabilities		
(Increase) in trade debtors	(59,138)	(33,029)
(Increase) / decrease in inventories	(3,465)	4,622
(Increase) in other current assets	(39)	(40)
(Increase) / decrease in prepayments	27,210	(16,652)
(Increase) / decrease in deferred tax assets	(7,206)	1,795
Increase / (decrease) in current tax payable	12,122	(9,160)
Increase in trade creditors	58,128	57,080
Increase / (decrease) in accruals	(6,271)	3,248
Increase in employee entitlements	450	401
Increase in other provisions	10,555	452
Increase / (decrease) in deferred tax liabilities	(9,318)	5,327
Net cash inflow from operating activities	147,309	140,938
Cash flows from financing liabilities:		
Net repayments / (receipts) from short-term borrowings	(712)	11,978
Net repayments / (receipts) from long-term borrowings	(1,023)	39,291
Net repayments / (receipts) from financing lease liabilities	16,838	(9,946)
Total net repayments from borrowings	15,103	41,323

There were no material movements included above relating to acquisition of businesses, FX or fair value changes.

7. Trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	394,534	335,242
Allowance for impairment of receivables	(2,419)	(2,741)
Derivative financial instruments	-	416
Other receivables	24,455	24,456
	416,570	357,373

IMPAIRED TRADE RECEIVABLES

At 30 June 2018, the Group recognised $2,419,000 (2017: $2,741,000) 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.

	2018 $'000	2017 $'000
Opening balance	(2,741)	(2,765)
Translation adjustment	7	(2)
Acquired on acquisition	-	50
Allowance for impaired receivables	(2,552)	(2,319)
Receivables written off during the year	2,280	1,278
Reversal of amounts provided	587	1,017
Closing balance	(2,419)	(2,741)

The Group has recognised a loss of $2,280,000 (2017: $1,278,000) in respect of impaired trade receivables during the year ended 30 June 2018. The loss has been included within "other expenses" in the profit for the year.

PAST DUE NOT IMPAIRED

As at 30 June 2018, trade receivables of $73,005,000 (2017: $72,877,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2018 $'000	2017 $'000
Days Past Due		
1 - 30	50,023	43,793
31 - 60	12,703	11,831
61 - 90	8,818	7,950
91 +	1,461	9,303
	73,005	72,877

7. 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 22.

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 (allowance for impairment of 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 year 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. Inventories

	2018 $'000	2017 $'000
Vehicle inventory - at cost	1,019,008	820,135
Write-down to net realisable value	(23,082)	(17,970)
Other inventories - at cost	121,504	103,821
Write-down to net realisable value	(6,684)	(6,190)
	1,110,746	899,796

Inventory recognised as an expense (cost of sales) during the year ended 30 June 2018 (including write-down of inventories to net realisable value) amounted to $4,963,061,000 (2017: $4,189,912,000).

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. Available-for-sale financial assets

SHARES IN UNLISTED COMPANY AND TRUST

	2018 $'000	2017 $'000
Opening balance	7,228	4,028
Acquisitions	-	3,200
Closing balance	7,228	7,228

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 cent 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 22.

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 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 and units), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and pricing models to reflect the issuer's specific circumstances.

Purchases and sales of investments are recognised on the trade-date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Property, plant and equipment

Consolidated 30 June 2018	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve-ments	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost	12	386,730	56,922	141,443	32,597	617,704
Accumulated depreciation	(3)	(182,397)	(17,634)	(41,146)	-	(241,180)
Net carrying amount at 30 June 2018	**9**	**204,333**	**39,288**	**100,297**	**32,597**	**376,524**
Carrying amount at 1 July 2017	17,574	200,191	27,342	91,304	64,719	401,130
Translation adjustment	-	(134)	-	(54)	(85)	(274)
Additions	1,216	28,233	21,021	16,835	33,148	100,453
Impairment	-	(26,430)	-	(7,689)	-	(34,119)
Disposals	-	(15,933)	(183)	(3,392)	-	(19,508)
Transfers	(128)	56,779	(2,512)	11,046	(65,185)	-
Asset classified as held for sale	(18,650)	-	-	-	-	(18,650)
Depreciation / amortisation	(3)	(38,373)	(6,380)	(7,753)	-	(52,509)
Carrying amount at 30 June 2018	**9**	**204,333**	**39,288**	**100,297**	**32,597**	**376,524**

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
Cost	17,588	366,063	43,457	126,607	64,719	618,434
Accumulated depreciation	(14)	(165,872)	(16,115)	(35,303)	-	(217,304)
Net carrying amount at 30 June 2017	17,574	200,191	27,342	91,304	64,719	401,130
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

10. Property, plant and equipment (continued)

Property, plant and equipment pledged as security for liabilities

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

Land with carrying amounts of $18,659,000 (2017: $17,574,000) are pledged as security for non-current liabilities as disclosed in note 15. The land is classified as held for sale at 30 June 2018, as disclosed in note 12.

Other property, plant and equipment with a carrying amount of $337,227,000 (2017: $356,214,000) are pledged as security for non-current liabilities as disclosed in note 15.

Impairment Charge

An impairment charge of $34,119,000 (2017: $8,379,000) was brought to account in the year ended 30 June 2018 against specific property, plant and equipment, refer to note 24 for detail disclosure.

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
Plant & equipment (including motor vehicles and computer software)	2½ – 20 years
Leasehold improvements / capitalised leased assets	Life of the lease - shorter of useful life or lease term

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.

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 or depreciated until they are completed and transferred to their appropriate asset category.

10. Property, plant and equipment (continued)

Accounting Policy (continued)

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 30). 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 30). 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 24).

11. Intangible assets

	Goodwill	Franchise Rights & Distribution Agreements	Total
	$'000	$'000	$'000
Consolidated 2018			
Carrying amount at 1 July 2017	222,565	290,605	513,170
Additions	11,173	15,075	26,248
Impairment charges	-	(250)	(250)
Carrying amount at 30 June 2018	**233,738**	**305,430**	**539,168**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets (continued)

The table below summarises Group's intangible assets by CGU:

	Goodwill	Franchise Rights & Distribution Agreements	Total
	$'000	$'000	$'000
Consolidated 2018			
Franchised automotive	132,010	282,672	414,682
Trucks	7,023	12,815	19,838
Used	3,636	-	3,636
Finance	5,252	-	5,252
Refrigerated logistics	78,762	-	78,762
Other logistics	7,055	9,943	16,998
Carrying amount at 30 June 2018	**233,738**	**305,430**	**539,168**
Consolidated 2017			
Franchised automotive	124,473	267,847	392,320
Trucks	7,023	12,815	19,838
Finance	5,252	-	5,252
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**

The intangible assets under franchised automotive, trucks, used, and finance CGUs are included in the Automotive Retail segment's assets (note 2). There are no intangible assets associated with the property CGU.

Impairment charge

Refer to note 24 for details on impairment of non-current assets.

Accounting Policy

Goodwill

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.

Franchise & distribution rights

The Group considers franchise & distribution rights as intangible assets with an indefinite life and accordingly no amortisation is charged on these assets. The Group assesses the franchise & distribution rights for impairment on a periodic basis, but at least at each reporting date and where there are indications of impairment the franchise & distribution rights values are adjusted to their recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets (continued)

Allocating goodwill, franchise and distribution rights to CGUs

For the purpose of impairment testing, goodwill, franchise and distribution rights are allocated to CGUs which represent the lowest level within the Group at which they are monitored for internal management purposes.

Significant accounting judgement, estimates and assumptions

Useful life of intangible assets

The Group has franchise and distribution agreements with manufacturers for the distribution of new vehicles and parts. These franchise and distribution rights agreements have varying terms and periods of renewal. The Group considers these agreements will be renewed indefinitely.

12. Assets classified as held for sale

As at 30 June 2018, AHG was in the process of selling two blocks of land located in Hillcrest and Oxley, Queensland. The carrying value of the land is provided below:

	2018 $'000
Non-current assets held for sale	18,650

The assets held for sale are carried at the lower of cost and fair value less costs to sell at the time of reclassification. The assets are presented within total assets of the property segment in note 2.

Prior to the issuance of this report, AHG entered into unconditional sales contracts to dispose the land with agreed considerations of $23,132,000. This will generate an estimated gain of $4,482,000 (before tax) to the Group in FY2019.

Accounting Policy

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 position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Trade and other payables

	2018 $'000	2017 $'000
Trade payables	186,494	137,435
Other payables and accruals	177,831	169,281
Goods and services tax	15,126	14,550
Derivative financial instruments	50	1,530
	379,501	322,796

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. Provisions

	2018 $'000	2017 $'000
Current		
Employee benefits	73,717	70,069
Warranties	3,367	3,427
Onerous lease provisions	3,800	-
Other	6,148	4,545
	87,032	78,041
Non-current		
Employee benefits	9,491	10,093
Warranties	6,734	6,858
Onerous lease provisions	6,765	-
Make good provisions	6,163	5,749
	29,153	22,700

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 $58,973,393 (2017: $56,055,560).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Provisions (continued)

MOVEMENTS IN PROVISIONS

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

	Warranties	Lease provisions	Make Good / Other
	$'000	$'000	$'000
At 1 July 2017	10,285	-	10,294
Additional provisions recognised	-	10,565	2,017
Payments / other sacrifices of economic benefits	(184)	-	-
At 30 June 2018	**10,101**	**10,565**	**12,311**

Accounting Policy

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.

Employee Benefits

The provision for employee entitlements, salaries (including non-monetary benefits), sick leave, annual leave and long service leave 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.

Warranties

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 based on historical warranty claims and any recent trends 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.

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 unexpired lease term of the lease or the useful life of the leasehold assets.

Onerous Lease Provisions

When the Group makes a decision to restructure or close underperforming operations, a lease provision is recognised if the committed lease term is beyond the anticipated closure date of the site. Actual lease payments may vary from the amounts provided where alternative uses are found for these premises, including attraction of new tenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Provisions (continued)

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.

Onerous Lease Provisions

In determining the amount of onerous lease provision, management has made judgements based on committed lease term, recoverable value that can be generated from the site through subleasing opportunities or alternative use opportunities for these premises.

15. Interest-bearing loans and borrowings

CURRENT

	2018 $'000	2017 $'000
Finance company loans	989,113	788,723
Finance lease liability	8,146	7,239
Hire purchase liability	27,096	28,273
Other loans	4,306	3,595
	1,028,661	827,830

NON-CURRENT

	2018 $'000	2017 $'000
Commercial bills and other loans	223,512	222,489
Finance lease liability	29,749	19,371
Hire purchase liability	62,229	70,848
Amounts owing to manufacturers	1,949	1,949
	317,439	314,657
Total interest-bearing loans and borrowings	1,346,100	1,142,487

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 $1,147,685,000 (2017: $1,073,488,000). At 30 June 2018, $989,113,000 (2017: $788,723,000) of these facilities were used. The weighted average interest rate applicable at 30 June 2018 on these loans was 4.03% (2017: 3.76%).

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Interest-bearing loans and borrowings (continued)

Other Loans

$218,200,000 (2017: $219,500,000) 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 1.98% (2017: 1.76%) for the period of the current bills in place.

$5,913,786 (2017: $4,949,782) are other commercial loans secured over specific properties and plant and equipment. Interest is charged at an average rate of 4.59% (2017: 4.35%).

$500,000 (2017: $500,000) are commercial loans with a five year term. Interest is charged at a variable rate of 6.50% (2017: 6.65%).

$673,043 (2017: $1,134,063) are interest-free supplier loans to fund minor capital works in fixed operations.

$2,431,638 (2017: $nil) is an interest-free loan to non-controlling interest holders.

Amounts owing to manufacturer

$2,910,727 (2017: $1,949,069) is an unsecured amount owing to manufacturers and is non-interest bearing.

Fair values

For the Group's 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).

INTEREST RATE AND LIQUIDITY RISK

Details regarding interest rate and liquidity risk are disclosed in note 22.

ASSETS PLEDGED AS SECURITY

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

	Notes	2018 $'000	2017 $'000
Current			
Floating charge			
Cash and cash equivalents	6	**73,046**	95,035
Trade and other receivables	7	**416,570**	357,373
Inventories	8	**1,110,746**	899,796
Other current assets		**24,574**	45,338
Total current assets pledged as security		**1,624,936**	1,397,542
Non-current			
Finance lease			
Plant and equipment	10	**39,289**	27,342
Floating charge			
Freehold land and buildings (including assets held for sale)	10, 12	**18,659**	17,574
Plant and equipment	10	**337,227**	356,214
Total non-current assets pledged as security		**395,174**	401,130
Total assets pledged as security		**2,020,110**	1,798,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Interest-bearing loans and borrowings (continued)

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	1,595	1,500	3,095
Finance company loans	989,113	158,572	1,147,685
Lease & HP	127,220	70,818	198,038
Commercial bills and other loans	227,818	98,087	325,905
Amounts owing to manufacturer	1,949	-	1,943
	1,347,695	328,977	1,676,672
Contingent liabilities (guarantees and letters of credit)	34,134	-	34,134
	1,381,829	328,977	1,710,806

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.

16. Contributed equity

	Ordinary Shares	
	Shares	$'000
Contributed capital at 1 July 2017	**331,623,014**	**653,134**
Contributed capital at 30 June 2018	**331,623,014**	**653,134**

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.

Contributed capital at 1 July 2016	306,541,437	541,532
Institutional placement ($4.52/share)	19,911,505	90,000
Share purchase plan ($4.52/share)	5,170,072	23,362
Less transaction costs arising on share issue equity		(2,514)
Deferred tax credit recognised directly in equity		754
Contributed capital 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Retained earnings and reserves

Consolidated	Retained Earnings	Share-based Payments Reserve	Hedge Reserve	Foreign Currency Translation	Other Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	**131,298**	**2,063**	**(780)**	**1,714**	**-**	**2,997**
Profit attributable to members	**32,639**	**-**	**-**	**-**	**-**	**-**
Dividend	**(63,008)**	**-**	**-**	**-**	**-**	**-**
Disposal to non-controlling interest holder	**-**	**-**	**-**	**-**	**260**	**260**
Changes in fair value of cash flow hedges	**-**	**-**	**1,064**	**-**	**-**	**1,064**
Translation differences on foreign operations	**-**	**-**	**-**	**(1,278)**	**-**	**(1,278)**
Employee share scheme	**-**	**(284)**	**-**	**-**	**-**	**(284)**
Income tax relating to components of other comprehensive income	**-**	**-**	**(319)**	**-**	**-**	**(319)**
At 30 June 2018	**100,929**	**1,779**	**(35)**	**438**	**260**	**2,440**
At 1 July 2016	150,374	2,215	(1,417)	1,871	-	2,669
Profit attributable to members	55,539	-	-	-	-	-
Dividend	(74,615)	-	-	-	-	-
Changes in fair value of cash flow hedges	-	-	910	-	-	910
Translation differences on foreign operations	-	-	-	(157)	-	(157)
Employee share scheme	-	(152)	-	-	-	(152)
Income tax relating to components of other comprehensive income	-	-	(273)	-	-	(273)
At 30 June 2017	131,298	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 reserve

Changes in the fair value of hedging instruments are taken to this reserve. Amounts are recognised in the statement of profit or loss and other comprehensive income when the associated forecast purchases occurs or the associated asset is consumed.

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 35(e). The reserve is recognised in the statement of profit or loss and other comprehensive income on disposal of the net investment.

Other reserve

Other reserve is used to recognise any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, that are attributable the owners of the parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Non-controlling interest

	2018 $'000	2017 $'000
Interest in:		
Share capital	14,422	9,076
Retained profit	5,589	5,838
Balance 30 June	20,011	14,914

Refer to note 26 for details of the subsidiaries within the AHG Group. There are 27 subsidiaries (FY2017: 20) where AHG holds an equity interest between 51% and 80% (2017: 74% 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.

Accounting Policy

The Group present non-controlling interests within equity, separately from the equity of the owners of the Group.

When the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

Significant accounting judgement

Control Assessment

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 FY2018, as a result of a business combination (note 25) and partial divestment transaction, the Group owns 51% of the Carlins and 74% of Motorcycle Distributors Australia (FY2017: 100%) respectively. The Group is considered to have the ability to exercise control over each business through majority Board representation, majority shareholding and control over the relevant activities and therefore has consolidated the financial performance and position of the businesses in the Group financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Dividends

RECOGNISED AMOUNTS

	2018 $'000	2017 $'000
Dividends on ordinary shares:		
Final dividend for the year ended 30 June 2017 of 9.5 cents per fully paid share paid on 6 October 2017 (2017: 13.0 cents, paid on 5 October 2016)	31,504	43,111
Interim dividend for the half-year ended 31 December 2017 of 9.5 cents per fully paid share paid on 4 April 2018 (2017: 9.5 cents, paid on 5 April 2017)	31,504	31,504
	63,008	74,615

UNRECOGNISED AMOUNTS

	2018 $'000	2017 $'000
Dividends on ordinary shares:		
Since year end, the Directors have recommended the payment of a fully franked final dividend of 6.8 cents per share (2017: 9.5 cents), based on tax paid at 30%. The aggregate amount of dividends to be paid on 9 October 2018 (2017: 6 October 2017) out of the retained profits at 30 June 2018, but not recognised as a liability at year end is	22,550	31,504

FRANKING CREDIT BALANCE

	AHG Tax Consolidated Group	
	2018 $'000	2017 $'000
Dividends on ordinary shares:		
Franking credits available for subsequent financial years based on a tax rate of 30%	118,864	123,803

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 $9,664,442 (2017: $13,501,794).

Tax rates

The tax rate at which paid dividends have been franked is 30% (2017: 30%). Dividends proposed will be franked at 30% (2017: 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

20. Earnings per share

BASIC AND DILUTIVE EARNINGS PER SHARE

	2018 cents	2017 cents
IFRS Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	9.8	17.0
Diluted earnings per share	9.8	17.0
Non-IFRS Earnings per share for profit before unusual items* attributable to the ordinary equity holders of the Company:		
Basic earnings per share	22.5	26.7
Diluted earnings per share	22.5	26.7

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

Basic Earnings Per Share	2018 $'000	2017 $'000
Profit attributable to the ordinary equity holders of the Company in calculating basic earnings per share	32,639	55,539
Loss attributable to the ordinary equity holders of the Company from unusual items*	42,121	31,752
Profit attributable to the ordinary equity holders of the Company excluding unusual items*	74,760	87,291

* ***Unusual items:*** *costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA. Refer to note 1.*

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

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Number	
	2018	2017
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	331,623,014	327,523,680

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).

21. 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		
75	Note 3	Manufacturer incentives
78	Note 5	Recognition of deferred tax assets from capital losses
84	Note 8	Demonstrator vehicle write-down to net realisable value Used vehicle write-down to net realisable value
86	Note 10	Useful lives of assets
88	Note 11	Useful lives of intangible assets
91	Note 14	Warranties and lease provisions
97	Note 18	Control assessment
109	Note 24	Impairment of non-current assets
111	Note 25	Fair value of assets and liabilities acquired in a business combination

22. 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 measured different types of risk to which it is exposed – these include; sensitivity analysis in the case of interest rate risk; and aging 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RISK EXPOSURE AND RESPONSES (continued)

- manage outcomes in terms of Australian dollar cash flows, employing an approach that focuses on risk minimisation and moderation of cash flow volatility;
- safeguard the Group's financial resources by adhering to authorised credit parameters, appropriate levels of credit authority, operational controls and credit guidelines;
- maintain the adequacy and appropriateness of selected treasury facilities and lines of credit in order to minimise the Group's financial exposure whilst meeting its short and long-term liquidity needs;
- ensure that accounting policies adopted for the treasury function are in accordance with generally accepted accounting practices; and
- 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 Group Treasurer. 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:

	2018 $'000	2017 $'000
Financial Assets		
Cash and cash equivalents	73,046	95,035
Trade and other receivables	416,570	357,373
Available-for-sale financial assets	7,228	7,228
Derivative financial assets	-	416
	496,844	459,636
Financial Liabilities at amortised cost		
Trade and other payables	379,451	321,266
Interest-bearing loans and borrowings	1,346,100	1,142,487
Derivative financial liabilities	50	1,530
	1,725,601	1,465,283

The carrying amounts of assets pledged as security against current and non-current borrowings are reflected in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. 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 $130.00 million (2017: $155.00 million) at 30 June 2018, at a weighted average interest rate of 2.10% (2017: 2.22%).

During FY2018 and FY2017, the Group's borrowings were principally denominated in Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. 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 2018		$'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	0.80%	-	73,046	(128)	-	(256)	-
Financial Liabilities							
Vehicle borrowings	4.03%	-	(989,113)	1,731	-	3,462	-
Derivatives - cash flow hedges	2.10%	(130,000)	(46)	-	-	-	-
Other borrowings	1.98%	-	(218,200)	382	-	764	-
Total Increase / (Decrease)		**(130,000)**	**(1,134,313)**	**1,985**	**-**	**3,970**	**-**

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)**

[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 2018 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

22. 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 $5.35 million (2017: EUR $5.40 million) as of 30 June 2018.

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 units that 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

22. 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	**2018 $'000**	2017 $'000
Deposits	**17,778**	10,050
Vehicle debtors	**96,545**	87,822
Parts and service debtors (including Refrigerated Logistics)	**203,313**	162,839
Factory receivables	**61,069**	55,145
Finance and insurance receivables	**15,830**	19,386
Allowance for impairment of trade receivables	**(2,419)**	(2,741)
Total trade receivables	**392,115**	332,501

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	**2018 $'000**	2017 $'000
Counterparties with external credit ratings		
AA	**16,051**	20,795
A	**5,015**	5,821
BBB	**18,081**	16,064
BB	**8,621**	10,444
B	**6,152**	5,090
CCC	**1,914**	2,154
	55,834	60,368
Counterparties without external credit ratings		
Group 1	**81,315**	77,375
Group 2	**252,814**	194,411
Group 3	**4,571**	3,088
	338,700	274,874
Total trade receivables	**394,534**	335,242
Cash and cash equivalents		
AA-	**73,039**	95,024
BBB	**7**	11
	73,046	95,035

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

22. 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 2018	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car floorplan*	169,083	169,660	-	-	-	169,660
New car floorplan*	820,030	822,764	-	-	-	822,764
Trade payables	186,494	186,494	-	-	-	186,494
Other payables and accruals	193,006	192,097	321	589	-	193,007
Finance lease liabilities	37,895	9,139	10,206	22,252	1	41,597
Hire purchase liabilities	89,325	29,174	21,388	45,613	-	96,174
External loans	229,768	4,306	66,501	158,702	258	229,768
	1,725,600	**1,420,527**	**91,522**	**227,155**	**259**	**1,739,464**

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

** 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

22. 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 2018 (2017: Nil).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group has level 2 derivative financial instruments at fair value comprising derivative assets of $nil (2017: $416,000) and derivative liabilities of $50,000 (2017: $1,530,000).

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 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.

As of 30 June 2018, there were two level 3 investments held, being an unlisted equity investment in DealerMotive Limited with a fair value of $5.45 million (2017: $5.45 million) and unlisted units held in the AHG Property Syndicate No. 1 Unit Trust with a fair value of $1.78 million (2017: $1.78 million).

Where 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 (2017: $0.72 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 1.98% (2017: 1.76%) 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

23. 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	2018 $'000	2017 $'000
Total borrowings	1,346,100	1,142,487
Less: cash and cash equivalents	(73,046)	(95,035)
Net debt	1,273,054	1,047,452
Total equity	776,514	802,343
Total capital under management	2,049,568	1,849,795
Gearing Ratio - Traditional	62.1%	56.6%

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	2018 $'000	2017 $'000
Current debt	1,028,661	827,830
Less: finance company loans	(989,113)	(788,723)
Current debt excluding finance company loans	39,548	39,107
Less: cash and cash equivalents	(73,046)	(95,035)
Net cash excluding finance company loans	(33,498)	(55,928)
Non-current debt	317,439	314,657
Net debt excluding finance company loans and cash	283,941	258,729
Total equity	776,514	802,343
Total capital	1,060,455	1,061,072
Gearing Ratio - Automotive Industry	26.8%	24.4%

AHG has complied with the financial covenants of its borrowings facilities during the 2018 and 2017 reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Impairment of non-current assets

Impairment testing

The recoverable amount of the Group's Property, Plant and Equipment and Intangible Assets are tested on an annual basis at both the cash generating unit (CGU) level and individual asset level where an impairment indicator exists. In the case that significant events or changes in circumstances indicating possible impairment arise during the year, the Group would assess impairment of the impacted CGU or individual asset following such events and changes.

The recoverable amounts of the Group's various CGUs, as disclosed in note 11, are calculated using the value-in-use (VIU) methodology, which reflects the present value of the future cash flows expected to be derived from the CGU.

The future cash flow is based on the Board approved year one budget and then projections using a steady growth rate for subsequent years. This calculated recoverable amount is then compared with the carrying value of the assets of the CGU.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Arising from the VIU calculations across all of AHG's CGUs no impairments were recognised in FY2018 (FY2017:$nil), beyond those noted in Impairment charge – individual asset level.

Impairment charge – individual asset level

Impairment indicators at the individual asset level arose from reviews of post-HNA impacts and IT systems implementation in relation to the Refrigerated Logistics CGU in FY2018. The impairment amounted to $4.75 million and $26.43 million for leasehold improvements and IT assets, respectively (2017: $nil), and is included in impairment expense for FY2018.

Impairment indicators at the individual asset level also arose due to the closure of underperforming businesses in FY2018 in relation to the Franchised Automotive CGU. The impairments amounted to $2.94 million (2017: $8.40 million) and $0.25 million (2017: $3.00 million) for leasehold improvements contained within Property, Plant and Equipment and Franchise Rights contained within Intangible Assets, respectively. The total of $3.19 million is included in impairment expense for FY2018.

Total impairment expense for FY2018 is $34.37 million (FY2017: $18.71 million) (refer note 4).

Significant accounting judgements, estimates and assumptions

Impairment of property, plant and equipment and intangible assets

The Group determines whether property, plant and equipment and intangibles with indefinite useful lives are impaired under the criteria set out in AASB 136 Impairment of Assets. This requires the Group to assess impairment indicators based on changes in internal and external circumstances that may result individual assets' carrying amount not fully recoverable. During FY2018, such impairment indicators were identified by management which required the recoverable amount of these assets to be calculated.

In addition to the individual asset impairment testing, the Group calculated the recoverable amount of the CGU, to which a group of non-current assets are allocated, using a VIU discounted cash flow methodology, which includes management's judgement around future cash flows, growth rates and discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Impairment of non-current assets (continued)

Significant accounting judgements, estimates and assumptions (continued)

Key assumptions used for VIU calculations

Refrigerated Logistics CGU

The recoverable amount of the Refrigerated Logistics CGU was marginally above its carrying value (2017: marginally above), and adverse movements in the key assumptions may lead to an impairment. The recoverable amount of the Refrigerated Logistics CGU has been calculated based on the following key assumptions:

- Growth rate 2.3% (2017: 3.0%)
- Pre-tax discount rate 10.0% (2017: 11.0%)
- Cash flow forecast – based on year one Board approved budget (2017: based on year one Board approved budget).

The growth rate is based on market estimates of the long-term industry-specific growth rate, being to the lower end of the 2% to 3% range historically applied by AHG in its value-in-use calculations. The pre-tax discount rate represents the CGU's weighted average cost of capital as determined by prevailing or benchmarked market inputs, risk adjusted where necessary. The year one Board approved budget has been based on assumed improvements in its operating and financial performance, taking into account the long term sustaining capital expenditure requirements.

Impact of possible changes in key assumptions:

The recoverable amount of the Refrigerated Logistics CGU is sensitive to changes in the above assumptions of growth rate, discount rate and cash flows (performance net of capital expenditure).

Headroom as a % of carrying value is 1.2%. A 0.1% change in growth rate reduces head room to $nil, while a 0.25% change in discount rate and EBITDA margin would result in a $5.6 million and $16.3 million impairment, respectively.

Automotive Retail CGUs and Other Logistics CGU

The recoverable amount of the Automotive Retail CGUs and Other Logistics CGU has been calculated based on the following key assumptions:

- Growth rate 3.0% (2017: 3.0%)
- Pre-tax discount rate 11.0% (2017: 11.0%)
- Cash flow forecast – based on year one Board approved budgets (2017: based on year one Board approved budgets).

The growth rate is based on market estimates of the long-term industry-specific growth rates. The pre-tax discount rate represents the respective CGUs weighted average cost of capital as determined by prevailing or benchmarked market inputs, risk adjusted where necessary.

Impact of possible changes in key assumptions:

Management have considered and assessed reasonable possible changes to the key assumptions that result in a change to the recoverable amount of the Automotive Retail CGUs and Other Logistics CGUs. A review of this assessment leads to a conclusion that, for the Automotive Retail CGUs and Other Logistics CGUs, no changes in these key underlying assumptions within the reasonable range assessed by management, would significantly affect the Group's capacity to recover the carrying amount of the CGU's assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Business combinations

During FY2018, AHG completed the following business combinations:

	Name	Type	% Acquired	Consideration $'000	Location
3 July 2017	Carlins	Share purchase	51%	3,866	Melbourne, Victoria
30 November 2017	Hunter Motor Group	Share purchase	100%	10,467	Newcastle, NSW
1 March 2018	Auckland Motor Group	Certain business assets and liabilities	100%	13,003	Auckland, New Zealand
30 April 2018	Essendon Nissan/Kia	Certain business assets and liabilities	100%	5,196	Essendon Fields, Victoria

The business combinations contributed revenues of $150.92 million and net profit before tax of $2.12 million for the year ended 30 June 2018 from their dates of acquisition, before unusual items. It is expected that AHG would have reported $6.56 billion in consolidated revenues and $34.06 million consolidated net profit after tax attributable to members, for the year ended 30 June 2018, 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				
	Carlins	Hunter Motor Group	Auckland Motor Group	Essendon Nissan/Kia	Consolidated
Cash and cash equivalents	1,123	673	-	-	**1,796**
Vehicle inventories (net of bailment)	5,926	49	5,682	35	**11,692**
Parts inventories	-	466	197	346	**1,009**
Other current assets	2,144	1,637	16	74	**3,871**
Property, plant and equipment	257	353	188	983	**1,781**
Deferred tax assets	435	205	(7)	-	**633**
	9,885	**3,383**	**6,076**	**1,438**	**20,782**
Trade and other payables	(3,457)	(1,318)	-	(41)	**(4,816)**
Employee entitlements	(1,451)	(381)	(385)	(377)	**(2,594)**
Other debt	(4,526)	-	(494)	-	**(5,020)**
	(9,434)	**(1,699)**	**(879)**	**(418)**	**(12,430)**
Net identifiable assets acquired	**451**	**1,684**	**5,197**	**1,020**	**8,352**
Less: non-controlling interests	(221)	-	-	-	**(221)**
Net assets attributable to owners of the Company	**230**	**1,684**	**5,197**	**1,020**	**8,131**
Add: goodwill	3,636	2,928	2,602	1,392	**10,558**
Add: franchise rights	-	5,855	5,204	2,784	**13,843**
Net assets acquired	**3,866**	**10,467**	**13,003**	**5,196**	**32,532**
Cash consideration paid (A)	3,866	10,467	13,003	5,196	**32,532**
Total purchase consideration	**3,866**	**10,467**	**13,003**	**5,196**	**32,532**
Less: net cash acquired (B)	(1,123)	(673)	-	-	**(1,796)**
Net cash outflow	**2,743**	**9,794**	**13,003**	**5,196**	**30,736**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. 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. 49% of Carlins' shares are attributable to non-controlling interests holders.

Integration-related costs (technology, personnel, occupancy) and acquisition-related costs (stamp duty, professional services) of $0.16 million (before tax) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2018.

iii. Information not disclosed as not yet available

The Group has reported provisional amounts for goodwill, franchise rights and other assets acquired from Carlins, Hunter Motor Group, Auckland Motor Group and Essendon Nissan/Kia. The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired.

iv. FY2017 Business Combination finalisation

Provisional acquisition accounting has been completed for the FY2017 acquisitions of Doncaster JLR, City Mazda, Daimler Trucks Laverton, Newcastle Audi/Skoda and Essendon Ford/Mitsubishi. This has resulted in an increase of $1.91 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

26. Related party disclosures

SUBSIDIARIES

Name Of Entity	Country of Incorporation	Equity Holding 2018	Equity Holding 2017
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 Australia Pty Ltd	Australia	74%	100%
Butmac Pty Ltd	Australia	74%	100%
Motorbike Unit Trust	Australia	74%	100%
Jansen Pty Ltd	Australia	100%	100%
VMS Pty Ltd	Australia	100%	100%
Vehicle Storage & Engineering Pty Ltd	Australia	100%	100%
AHG Coatings 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	74%	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 Motorcycle Distributors NZ Limited	New Zealand	74%	100%
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 Proprty 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%
AHGCL 2016 Pty Ltd	Australia	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2018	Equity Holding 2017
Automotive (continued)			
Carlins Group Holdings Pty Ltd	Australia	51%	0%
Carlins Automotive Auctioneers (WA) Pty Ltd (2017: Allpike Autos Pty Ltd)	Australia	51%	100%
Carlin Auction Services (NSW) Pty Ltd	Australia	51%	0%
Carlins Auction Services (QLD) Pty Ltd	Australia	51%	0%
Carlin Auction Unit Trust	Australia	51%	0%
Carlin Motor Auctions (QLD) Pty Ltd Discretionary Unit Trust	Australia	51%	0%
Carlins Corporate Vehicle Services Pty Ltd	Australia	51%	0%
AHG Trade Parts Pty Ltd	Australia	100%	100%
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%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2018	Equity Holding 2017
Automotive (continued)			
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%
ACM Autos Holdings Pty Ltd	Australia	80%	0%
ACM Autos Pty Ltd	Australia	80%	80%
ACM Liverpool Pty Ltd	Australia	100%	100%
AHG Franchised Automotive Pty Ltd (2017: 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 Kackel 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 Group 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 (VIC) 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 Solutons Pty Ltd	Australia	100%	100%
Easy Auto 123 Pty Ltd	Australia	100%	100%
AHG Northwest Pty Ltd	Australia	100%	100%
360 Finance Pty Ltd	Australia	100%	100%
360 Financial Services Pty Ltd	Australia	100%	100%
360 Insurance Services Pty Ltd	Australia	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2018	Equity Holding 2017
Automotive (continued)			
OPM (2012) Holdings Pty Ltd	Australia	80%	0%
OPM (2012) Pty Ltd	Australia	80%	80%
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%
Auction Unit Trust	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%
Carsplus Australia Pty Ltd	Australia	100%	0%
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%
City Auto (2016) Holdings Pty Ltd	Australia	80%	80%
City Auto (2016) Pty Ltd	Australia	80%	80%
Doncaster Auto (2016) Pty Ltd	Australia	100%	100%
Ferntree Gully Autos Holdings Pty Ltd	Australia	80%	80%
Ferntree Gully Autos Pty Ltd	Australia	80%	80%
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%
Essendon Auto (2017) Pty Ltd	Australia	100%	100%
AHGSW 2018 Pty Ltd	Australia	100%	0%

The consolidated financial statements incorporate the assets, liabilities and results of the above subsidiaries in accordance with the accounting policy described in note 35(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 31) relieves wholly-owned entities from lodging financial reports under Class Order ASIC Corporation (Wholly-Owned Companies) Instrument 2016/785 (as amended) issued by ASIC.

ULTIMATE PARENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Related party disclosures (continued)

KEY MANAGEMENT PERSONNEL COMPENSATION

	2018 $'000	2017 $'000
Short-term employee benefits	7,552	7,194
Long-term employee benefits	(25)	118
Share-based payments	49	360
Termination benefits	-	600
Post-employment benefits	234	301
	7,810	8,573

Refer to note 27 for further details on share-based payments scheme with KMP.

TRANSACTIONS WITH RELATED PARTIES

During the year to 30 June 2018 there were Nil transactions between entities within the wholly-owned Group and 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 9). 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.

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.

	2018 $'000	2017 $'000
Amounts recognised as distributions to shareholders		
Dividends paid	49	537

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'.

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.

26. Related party disclosures (continued)

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.

27. 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

27. 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.

LTI

This is the monetary value of Performance Rights to be issued on the following basis:

- Subject to shareholder approval at each annual AGM.
- Issued under the rules of the AHG Performance Rights Plan.
- Based on performance assessed over a three year vesting period against measures approved by the Board with no subsequent re-testing.
- Performance Rights granted prior to departure can be retained post departure subject to compliance with service agreement terms including non-compete restrictions.
- Performance Rights will vest subject to performance achieved against a relative Total Shareholder Return (TSR) hurdle (50% weighting) and an Earnings per Share (EPS) compound annual growth rate (50% weighting), the details of which are outlined below.

Company's TSR relative to Peer Group (refer Remuneration Report for details)	Vesting outcome of TSR portion of grant
< 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% p.a. up to 10% pa	Progressive/pro-rata from 50-100%
At or above 10% pa	100% vesting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

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.

The model inputs for the LTI granted during the 2018, 2017 and 2016 included:

	FY2018	FY2017	FY2016
Performance assessment start date:	**1 July 2017**	1 July 2016	1 July 2015
Performance assessment end date:	**30 Jun 2020**	30 Jun 2019	30 Jun 2018
Performance Rights issued (no.):	**624,220**	532,369	472,911
Issue value (1 July, calculated by PwC):	**$3.21**	$3.63	$3.04
Performance Rights value:	**$1,666,667**	$1,708,904	$1,716,667
Grant date (AGM)	**18 Nov 2016**	20 Nov 2015	14 Nov 2014
Expiry date:	**30 Jun 2020**	30 Jun 2019	30 Jun 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 $1,183,282 (2017: $1,220,789) 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 2018 LTI is $1,611,424 (2017: $1,357,541) over three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. 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	Lapsed/ Forfeited %	Financial years in which shares may vest	Maximum value yet to vest
John McConnell	2017	174,114	$2.55				2020	$147,996
	2018	249,688	$2.58				2021	$429,463
Bronte Howson	2015	109,649	$2.68	0%	-	100%	2018*	$0
	2016	61,218	$2.98	0%	-	100%	2018*	$0
Philip Mirams	2015	65,789	$2.68	0%	-	100%	2018#	$0
	2016	55,096	$2.98	0%	-	100%	2019#	$0
	2017	62,305	$2.55	0%	-	100%	2020#	$0
	2018	74,906	$2.58	0%	-	100%	2021#	$0
David Rowland	2015	32,895	$2.68	0%	-	100%	2018	$0
	2016	27,548	$2.98				2019	$0
	2017	31,153	$2.55				2020	$26,480
	2018	37,453	$2.58				2021	$64,419
Gus Kininmont	2015	16,447	$2.68	0%	-	100%	2018	$0
	2016	13,774	$2.98				2019	$0
	2017	15,576	$2.55				2020	$13,240
	2018	18,727	$2.58				2021	$32,210
Eugene Kavanagh	2015	16,447	$2.68	0%	-	100%	2018	$0
	2016	13,774	$2.98				2019	$0
	2017	15,576	$2.55				2020	$13,240
	2018	18,727	$2.58				2021	$32,210
Martin Wandmaker	2015	16,447	$2.68	0%		100%	2018^	$0
	2016	13,774	$2.98				2019^	$0
	2017	15,576	$2.55				2020^	$13,240
	2018	18,727	$2.58				2021^	$32,210
Stephen Cleary	2016	28,696	$2.98				2019	$0
	2017	77,882	$2.55				2020	$66,199
	2018	93,633	$2.58				2021	$161,049
Paul Morris	2017	Nil	$2.55				2020^	$0
	2018	37,453	$2.58				2021^	$64,419
Adam Irving	2018	Nil	$2.58				2021	$0
Total	2015	257,675	$2.68	0%	-	100%	2018	$0
	2016	213,881	$2.98				2019	$0
	2017	392,182	$2.55				2020	$280,395
	2018	549,314	$2.58				2021	$815,982

** 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 nil vesting occurred during FY2018;*
 # Resigned during FY2018, all 2016/2017/2018 LTIs immediately forfeited.
^ Resigned after 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. 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 16).

28. 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% (2017: 50%) participating interest in this joint operation and is entitled to 50% of its profit (refer note 26 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Parent entity information

The following details information related to the parent entity, Automotive Holdings Group Limited, at 30 June 2018. The information presented is in line with the Group's accounting policies as presented throughout this report.

	2018 $'000	2017 $'000
Current assets	694,701	647,155
Non current assets	308,136	306,370
Total assets	**1,002,837**	953,525
Current liabilities	30,328	19,857
Non-current liabilities	227,840	239,334
Total liabilities	**258,168**	259,191
Contributed equity	653,134	653,134
Reserves		
- Cash flow hedge reserve	(35)	(780)
Retained profits	91,571	41,980
Total equity	**744,670**	694,334
Profit for the year	82,612	80,959
Other comprehensive income for the year	745	637
Total comprehensive income for the year	**83,356**	81,596

Profit for the year is net of impairment to investments in subsidiary entities of Nil (2017: 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 2018 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 31. 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 28). Capital commitments of the parent in relation to property, plant and equipment are the same as those consolidated capital commitments disclosed in note 30. Contingent liabilities of the parent are disclosed in note 31.

Accounting Policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Parent entity information (continued)

(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.

30. Commitments

CAPITAL COMMITMENTS

	2018 $'000	2017 $'000
Property, plant and equipment	17,132	44,240

FINANCE LEASE COMMITMENTS

	2018 $'000	2017 $'000
Within one year	9,698	8,653
Later than one year but not later than five years	31,898	20,872
Later than five years	2	-
Total lease payments	41,598	29,525
Future finance charges	(3,703)	(2,915)
Lease liability	37,895	26,610
Representing finance lease liabilities (note 15):		
Current	8,146	7,239
Non-current	29,749	19,371
	37,895	26,610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Commitments (continued)

HIRE PURCHASE COMMITMENTS

	2018 $'000	2017 $'000
Within one year	30,233	32,237
Later than one year but not later than five years	65,941	75,684
Later than five years	-	19
Total lease payments	96,174	107,940
Future finance charges	(6,849)	(8,819)
Hire purchase liability	89,325	99,121
Representing hire purchase liabilities (note 15):		
Current	27,096	28,273
Non-current	62,229	70,848
	89,325	99,121

OPERATING LEASE COMMITMENTS

	2018 $'000	2017 $'000
Within one year	156,843	151,419
Later than one year but not later than five years	530,021	444,730
Later than five years	686,824	650,019
	1,373,688	1,246,168

REMUNERATION COMMITMENTS

	2018 $'000	2017 $'000
Within one year	2,340	2,406

31. 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 $34,134,000 (2017: $31,071,000). At 30 June 2018 no controlled entity was in default in respect of any arrangement guaranteed by AHG.

At 30 June 2018, 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 2018, is below their expected selling price.

31. Contingencies (continued)

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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief from accounting requirements for wholly-owned subsidiaries.

Refer to the table at note 26 (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 2018, 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.

32. Events after the reporting date

(a) On 2 July 2018, AHG announced that HNA International confirmed to terminate the agreement announced on 23 November 2017 to acquire the Company's Refrigerated Logistics business. The Refrigerated Logistics business was classified and disclosed as discontinued operation during half year reporting. Based on the termination status of the transaction, the Group considers the business as a part of the continuing operations throughout this report; and

(b) Prior to the issuance of this report, AHG entered into unconditional sales contracts to dispose two blocks of land located in Hillcrest and Oxley, Queensland. The land was classified as held for sale as at 30 June 2018 (refer to note 12).

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2018 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Auditor's remuneration

	2018 $	2017 $
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		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*		
Fees paid or payable to BDO Audit (WA) Pty Ltd	628,196	696,061
Fees paid or payable to affiliated offices of BDO Audit (WA) Pty Ltd	105,091	106,667
	733,287	802,728
Non-audit services		
Taxation services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	65,778	524,946
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	9,138	25,779
Other services		
Fees paid or payable to BDO Corporate Finance (WA) Pty Ltd	45,000	-
Fees paid or payable to affiliated offices of BDO Corporate Finance (WA) Pty Ltd	11,423	-
	131,339	550,725
Total paid to auditors	864,626	1,353,453

34. 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

35. 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 2001*. 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 27 September 2018.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

(a) Compliance with IFRS

These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) New Accounting Standards and Interpretations

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB107*
- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 20114-2016 Cycle*

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 2017 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.

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 2018 and have not been adopted in preparing the financial report for the year ended 30 June 2018.

35. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

In all cases the entity intends to apply these standards applicable from the period first commencing after the effective date as indicated below:

AASB 9 Financial Instruments
DESCRIPTION: This new standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. This standard amends the classification and measurement of the financial assets. It introduces an "expected loss" model rather than "incurred loss" model for impairment of the financial assets. Lastly, the standard changes requirements for hedge accounting to more closely align hedge accounting with risk management. This standard is effective for annual reporting periods after 1 January 2018.
IMPACT ASSESSMENT: **Classification of Available-for-sale assets:** The entity has financial assets classified as available-for-sale. When the standard is 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 entity has both long term and short term trade receivables. When this standard is adopted, the entity's loss allowance on trade receivables will increase, but is not expected to be material to the Group. The change applies 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. **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 Revenue from contracts with customers
DESCRIPTION: This new standard replaces all existing revenue requirements, with the core principle being that 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 an entity expects to be entitled in exchange for those goods or services. This standard is effective for annual reporting periods after 1 January 2018.
IMPACT ASSESSMENT: The Group has conducted revenue recognition assessment to focus on: • Services to which the revenue relates have been performed; • Control of relevant goods has passed to the buyer; and • Where revenue relates to both the sale of goods and the provision of related services, revenue is appropriately allocated to the components and recognised accordingly. The following areas have been identified that will be materially impacted: • Extended warranty represents a separate performance obligation from the sale of vehicles under the new standard. As such obligation is fulfilled over an extended period after the vehicle is delivered, a timing difference in revenue recognition is expected. • Certain arrangements with fleet customers will be accounted for as leases because AHG is contractually obligated to repurchase the vehicles at an agreed price. This means that AHG retains price risk in relation to these vehicles and it has been determined that control of the asset has not passed to the customer in accordance with the requirements of AASB 15. Income and profits will be earned on these contracts over the lease term rather than recognised as a sale at the time that the fleet customer takes possession of the vehicle. In specific relation to the Refrigerated Logistics business, due to the unexpected termination and the associated timing of the HNA transaction on 2 July 2018, the Group is currently in the process of conducting a revenue recognition assessment in relation to AASB 15. The Group expects to take the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at 1 July 2018 without adjustment of comparatives and the new standard will only be applied to contracts that remain in force at that date. The Group is at the final stage of quantifying the financial impacts of applying the new standard to the consolidated financial statements.

35. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB 16 Leases

DESCRIPTION:

AASB 16 requires leasees to recognise assets and liabilities for all leases with the distinction between operating and finance leases being removed. The standard provides certain exemptions from recognising leases on the balance sheet including where the underlying asset is of low value or the lease term is 12 months or less.

Under the new standard, the Group will be required to:

- Recognise the right of use lease assets and lease liabilities on the balance sheet. Liabilities are measured based on the present value of future lease payments over the lease term. The right of use lease asset reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for restoration.
- Recognise depreciation of right of use lease assets and interest on lease liabilities over the lease term.
- Separately present the principal amount of cash paid and interest in the cash flow statement as a financing activity.

This standard is effective for annual reporting periods after 1 January 2019.

IMPACT ASSESSMENT:

AASB 16 is expected to be the most significant new accounting standards for the Group in terms of impact on the financial statements. This is primarily due to the significant number of property-related operating leases the Group will have at the date of initial application of the new standard. As at the reporting date, the Group has non-cancellable operating lease commitments of $1.37 billion (note 30).

The standard must be implemented retrospectively, either with full retrospective restatement of comparatives or with the cumulative impact of application recognised as of 1 July 2019 under the modified retrospective approach. The Group expects to elect the full retrospective method.

Recognising the system and process changes that are required to comply with AASB 16, the Group has been implementing a new lease management system that is AASB 16 compliant for all property and equipment leases. In addition, preliminary consideration has been given to the primary AASB 16 decision inputs, including but not limited to lease terms and discount rate determinations, and business combinations implications arising from the Group's history of acquisitions, and the transition approach.

The complicated and wide-ranging implications of AASB 16 require further consideration from the Group, focused on factors such as:

- Option renewal assumptions on a lease by lease basis, the judgement around which will result in the greatest financial impact on transition to AASB 16;
- Implications of AASB 16 on profit classifications, primarily between occupancy costs, equipment rental, amortisation and interest expenses;
- Implications of AASB 16 on cash flow classifications, primarily between operating and financing classifications; and
- Wider ranging implications of AASB 16 on extended considerations such as financier covenants, capital management ratios and internal metrics used to assess performance and remuneration throughout the Group.

As at 30 June 2018, the Group is continuing to evaluate the effects of the new standard, noting the following high-level profit or loss impacts will occur:

- AHG's EBITDA will increase by majority of its existing occupancy costs;
- These occupancy costs will be replaced with amortisation and interest costs; and
- FY2019 will see quantification of these costs, at which point it will determine if they are higher or lower than the occupancy costs disclosed under existing standards.

35. 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 2018 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 to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Summary of significant accounting policies (continued)

(c) Principles of Consolidation (continued)

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Australian dollars, which is AHG's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit for the year, except when deferred in equity as part of the net investment in a foreign operation.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Summary of significant accounting policies (continued)

(e) Foreign Currency Translation (continued)

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.

(f) 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.

(g) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Summary of significant accounting policies (continued)

(h) Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges);
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

(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.

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 2018 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 31 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:

J McConnell

27 September 2018

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 2018

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 2018:

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 2018 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

A Irving

27 September 2018

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Australia

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 2018, 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 2018 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 Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

BDO

Impairment testing of cash generating units ("CGUs")

Key audit matter	*How the matter was addressed in our audit*
As required by the Australian Accounting Standards, the Group performs an annual impairment test for each CGU to which goodwill and other intangible assets have been allocated to determine whether the recoverable amount is below the carrying amount as at 30 June 2018. A value in use model which includes cash flow assumptions and discount rates is used to calculate the recoverable amount of each CGU. This was determined to be a key audit matter as the impairment test for goodwill, other intangible assets and other assets for each CGU, requires significant judgement by management. Impairment testing is typically complex and judgemental, as it includes modelling of a range of assumptions and estimates that will be impacted by future performance and market conditions. In addition, where management identifies impairment triggers at an individual asset level, testing of these assets is undertaken prior to the impairment assessment of a CGU. As disclosed in Notes 10 and 24 of the financial report, the Group recognised significant individual asset level impairments for the year ended 30 June 2018. As disclosed in Note 24 of the financial report, Refrigerated Logistics CGU's recoverable amount is marginally above its carrying amount and is sensitive to a change in the growth rate, discount rate, forecast cash flows and EBITDA margin. Based on the disclosed sensitivity analysis, changes to the key assumptions and estimates applied in the impairment test could give rise to an impairment. Critical to supporting the recoverability of the Refrigerated Logistics CGU, is the ability of the business to achieve its budgeted trading results.	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; • Assessing the reasonableness of management's impairment testing at an individual asset level. This includes assessing the key judgements that have been applied in the determination of the assets future cash flows; • Challenging key inputs used in management's impairment testing 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; ○ Assessing the Group's forecast capital expenditure for sustainability; ○ Comparing the Group's cash flow forecasts to board approved budgets; ○ Assessing the accuracy of historic forecasts against actual results; and ○ Performing sensitivity analysis to stress test the key assumptions used, including future growth rates, discount rates, forecast cash flows and EBITDA margins; and • Assessing the adequacy of the related disclosures in Notes 10 and 24 of the financial report.

BDO

Carrying value of vehicle inventory

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2018, the Group has recognised vehicle inventory, net of write-downs 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 2018 was incorrectly valued; and • Assessing the adequacy of the related disclosures in Note 8 of the financial report.

BDO

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 vehicle inventory on hand at 30 June 2018. This means that the recognition and measurement of incentives, including establishing accruals at 30 June 2018, involves significant estimates and judgement from management, particularly the expected level of incentives to be received by the Group, and accordingly the accounting for manufacturers' incentives is a key audit matter.	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 2018 with OEMs; • Evaluating the basis for profit recognition for all incentives earned that relate to vehicle inventory on hand at 30 June 2018; and • Assessing the adequacy of the related disclosures in Note 3 of the financial report.

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 2018, 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.

BDO

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 in pages 47 to 64 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Automotive Holdings Group Limited, for the year ended 30 June 2018, 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

BDO

Phillip Murdoch

Director

Perth, 27 September 2018

SHAREHOLDER AND OPTIONHOLDER INFORMATION

The shareholder information set out below was applicable at 27 September 2018.

A. Distribution of equity securities

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

	No. of Shareholders
1 - 1,000	2,298
1,001 - 5,000	4,948
5,001 - 10,000	2,287
10,001 - 100,000	1,897
100,001 and over	115
Total	**11,545**

The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 12 September 2018 was 747 holders holding 47,800 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	87,384,286	26.35%
HSBC Custody Nominees (Australia) Limited	41,592,708	12.54%
JP Morgan Nominees Australia Limited	26,462,933	7.98%
UBS Nominees Pty Ltd	14,620,764	4.41%
Citicorp Nominees Pty Limited	8,812,577	2.66%
LG McGrath investments Pty Ltd	6,801,063	2.05%
Argo Investments Limited	5,943,484	1.79%
Pulo Rd Pty Ltd <<Pulo Rd Super Fund Account>>	5,694,966	1.72%
Jove Pty Ltd	5,176,716	1.56%
Mr Damon Stuart Wheatley	3,723,799	1.12%
BNP Paribas Nominees Pty Ltd <<Agency Lending DRP Account>>	3,712,209	1.12%
Mrs Michelle Victoria Harris	3,489,362	1.05%
Milton Corporation Limited	3,466,366	1.05%
National Nominees Limited	3,317,707	1.00%
Auto Management Pty Ltd <<Branchi Family Account>>	2,377,274	0.72%
BNP Paribas Noms Pty Ltd <<DRP>>	2,214,227	0.67%
UBS Nominees Pty Ltd	1,431,014	0.43%
Carawatha Holdings Pty Ltd	1,396,023	0.42%
Zero Nominees Pty Ltd	1,121,000	0.34%
Mrs Colleen Christine Howson	1,106,944	0.33%

SHAREHOLDER AND OPTIONHOLDER INFORMATION

C. Substantial holders

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited and its associated entities*	87,384,286	26.35%
Perpetual Limited and its related bodies corporate	22,336,124	6.74%
Dimensional Entities	16,599,441	5.01%

** 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.

AHG's McGrath Subaru dealership at Liverpool, NSW

CORPORATE DIRECTORY

REGISTERED OFFICE AND HEAD OFFICE

Automotive Holdings Group Limited
21 Old Aberdeen Place, West Perth WA 6005
ABN 35 111 470 038

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Email: info@ahg.com.au
Web: ahg.com.au
Investor Relations Web Site: ahgir.com.au

EXECUTIVE DIRECTOR

John McConnell *(Managing Director)*

NON EXECUTIVE DIRECTORS

Howard Critchley
Greg Duncan
John Groppoli
Andrea Hall
Jane McKellar

COMPANY SECRETARY

David Rowland

SHARE REGISTRY

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AUTOMOTIVE HOLDINGS GROUP