ANNUAL REPORT 2016

AHG

Automotive Holdings Group

Jason Babetti, Daimler Trucks Perth.

CONTENTS

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

AHG Vision

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

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

About AHG

Established in 1952 as a single motor vehicle dealership, Automotive Holdings Group today is the largest automotive retailing group in Australasia, has two significant logistics divisions with operations in every mainland state, and employs more than 7,500 staff.

In 2016 the Group operates 188 motor vehicle franchises at 108 dealership locations, automotive and truck parts warehousing and distribution, national refrigerated transport and storage, truck and trailer bodybuilding, engineering and storage, and distribution across Australia and New Zealand of KTM and Husqvarna motorcycles.

Annual General Meeting

The 2016 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 18 November 2016.

About this report

This annual report is a summary of the operations, activities and financial position at 30 June 2016 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 unless otherwise stated. References to a "year" are to the financial year ended 30 June 2016 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.

Group Financial Highlights

Automotive Holdings Group Limited again delivered record revenues, profit and dividend in the 2015-2016 Financial Year.

Consolidated Financial Performance	FY2016 ($m)	FY2015 ($m)	% change
Statutory IFRS Profit after Tax Reconciliation			
Statutory Net Profit after Tax	**90.1**	**88.1**	**2.2%**
Costs in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback)	7.1	6.1	18.0%
Operating[1] Net Profit after Tax (Non-IFRS)	**97.2**	**94.2**	**3.2%**
Statutory Earnings Per Share *(cps)*	29.4	28.7	
Operating[1] Performance (Non-IFRS)			
Revenue	**5,626**	**5,246**	**7.2%**
EBITDA	225.5	215.8	4.5%
EBITDA %	4.0%	4.1%	
EBIT	182.1	175.2	3.9%
EBIT %	3.2%	3.3%	
Operating[1] Net Profit after Tax (Non-IFRS)	**97.2**	**94.2**	**3.2%**
Operating[1] Earnings Per Share (cps)	31.7	30.7	3.3%
Operating[1] Interest Cover (times)	5.0	5.2	

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback).

HIGHLIGHTS

- Record Group revenue of $5.63 billion (up 7.2% pcp)
- IFRS Statutory Profit after tax $90.1 million (up 2.2% pcp)
- Record Operating[1] Profit after tax $97.2 million (up 3.2% pcp)
- Operating[1] EPS of 31.7 cents (up 3.3% pcp)
- Final dividend of 13 cents per share; full year dividend 22.5 cents fully franked (22 cents pcp)
- Auto acquisitions completed in FY2016: Western Pacific Mercedes-Benz (Perth), West Auckland Nissan, Knox Mitsubishi (Melbourne), Sinclair Hyundai (Penrith)
- Greenfield developments: Hillcrest Mazda (Queensland), Aspley Nissan (Queensland)
- Record performance by Automotive
- Disappointing result from Refrigerated Logistics

Key financial data (Operating[1]) (Non-IFRS)	FY2016 ($m)	FY2015 ($m)
Revenue	**5,626.0**	5,245.8
EBITDA	**225.5**	215.8
NPAT	**97.2**	94.2
Total assets	**2,191.4**	1,957.1
Net debt (excluding floorplan)	**274.0**	230.9
Shareholders' equity	**719.5**	695.6

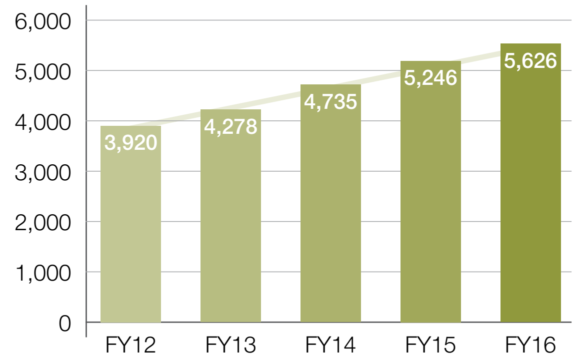
Key share data	FY2016 cents	FY2015 cents
EPS[1] (Non-IFRS)	**31.7**	30.7
Dividends per share	**22.5**	22.0
NTA per share	**83.9**	99.0

Key ratios	FY2016	FY2015
ROCE[1] (Non-IFRS)	**11.0%**	12.0%
Gearing (excluding floorplan)	**27.6%**	25.0%

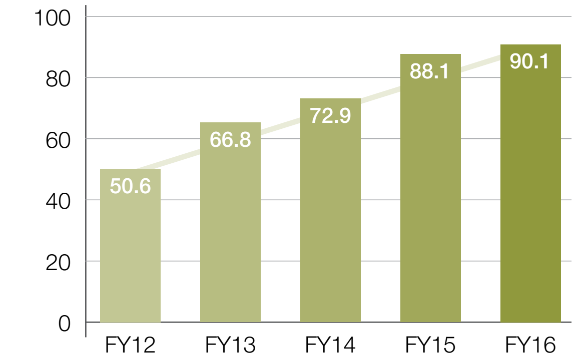
Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback).

Group Financial Highlights (continued)

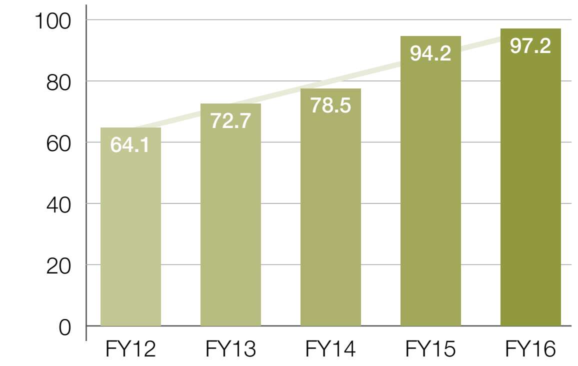
Revenue ($m)



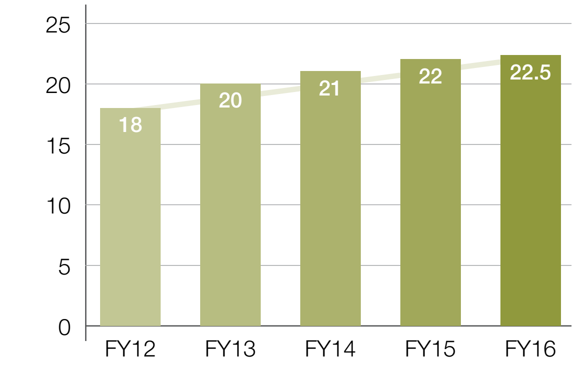
Statutory NPAT ($m)



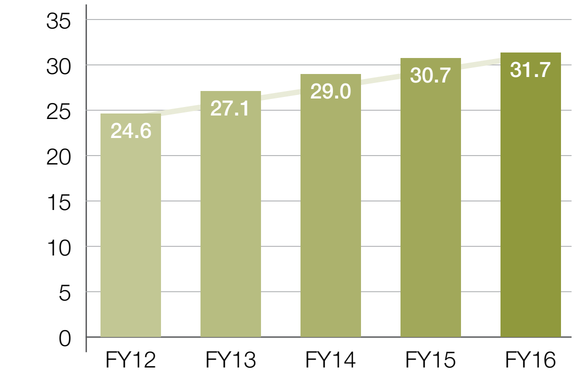
Operating[1] NPAT ($m)



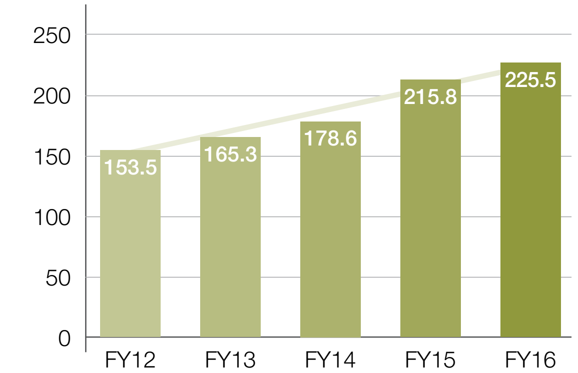
Statutory Dividends (cps)



Operating[1] EPS (cps)



Operating[1] EBITDA ($m)



Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback).

Chairman's Message

On behalf of the Board of Directors of Automotive Holdings Group, it is my pleasure to present the Company's 2016 Annual Report.

The financial year in review once again delivered to Shareholders record revenue, operating profit and dividends.

Group revenue for FY2016 was $5.6 billion, an increase of 7.2% on the preceding financial year. Operating[1] NPAT increased 3.2% to $97.2 million. The Group's Statutory profit after tax was $90.1 million, an increase of 2.2% on the previous year.

Shareholders received a fully-franked full year dividend of 22.5 cents per share, up from 22 cents on the previous result.

The Automotive result was extremely pleasing considering the challenges of the Western Australian market and is testament to AHG's strong operating model and growth strategy.

The Company completed several significant automotive dealership acquisitions, Greenfield developments and property redevelopments during the year in review, all of which complement the Board's focus on delivering superior returns to Shareholders.

The Refrigerated Logistics result was disappointing however your Company is well advanced with its restructuring activities and remains determined to deliver Shareholder value.

AUTOMOTIVE

Revenue from the Automotive Retail division was up 10.6% to $4.7 billion.

Operating[1] EBITDA improved 10.4% to $177.9 million, delivering an Operating[1] Profit before tax of $135.7 million up 11.3% pcp.

The Group benefitted from strong trading performances from its dealerships in New South Wales, Victoria, Queensland and New Zealand, which more than offset weaker market conditions in Western Australia. The results from AHG's operations in Sydney, Newcastle and Auckland were outstanding and were supported by strong improvement in Brisbane and further growth in Melbourne.

And while new vehicle volumes were down in Western Australia, in line with the broader state economy, it was pleasing to see strong organic growth in used vehicle numbers, largely attributable to the Company's easyauto123 fixed-price warehouse model that is expected to be rolled out throughout Australia in FY2017.

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division contributed revenues of $580.4 million, a decrease of 4.7% and Operating[1] EBITDA of $37.2 million which was down 17.9%. Operating[1] Profit before tax was down 59.6% to $8.2 million.

The major contributing factors were a fall in east-west volumes due to the slowdown in WA mining, changes to the supermarket retail model with entry of new competitors placing pressure on margins and increased volumes of imported goods direct to port of consumption.

The revenue performance and margins delivered by the Refrigerated Logistics division in the period are disappointing and a substantial transformation program is being implemented to improve operational performance and financial returns.

The Board is determined to ensure that the Refrigerated Logistics division delivers the best value outcome for Shareholders.

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback).

Chairman's Message (continued)

OTHER LOGISTICS

The Group's Other Logistics division saw revenues decrease by 12.2% to $320.5 million, contributing Operating[1] EBITDA of $10.0 million, down 5.2% and Operating[1] Profit before tax of $4.9 million, down 7.5%. A number of factors impacted the result in the Other Logistics division.

KTM revenues grew strongly, up 12%, however the weaker Australian dollar during the reporting period negatively impacted inventory purchases from Europe and hence margins. The Genuine Truck Bodies business improved from a loss-making positon in FY2015 to breaking even in FY2016 with a strong order book supported by a recent contract for the delivery of 500 truck bodies. AMCAP remains a solid contributor to the Group in its automotive parts distribution operations and showed significant year-on-year growth in mining and industrial parts.

Excluding the contribution from Covs prior to its sale in March 2016, revenues from continuing operations increased by 5.1% and profit before tax increased strongly.

OUTLOOK

The Company remains focused on its core strategies with the clear aim of generating superior Shareholder returns. The capital raising undertaken in September was well supported by institutional and retail investors, raising more than $110 million to refresh the Group's balance sheet and support the Company's future growth strategy.

The outlook for new vehicle sales in Australia and New Zealand remains strong except in Western Australia. AHG is well placed to continue its growth strategy including Greenfield developments and acquisitions where the benefits of such investments have been clearly identified. The Company also expects to realise significant future benefits from the national expansion of its used car strategy.

The Board and management are closely monitoring the outcome of reviews by ASIC into commissions paid to dealerships by financiers and insurers. As the industry response to future regulatory reforms is developed, AHG will be better placed to quantify any potential impact on future earnings. Based on current understanding of the likely timetable for implementing these proposed reforms, AHG does not anticipate any material impact on earnings in the current financial year ending 30 June 2017. An update will be provided at the Company's Annual General Meeting.

The Company has a clear plan to improve performance and returns in Refrigerated and Other Logistics. The Board's focus is on the broad transformation program designed to drive efficiencies and synergy savings in FY2017 and beyond. The new operating model will streamline processes and improve productivity in a single commercial structure aligned to customers' needs and relationships.

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

SINCERE THANKS

As Chairman of the Board, I thank my fellow Directors and the Company's senior management teams for their support and officially welcome to the Company Jane McKellar who joined the Board during the year in review.

On behalf of the Board, I also wish to pay tribute to Managing Director Bronte Howson who will retire from that position on 31 December 2016.

Bronte has been the Company's Chief Executive Officer for more than 17 years and has been an executive with AHG for 28 years during which time he has made an outstanding contribution. As CEO he successfully led AHG's evolution from a private group, based largely in Western Australia, to its position today as Australasia's largest listed automotive group and a significant player in logistics.

His service to the industry and the wider community was recognised in the 2016 Queen's Birthday honours list when he was awarded the Medal of the Order of Australia.

The Board was delighted to be able to appoint John McConnell as Bronte's successor. John brings to AHG extensive experience in the automotive retail industry, both in Australia and internationally as well as significant experience in logistics, and is well qualified to lead the Company in the years ahead.

The automotive retail industry is continuously evolving. The Board believes John has the skills and experience to ensure AHG is well positioned to address and embrace the changing automotive marketplace and ensure the Company's logistics businesses deliver value to Shareholders.

Special thanks must go to AHG's employees. More than 7,500 people contribute to the success of your Company every day. The Board sincerely appreciates their contributions.

On behalf of the Board I also acknowledge the outstanding contribution to the Company made by retiring Director Peter Stancliffe who has helped to guide AHG's progress since November 2005.

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

David C Griffiths
Chairman

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback).

Managing Director's Review

The financial year in review clearly demonstrates the benefits of AHG's market leading positions in the Automotive and Refrigerated Logistics sectors.

The Group reported record revenue, profit and dividends and remains well positioned to drive further growth across its operations in Australia and New Zealand.

FINANCIAL HIGHLIGHTS

The Company's IFRS Statutory NPAT increased 2.2% on the previous financial year to $90.1 million, while Operating[1] EBITDA was $225.5 million, an increase of 4.5% (pcp).

Group revenue totalled $5.63 billion, an increase of 7.2% on FY2015.

Operating[1] Earnings per Share increased 3.3% (pcp) to 31.7 cents and Shareholders received an increased full year dividend of 22.5 cents per share (22 cents pcp).

The Automotive result was very pleasing considering the challenges of the Western Australian market and is testament to AHG's strong operating model and growth strategy. The Refrigerated Logistics result was disappointing however the Company is well advanced with its planned restructuring activities and determined to deliver superior Shareholder value.

AUTOMOTIVE

Revenue from the Automotive division was up 10.6% to $4.72 billion.

Operating[1] EBITDA improved 10.4% to $177.9 million, delivering an Operating[1] profit before tax of $135.7 million up 11.3% (pcp).

The Australian and New Zealand markets reported records sales of new vehicles in the 2015 calendar year and are on track to exceed those marks again in CY2016.

AHG's scale, broad portfolio of brands and strategic dealership locations ensure the Company is able to benefit from market growth and, as evidenced in FY2016, to withstand isolated downturns such as the weaker economic conditions experienced in Western Australia. It is worth noting the record performances from the Group's dealerships in Sydney, Newcastle and Auckland and the improved returns from dealership operations in Melbourne and Brisbane.

The Group's used car operations also performed strongly, with significant organic growth and the successful launch of the easyauto123 fixed-price used car warehouse model, which is planned for roll-out nationally.

The Australian private to private (P2P) market is estimated to be in the order of $15 billion annually and AHG is well placed to increase its share of this with its national used car warehouse strategy and digital disruption initiatives.

The Company completed a number of strategic acquisitions, Greenfield developments and refurbishments during FY2016. The purchase of Perth's three Mercedes-Benz dealerships, Knox Mitsubishi in Melbourne and Sinclair Hyundai at Penrith west of Sydney delivered strong revenue growth and increased earnings. More recently, the acquisitions of the Lance Dixon Jaguar Land Rover group at Doncaster in Melbourne's inner eastern suburbs and the Audi dealership in Newcastle strengthen the Company's exposure to the luxury brands market, while the additions of City Mazda in Melbourne and Daimler Trucks Laverton deliver further growth in scale and revenue.

REFRIGERATED LOGISTICS

AHG's Refrigerated Logistics division reported a disappointing result for the year in review but management is confident of improved returns for Shareholders from the transformation program initiated during FY2016.

The division contributed revenues of $580.4 million, a decrease of 4.7% (pcp). Operating[1] EBITDA of $37.2 million was down 17.9%. Operating[1] profit before tax was down 59.6% to $8.2 million.

The business is in the process of a substantial program to upgrade technology platforms, leverage operational efficiencies, and drive productivity and cost controls. The Company has a clear plan to achieve those objectives, which will improve operating performance and financial returns, while remaining focused on business development to grow revenue in FY2017. This plan is expected to deliver improvement in EBITDA in FY2017, with further benefits realised in FY2018, and create a market leading refrigerated logistics business in Australia that is well positioned in the Asian food bowl.

OTHER LOGISTICS

Excluding the contribution from Covs (divested March 2016) revenues from continuing operations increased by 5.1% and profit before tax increased strongly.

AMCAP remains a mature business with a strong market position Western Australia and significant opportunities on the east coast.

The divestment of the Covs business during the year allowed management to focus on the continuing operations and their ongoing improvement.

The Group's motorcycle importation and wholesale distribution business recorded growth in KTM and Husqvarna unit sales and revenues but suffered from the weaker Australian dollar negatively impacting inventory purchases from Europe during the reporting period. Both brands offer premium products and generate strong customer loyalty.

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback).

Operating[1] – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds (Son of Holdback).

Managing Director's Review (continued)

Management restructured the Genuine Truck Bodies business, which improved from a loss-making positon in FY2015 to breaking even in FY2016 with encouraging future prospects. GTB held a strong order book supported by a contract for the delivery of 500 truck bodies for a major customer. The business is well placed to outperform FY2016 with confirmed contract orders through FY2017.

PEOPLE AND CULTURE

AHG acknowledges its employees as its most valuable asset and is proud of the more than 7,500 people who contribute each day to the Company's success.

During the reporting period there was a renewed focus on diversity, gender earnings disparity and staff retention with detailed analysis of the drivers of staff turnover. These initiatives are referenced further in this Annual Report.

WORKPLACE HEALTH SAFETY AND ENVIRONMENT

The AHG Workplace Health, Safety and Environment strategy provides principles that help guide decisions and behaviours to secure a workplace free of risk and injury. In line with those principles, the year in review delivered welcome results across all business units.

Management continues to develop and enhance Workplace Health and Safety systems and identify strategies for injury prevention, enhanced health and wellbeing and improved injury management outcomes.

The Company is committed to meeting or exceeding environmental compliance responsibilities across its range of operations and has policies and processes in place, detailed in this Annual Report, to foster the sustainable use of the earth's resources, thereby minimising the impact of its operations on the community.

PERSONAL THANKS

Shareholders will be aware that this is my final Annual Report as AHG's Managing Director. After more than 17 years as CEO and MD, and after more than 28 years with the Company, I offer my sincere thanks to our Shareholders, our staff and my colleagues across management and the Board for their support and encouragement. I also take this opportunity to thank retiring Non-Executive Director Peter Stancliffe for his contribution to AHG and for his personal support and guidance.

It is with a sense of great pride that I pass the baton to John McConnell and wish him and the Company every success.

Bronte Howson
Managing Director

Operating and Financial Review

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.

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, overlaid with alignment to the wider consolidated AHG strategic objectives.

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

GROUP FINANCIAL PERFORMANCE

Key Financial Data	Statutory IFRS Result 2016	Unusual items* 2016	Operating Non-IFRS Result 2016	Operating Non-IFRS Result 2015
For the year ending 30 June 2016	*$'000*	*$'000*	*$'000*	*$'000*
Revenue	**5,625,999**	**-**	**5,625,999**	**5,245,789**
EBITDA	217,115	(8,373)	225,488	215,775
EBITDA Margin (%)	3.9%	-	4.0%	4.1%
Depreciation and amortisation	(43,386)	-	(43,386)	(40,549)
EBIT	173,729	(8,373)	182,102	175,227
Interest (net)	(36,580)	-	(36,580)	(33,576)
Profit before tax	137,149	(8,373)	145,522	141,651
Tax expense	(40,263)	1,197	(41,460)	(41,413)
Profit after tax	96,886	(7,176)	104,063	100,237
Non-controlling interest	(6,816)	-	(6,816)	(6,024)
Net profit after tax attributable to shareholders	**90,071**	**(7,176)**	**97,247**	**94,213**
Basic EPS (cents per share)	29.4	-	31.7	30.7

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

Revenue

Group revenue increased 7.2% to $5.63 billion (2015: $5.25 billion), driven by the acquisition of Western Pacific Mercedes-Benz (October 2015 – Automotive segment), supported by organic growth in the Automotive segment, partially offset by the divestment of Covs (February 2016 – Other Logistics segment) and fall in Refrigerated Logistics' segment revenue.

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

Operating non-IFRS margins decreased year-on-year to 4.0% (2015: 4.1%), with Automotive performance consistent year-on-year, but a decrease within the Refrigerated Logistics' segment.

Depreciation and Amortisation

Depreciation and amortisation for the year was $43.39 million (2015: $40.55 million), an increase of 7.0%. This was primarily due to ongoing investment in organic Refrigerated Logistics operations (premises, vehicle fleet and container assets), supported by plant and equipment acquired as part of the various Automotive Retail acquisitions and Greenfield developments.

Interest Expense (net)

Net interest expense (including floorplan finance, finance costs less interest revenue) for the year was $36.58 million (2015: $33.58 million), an increase of 8.9%. The increase was due to higher floorplan finance costs from the Western Pacific Mercedes-Benz acquisition, organic growth, and higher Group commercial borrowings levels during FY2016, mitigated by a combination of lower interest rates on borrowings and consistent focus on inventory/cash management.

Non-controlling Interests

Profit attributable to non-controlling interests increased to $6.82 million (2015: $6.02 million), up 13.1%. These are entities which are consolidated into AHG's financial performance but where AHG does not hold an entitlement to 100% of their profits. Refer to note 28 Related Parties for a listing of those entities where AHG does not hold a 100% profit entitlement. The increased expense related to strong organic performances by these entities during FY2016.

Net Profit after Tax attributable to shareholders

AHG earned a statutory profit after tax of $90.07 million (2015: $88.09 million) for the year, an increase of 2.2%. Operating Non-IFRS profit (before unusual items) after tax was $97.25 million (2015: $94.21 million), an increase of 3.2%. Both were record results for the Group.

Dividends

A fully franked final dividend of 13.0 cents per share was declared, taking the full year dividend to 22.5 cents, an increase of 0.5 cents (2.3%).

Operating and Financial Review (continued)

GROUP FINANCIAL POSITION

	FY2016	FY2015
Total Assets	$2.19 billion	$1.96 billion
Total Liabilities	$1.47 billion	$1.26 billion
Total Equity	$0.72 billion	$0.70 billion

TOTAL ASSETS

Total assets increased by $0.23 billion from $1.96 billion to $2.19 billion, driven by a combination of acquisitions completed during the period and working capital / non-current asset investments.

Trade inventories, the largest individual component of total assets, comprise vehicle, motorcycle and parts inventories on hand across the automotive retail and other logistics segments, increased $96.08 million to $828.11 million (2015: $732.03 million). This was attributed to the acquisition of Western Pacific Mercedes-Benz (~$37 million) and increased vehicle inventories arising from strong operating performance and timing of manufacturer supplies. AHG applies policies around its inventory management to mitigate potential obsolescence concerns.

Receivables increased moderately, up $15.03 million from $318.59 million to $333.61 million. This was influenced by the acquisition of Western Pacific Mercedes-Benz (~$8 million). Average debtor days decreased slightly over the prior year (21.6 days compared to 22.2 days), aided by AHG's dedicated centralised Credit Control department which monitors outstanding debtors on a continual basis.

Property, plant and equipment increased $9.87 million to $359.04 million (2015: $349.17 million), 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 FY2016, less ~$37 million of property, plant and equipment assets sold to Charter Hall under sale and leaseback arrangements executed in August 2015.

Intangible assets increased $70.22 million to $462.26 million (2015: $392.04 million) linked to acquisitions of Western Pacific Mercedes-Benz, Knox Mitsubishi and Sinclair Hyundai executed during FY2016, and completion of provisional accounting for FY2015 acquisitions of Bradstreet Motor Group, Paceway Mitsubishi and Leo Muller CJD.

TOTAL LIABILITIES

Total liabilities increased by $0.21 billion to $1.47 billion (2015: $1.26 billion) during FY2016.

Trade and other payables decreased $9.03 million, despite the influence of acquisitions during FY2016 (~$7 million), due to timing around payment of year-end liabilities covering creditors, subcontractors and payroll accruals (including commissions linked to record performance achieved for FY2016).

Interest-bearing liabilities rose $211.18 million to $1.09 billion (2015: $0.88 billion) due to a combination of increased finance company loans (organic and acquisitions/Greenfields), increased lease/hire purchase commitments (property, plant and equipment investment) and increased commercial borrowings (acquisitions).

Total current and non-current provisions increased $7.58 million to $97.03 million (2015: $89.45 million), attributed to increased employee provisions (expanded employee numbers, particularly linked to acquisitions), record FY2016 profits (increased average pay rates apply to entitlements) and natural increases in existing employee service periods and entitlements.

TOTAL EQUITY

Total equity increased by $0.02 billion to $0.72 billion, reflecting the net retained profit between FY2016 performance and dividends paid.

FUNDING AND CAPITAL MANAGEMENT (INCL. CASH FLOW / SHAREHOLDER VALUE / DIVIDENDS)

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

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

Finance Company Loans

Finance company facilities of $937.26 million (2015: $804.72 million) were available to AHG as at 30 June 2016, of which $711.51 million (2015: $582.15 million) were used.

AHG excludes finance company loans from its gearing ratio calculations.

(refer note 26 – Capital Management).

Commercial Bills and Leasing Finance Facilities

There were $602.43 million (2015: $464.27 million) of these facilities available to the Group as at 30 June 2016, of which $406.24 million (2015: $299.95 million) had been utilised (including Guarantees - refer note 34). AHG expanded its Commercial Bill facilities by $125.0 million during FY2016. Lease Finance facilities expanded in conjunction with acquisitions during FY2016.

Capital Management Metrics

	FY2016	FY2015
Gearing Ratio *(source: note 26.2 Capital Management)* (net debt excluding finance company loans and cash) / (net debt + equity excluding finance company loans and cash)	27.6%	25.0%
Gearing Ratio *(source: note 26.1 Capital Management)* (net debt excluding cash) / (net debt excluding cash + equity)	57.8%	53.9%
Interest Cover (times) *(source: note 2 Operating Segments)*		
• Operating Non-IFRS*	4.98	5.22
• Statutory	4.75	4.87
(EBIT / Net Interest expense)		

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

Net debt (borrowings excluding finance company loans and cash and cash equivalents) increased by $38.41 million to $274.02 million (2015: $235.61 million). This increase reflected:

- Operating Cash Flows of $139.81 million (2015: $113.31 million), up $26.50 million;
- Payment for acquisitions (net of divestments) of $53.01 million, down from $74.97 million paid in pcp;
- Payment for property, plant and equipment (net of proceeds of sale of property, plant and equipment) of $59.42 million, down from $81.32 million paid in pcp; and
- Record dividend paid to shareholders during FY2016, totalling $68.97 million (2015: $65.91 million). Total declared dividend for FY2016 is 22.5 cents (FY2015: 22.0 cents), with the final dividend component of 13.0 cents to be paid in October.

The Group's balance sheet position, particularly after the Equity Raise and Share Placement executed post 30 June 2016, continues to support further growth opportunities, supported by strong operating cash flows.

Operating and Financial Review (continued)

AUTOMOTIVE

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

Passenger brands: Abarth, Alfa Romeo, Bentley, Chrysler, Citroen, Dodge, Fiat, Ford, FPV, Holden, HSV, Hyundai, Infiniti, Isuzu Ute, Jaguar, Jeep, Kia, Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Peugeot, Porsche, Subaru, Suzuki, Toyota, Volkswagen.

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

COMPETITIVE ADVANTAGES:

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

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

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

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

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

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

BUSINESS MODEL AND STRATEGIES

AHG operates an expanding network of franchised dealerships located in both established and growth regions of the Australian mainland and New Zealand.

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

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

Operating within the wider retail environment, AHG is conscious of the need to keep pace with changing consumer habits. Accordingly, a major focus has been on expanding AHG's capacity to engage with prospective customers in the online environment, but in a manner that is complementary to, and supportive of, the large dealer network. During FY2016 the Group held a controlling interest in 360 Financial Services, which operates independently from the AHG dealership network to provide consumers with access to financial services through online marketing. Post 30 June 2016, this ownership has converted to 100%.

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

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

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

BUSINESS SEGMENT - AUTOMOTIVE RETAIL

	FY2016	FY2015	Movement
	$'000	*$'000*	*%*
Automotive Retail			
Revenue	**4,724,800**	4,271,145	10.6%
Statutory IFRS Performance			
EBITDA	**178,559**	165,114	8.1%
EBITDA %	**3.8%**	3.9%	
EBIT	**159,742**	147,245	8.5%
Profit before Tax	**136,365**	125,844	8.4%
Operating* Non-IFRS Performance			
EBITDA	**177,940**	161,228	10.4%
EBITDA %	**3.8%**	3.8%	
EBIT	**159,123**	143,359	11.0%
Profit before Tax	**135,746**	121,958	11.3%

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

Automotive retail operations accounted for 84% (FY2015: 81%) of Revenue and 82% (FY2015: 81%) of Statutory EBITDA for FY2016. The FY2016 results of $4.72 billion ($4.27 billion) Revenue and $178.56 million (2015: $165.11 million) Statutory EBITDA were record achievements for this segment.

Operating and Financial Review (continued)

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

Acquisitions from 3rd parties:

- Jeff Wignall Group (May 2012 – Mornington Peninsula, Vic)
- Coffey Ford (August 2012 – Dandenong, Vic)
- Newcastle Hino, Iveco and Daimler (June: September 2012 – Newcastle, NSW)
- Daimler Brisbane (October 2012 – Brisbane, Qld)
- Bayside / Peninsula Group (May 2013 – Mornington Peninsula, Vic)
- McMillan Toyota (June 2013 – Preston/South Morang, Vic)
- Jason Mazda (July 2013 – Osborne Park, WA)
- Davie Group (September 2013 – Manukau, New Zealand)
- Bradstreet Motor Group (August 2014 – Newcastle, NSW)
- Leo Muller CJD (April 2015 – Brisbane, Qld)
- Paceway Mitsubishi (May 2015 – Perth, WA)
- Aspley Nissan (July 2015 – Aspley, Qld)
- West Auckland Nissan (September 2015 – West Auckland, New Zealand)
- Western Pacific Mercedes-Benz (October 2015 – Perth, WA)
- Knox Mitsubishi (March 2016 – Knox, Vic)
- Sinclair Hyundai (May 2016 – Penrith, NSW)
- Lance Dixon Jaguar Land Rover (July 2016 – Doncaster, Vic)
- City Mazda (July 2016 – South Melbourne, Vic)
- Mercedes-Benz Commercial Vehicles (September 2016 – Laverton, Vic; renamed Daimler Trucks Laverton)

Greenfield developments:

- Castle Hill Holden / HSV / Hyundai / Nissan (January/November 2012/January 2014 – Castle Hill, NSW)
- Melbourne City Holden / HSV / Hyundai (March 2013/July 2014 – South Melbourne, Vic)
- Manukau Nissan (September 2013 – Manukau, New Zealand)
- Browns Plains Mazda (September 2015 – Brisbane, Qld)

Divestments to 3rd parties:

- Southport / Helensvale / Burleigh Group (August 2012 – Gold Coast, Qld)
- Capalaba Mitsubishi / Subaru (January/August 2013 – Capalaba, Qld)
- Lander Suzuki (August 2014 – Blacktown, NSW)
- Duncan Nissan (June 2016 – Victoria Park, WA)

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

AUTOMOTIVE OPERATING RESULTS 2015-2016

The Automotive Retail division achieved record results across all operating profit performance metrics from Revenue through to Profit before Tax. Operating Non-IFRS EBITDA margins were consistent with pcp at 3.8%.

The execution of the Western Pacific Mercedes-Benz acquisition (October 2015) and strong performance across AHG's East Coast and New Zealand operations contributed positively to the superior performance for FY2016 compared to the results in FY2015, though a challenging WA market restricted margin growth in particular.

The overall performance in Automotive Retail is driven by the strong inter-relationships between dealership departments (new cars, used cars, finance and insurance, service, parts) while simultaneously enhancing customer experience. AHG focuses on the performance of all revenue streams through strong disciplines across procedures and policies, systems management and investment, staff training programs, key financial and non-financial metrics, and continual challenging of the businesses for new opportunities and efficiencies to maximise shareholder returns. Automotive retail is a low-margin, high turnover business and the accumulation of small improvements to margins can have a significant positive impact on overall performance.

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

- The Australian new vehicle market sold 1,155,408 vehicles in CY2015, up 3.8% on the prior year (CY2014: 1,113,224) and surpassing the prior record of 1.136,227 in CY2013. The industry forecast for CY2016 projects a result of 1.16 million units, marginally above that achieved in CY2015, with the market 3.0% ahead of pcp as of August 2016. However, not all franchises recorded increases in their volumes, and the nature of all automotive retail franchises is that they experience cyclical ebbs and flows linked to product ranges, aging profiles and customer buying preferences. AHG's diversified brand portfolio mitigates the majority of this exposure;
- Support from, and competitiveness between, manufacturers during FY2016 remained at relatively aggressive levels, leading to low-rate finance offerings direct from manufacturers as they sought to increase their volume levels. This benefits AHG via increased volumes and associated bonuses and commissions earned, albeit that the commissions earned are typically at lower margins compared to non-manufacturer-direct finance offerings;
- Consistent application and refinement of AHG's used vehicle buying, wholesaling and selling policies translates to smarter vehicle purchasing, lower re-conditioning costs, improved retention of profits and increased opportunity between sites and greater cross-selling between departments. On a combined level, this positively impacted on Automotive Retail's FY2016 EBITDA margin performance;
- Fixed-price service offerings introduced by manufacturers are having a positive impact on customer retention within the automotive retail service departments. This has the potential to increase service income and retain customers within the same dealership and/or brand through replacement vehicle purchases;
- Expansion of product offerings to customers continue through AHG's dealerships, with new opportunities constantly sought and/or evaluated;
- Record low interest rates have a positive impact on finance costs for the segment; and
- Launch of expanded used car strategy through easyauto123 in Western Australia.

POST BALANCE DATE

Post balance date acquisitions of Lance Dixon Jaguar Land Rover, City Mazda, Daimler Trucks Laverton and Newcastle Audi and Skoda (scheduled for end of September 2016) further strengthens the Group's platform for growth.

Operating and Financial Review (continued)

REFRIGERATED LOGISTICS

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

In combination with AHG's existing Rand and Harris operations, the acquisition of SRF (including JAT) in May 2014 consolidated AHG's position as the largest provider of temperature controlled transport and cold storage operations in Australia with national route coverage and an integrated network of cold store facilities. The acquisition expanded AHG's customer base and product expertise and will diversify AHG's exposure to seasonal peaks in fresh produce, allowing for more efficient use of infrastructure across the year.

Rand, Harris, Scott's and JAT employ more than 2,000 permanent staff and provides capacity to store 175,000 pallets of goods at major storage facilities in Brisbane, Sydney, Melbourne, Adelaide and Perth, and depots through far north Queensland and regional New South Wales and Victoria.

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

- ~500 company prime movers and rigid vehicles
- ~1,200 road pantechnicons
- ~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.

BUSINESS MODEL AND STRATEGIES

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 Rand/Harris/Scott's/JAT from competitors by offering a complete suite of nationwide refrigerated road, rail, cross-docking, cold store and distribution services supported by sophisticated IT systems.

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

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

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

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

The SRF/JAT acquisitions in late FY2014 delivered on two key aspects of this business strategy:

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

During FY2016, AHG launched a Refrigerated Logistics transformation program to drive EBITDA improvement for this segment. This program will include the development of a revised operating model and organisational structure, identification and implementation of productivity improvements and the continued roll out of new technology platforms across all components of this segment.

BUSINESS SEGMENT - REFRIGERATED LOGISTICS

	FY2016	FY2015	Movement
	$'000	*$'000*	*%*
Refrigerated Logistics			
Revenue	**580,420**	609,054	(4.7%)
Statutory IFRS Performance			
EBITDA	**37,101**	42,270	(12.2%)
EBITDA %	**6.4%**	6.9%	
EBIT	**15,628**	23,723	(34.1%)
Profit before Tax	**8,114**	17,269	(53.0%)
Operating* Non-IFRS Performance			
EBITDA	**37,160**	45,242	(17.9%)
EBITDA %	**6.4%**	7.4%	
EBIT	**15,687**	26,696	(41.2%)
Profit before Tax	**8,173**	20,241	(59.6%)

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

The Refrigerated Logistics division experienced a reduction across all operating profit performance metrics from Revenue through to Profit before Tax compared to FY2015. Operating Non-IFRS EBITDA margins fell by 1.0% to 6.4%.

The result was impacted by weaker transport volumes across the industry as the market adapts to a changing environment, including significant pricing pressures from customers, as well as increased depreciation and amortisation costs linked to the Group's investment cycle in facilities and fleet.

The transformation program launched during FY2016 focuses on the reorganisation of existing individual Refrigerated Logistics operations into a true national Refrigerated Logistics business with a single network of assets. It is focused on three key tenets of operational restructure, productivity improvements and technological advancements. These collectively will focus on improving EBITDA for this segment across cost base reductions, productivity improvements, customer profitability, facilities management, equipment management and upgraded technological tools.

OTHER LOGISTICS

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

AMCAP operates warehousing and distribution of automotive parts and accessories. As part of the divestment by AHG during FY2016 of its Covs operations to GPC Asia, four branches and the automotive parts distribution rights for Ford and Holden were retained and are now operated by AMCAP.

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

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

AHG International imports and distributes commercial vehicles from China.

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;
- VSE/GTB: storage of vehicles that builds on existing relationships with manufacturers, bodybuilding activities that supply complementary AHG businesses and third party customers, and building on automotive retail (truck) experiences to identify new opportunities and business relationships; and
- AHG International: bus and truck distribution capabilities that build on automotive capabilities as a franchisee to act as franchisor to both independent and AHG-owned bus and truck dealerships.

BUSINESS SEGMENT - OTHER LOGISTICS

	FY2016	FY2015	Movement
	$'000	*$'000*	%
Other Logistics			
Revenue	**320,459**	365,190	(12.2%)
Statutory IFRS Performance			
EBITDA	**1,035**	(2,024)	151.1%
EBITDA %	**0.3%**	(0.6%)	
EBIT	**(2,061)**	(6,157)	66.5%
Profit before Tax	**(4,068)**	(7,276)	44.1%
Operating* Non-IFRS Performance			
EBITDA	**9,968**	10,512	(5.2%)
EBITDA %	**3.1%**	2.9%	
EBIT	**6,872**	6,379	7.7%
Profit before Tax	**4,865**	5,261	(7.5%)

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

The Other Logistics division was, on the face of it, below FY2015 performance however the divestment of Covs Parts during FY2016 was a major contributing factor to this. Excluding Covs Parts from both FY2016 and FY2015 figures, the segment recorded an increase across all operating profit performance metrics from Revenue through to Profit before Tax. Operating Non-IFRS EBITDA margins (exclusive of Covs Parts) improved by 0.2% to 3.1%.

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

The FY2016 results was impacted by a number of factors including the Covs divestment process on AMCAP operations, the AUD/EUR exchange rate negatively impacting KTM and Husqvarna imports, and the downturn in the broader bus and truck market having a negative effect on the operations of AHG International.

PROPERTY

In FY2011 AHG acquired direct interests in two significant properties located in Castle Hill and Hoxton Park in NSW. On 1 July 2012 AHG sold its Castle Hill property, including dealership developments undertaken, and all but one of its WA properties to Australasian Property Investments (API) which then launched these properties as the AHG Property Syndicate No. 1. During FY2015, API divested the Castle Hill property to Charter Hall.

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

During FY2016 AHG executed a sale and leaseback arrangement with Charter Hall which saw the Group realise its investment in Hoxton Park as well as an existing NSW dealership site along with a prospective Greenfield site in Queensland. Charter Hall has entered into and executed on properties on which AHG operates via direct negotiations with the landlords of those properties.

WORKPLACE HEALTH AND SAFETY

The AHG Workplace Health, Safety and Environment strategy, implemented in 2014, provides the principles that help guide decisions and behaviours in regards to securing a workplace free of risk and injury. In line with these commitments, FY2016 saw welcome results for AHG across all business units. AHG has continued to develop and enhance its Workplace Health and Safety systems, and to identify strategies for injury prevention, enhanced health and wellbeing and improved injury management outcomes.

Management is committed to improving workplace health and safety, and recognises that sound WHS performance contributes to overall business success. Management collectively and individually holds accountability 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 WHS performance
- WHSE being valued and considered in business decisions
- A culture of communicating, reporting, learning and continual growth
- Employees choosing to work safely and not being dependent on safety policies and rules
- Managers being held accountable for areas under their control
- A high level of trust between employees and management

Operating and Financial Review (continued)

The foundation of AHG's safety program continues to be the consistent application of the standard AS/NZS 4804:2001 Occupational Health and Safety Management System. The alignment of AS/NZS 4804 with the recognised standard audit tool AS/NZS 4801 provides a suitable framework for the evaluation of the health and safety system and the effectiveness of such systems to deliver consistently high safety standards and injury and illness prevention in the workplace. Our Dealerships, Logistics and Transport businesses have continued to undertake the AS/NZS 4801 Audit with accreditations again achieved in more than 85% of businesses audited. Over 70% achieved Silver and 18% achieved Gold Certification.

In line with the continued WHS maturity in the business, AHG continues to embed its 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
- The enhancement of AHG's environmental footprint

With the continued growth of AHG, including the acquisitions of the Mercedes-Benz dealerships and Paceway Mitsubishi in Perth, Sinclair Hyundai in Penrith NSW, and Knox Mitsubishi in Victoria, there has been an ongoing focus to build common systems to support the health and safety needs of our employees, customers, contractors and community across the Group's business locations.

The strategies include:

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

Through a national WHSE steering committee, AHG continues to foster a truly aligned consultative mechanism, including involvement of members of the Executive Leadership Group to ensure:

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

FY2016 results show a healthy trend. The AHG Lost Time Injury Frequency Rate (LTIFR) of 6.5 is down more than 13% on FY2015 (down nearly 20% in the last three years) and the Incident Rate (IR) of 1.28 is down 11% (down 14% in the last three years) across all businesses. Western Australian Automotive, along with Victoria Automotive, New South Wales Automotive, Queensland Automotive, New Zealand Automotive, AMCAP, and Rand/Harris all outperformed 2015 results.

Positive performance indicators for FY2016 again show a pleasing trend across three significant WHS areas. Health and Safety Committee participation across the Group increased significantly by 10% (656) on 2015 figures; toolbox talks rose by 6% (4,600) and workplace inspections also rose significantly by more than 63% (3,095). These numbers illustrate commitment and dedication across the Group.

The WHS team at AHG continues to innovate in proactive safety and reduction of injuries by partnering with a number of companies to reduce known risk. Hand injuries continue to be the most frequent occurrence within the Group. In FY2016 AHG continued implementation of a range of gloves specifically designed for mechanics. This has seen a reduction in finger injuries from 52 to 38 in the last 12 months (26% drop).

The AHG Logistics WHS team formally communicated the new 'Walking Safely' program, which aims to reduce accidents around AHG and third party sites.

Work is underway to develop a Mental Health Policy across the Group, and a number of business units, including VSE/GTB, AMCAP and Refrigerated Logistics have already completed a significant amount of training in Maintaining a Workplace Free from Harassment program. The development and implementation of e-learning WHS modules for staff and contractors continues to be a focus with continued use of Rapid Induct and site specific inductions for contractors, new workers and work experience students.

CHAIN OF RESPONSIBILITY

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

Under COR everyone in the supply chain shares equal responsibility for ensuring breaches of the HVNL do not occur.

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

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

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

INJURY MANAGEMENT

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

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

Operating and Financial Review (continued)

ENVIRONMENT

Environmental management continued to be a major focus for AHG in FY2016. In line with a commitment to conduct operations in an environmentally responsible manner, AHG's approach this year has reflected a strong commitment to fostering the sustainable use of the earth's resources, thereby minimising the impact of its operations on the community, flora and fauna.

Across it's operations, AHG maintains a modern fuel efficient vehicle fleet, minimising the effects on the environment.

The Group continues to be at the forefront of environmental compliance in the industry sectors in which it operates and where possible exceeds compliance in respect to its operations and design of new and refurbished facilities. In FY2016, much work has been 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 any negative impacts we may have on the environment, through efficient use of resources, and reduction in emissions and waste;
- Fostering initiatives and ownership of environmental activities by our workers and contractors, thereby promoting a strong environmentally aware business culture;
- Where required by law monitor potential emissions; and
- Renewing environmental measures and targets to ensure continuous improvement.

The work undertaken includes solar paneling installation at a further twelve facilities, mainly new and refurbished dealerships across the country, including the Southside Mitsubishi and Northside Nissan dealerships in WA, Browns Plains Mazda and Aspley Mitsubishi-Hyundai dealerships in Queensland, Liverpool Holden, Subaru, Mazda and Mitsubishi, Penrith Hyundai, Newcastle Mazda-Subaru and Newcastle Cheapest Cars in NSW, Rand Laverton and South Morang Toyota in Victoria and Henderson Ford in New Zealand. The Group is currently working in partnership with energy monitoring engineers to improve further the proactive identification, assessment and control of inefficient facilities.

AHG continues to innovate in the area of building design, such as the use of tinted low-energy glazing to reduce heat buildup in offices at the Group's new Hoxton Park corporate facility in NSW. The design and installation of large openings at the same facility assists natural ventilation in the warehouse section.

FY2016 has also seen the installation of water recycling systems across the country including Rand Laverton and South Morang Toyota in Victoria and Penrith Hyundai in NSW that reduce the amount of water used and provide water for surrounding gardens.

The installation of LED lighting at Rand sites and automotive dealerships underlines the progress made to provide long-term benefits of ensuring new and refurbished business units comply with ISO energy efficiency standards.

Across the Group, building maintenance systems (BMS) control the use of air-conditioning units and lighting, which provides savings in energy use while the facilities are unoccupied. The Group now has installed a further 15 BMS systems in FY2016, bringing the total to 52 facilities.

The Group also continues to work closely with or preferred providers to recycle tyres and batteries through disposal contracts set to EPA standards, and to manage recycling of cardboard, oil, oil filters, oil rags, metal, timber (pallets) and steel. The AHG procurement team has also refined a program that has again reduced the number of hazardous substances in the workplace through a consolidated chemical management program for car detailers.

Fuel management is structured using a Statistical Inventory Reporting Analysis (SIRA) system which complies with national and state environmental agency requirements. It delivers a simple and efficient solution to underground wet stock tank management with a prime focus on protecting the environment through monitoring and reporting requirements. Furthermore, AHG has begun the process of decommissioning a number of older underground petroleum storage systems in an effort to eliminate the risk of contamination through leakage.

The Group's automotive dealerships across Australia and New Zealand have continued to maintain the coveted Green Stamp accreditation program run through the MTA. This allows dealerships to foster initiatives and ownership of environmental issues, to identify resources to achieve actions and agree to planned actions. The Green Stamp accreditation rewards initiatives such as energy efficient lighting, building management systems for air-conditioning and lighting control, storage and containment practices, waste water management, waste disposal management and air quality.

In FY2016 a number of AHG dealerships attained the highest awarded level of accreditation, the Green Stamp Advantage accreditation, including Lander Toyota in NSW, Chellingworth Motors, Northside Nissan, Paceway Mitsubishi and Titan Ford in WA.

PEOPLE AND CULTURE

The AHG Human Resources team continued to implement key features of the HR strategy during the reporting period. Significant progress continues to be made in all key aspects related to people and culture, however specific reference is given to six key areas:

- The embedding of development opportunities for all staff in the Group. This includes the efficient on-boarding and orientation of new employees, a comprehensive suite of technical skills training in the areas of customer service, finance, insurance, service and sales. Most training is delivered by internal resources that are able to provide high levels of support to the participants.
- The way the organisation provides professional development has continued to mature and evolve during the reporting period with a recent focus on front line supervisors and managers. Of particular note is the ongoing professional development of Dealer Principals and their direct reports.
- At the time of the previous annual report AHG had recently implemented a group-wide performance management framework and since then more employees have been provided with the opportunity to receive structured feedback and to nominate career preferences and development opportunities if they wish. Providing a performance management process also enables line managers to coach employees on not just 'what' is achieved in their role but also 'how' the results are achieved (i.e. a renewed focus on behaviour).
- Visible pipelines of internal talent have also emerged as a consequence of robust succession planning processes, which in turn has assisted in identifying development needs of successors to key positions.
- The Company has been successful in negotiating a number of industrial agreements that have all subsequently been registered with Fair Work Australia. There has been no industrial disputation accompanying the negotiation of these agreements and wage outcomes are in line with the logistics sector.
- The Company has continued to invest in technology to support HR processes, including the deployment of an HR information system (EnableHR) which includes more than 6,000 employee records. This software system assists line managers in meeting compliance requirements when seeking to fill roles and make staff appointments.

During the reporting period there was a renewed focus on staff retention with detailed analysis of the drivers of staff turnover. Significant information was gained from the employee survey conducted in 2014 and information provided by employees who were leaving the organisation. Analysis of this data identified key trends and causes of attrition. This information enabled line managers to implement effective strategies aimed at retaining more employees. Such initiatives included:

- Improving the recruitment process;
- Providing more development opportunities; and
- In some cases providing flexible work options.

As a result of these initiatives significant improvements have been made in retention rates within the Group (the Employee Survey was repeated in July 2016 to access and build upon improvement in key areas).

Operating and Financial Review (continued)

DIVERSITY

AHG continues to be a significant employer of women with its April 2016 report to the Workplace Gender Equality Agency (WGEA) showing 1,581 females, representing 21% of the Group's Australian workforce. These participation rates are broadly commensurate with similar automotive retailing and logistics enterprises. AHG now employs in excess of 500 trades apprentices, 19 of whom are female.

During FY2016 significant steps were taken to implement key aspects of the gender diversity action plan "Intent into Action". The action plan is designed to support business units to increase participation rates of women at all levels of the organisation.

A comprehensive review of the current Human Resources policies was undertaken to ensure there was no impediment or inconsistency in ensuring women gain equal access in the areas of recruitment, development opportunities and reviews of performance and promotion prospects. The review analysed language that is used in our policies to ensure there were no implied barriers based on gender.

The Company was successful in developing and piloting a specific program aimed at raising awareness of bias (both conscious and unconscious) with a target audience of hiring managers in the group. It is anticipated that if hiring managers become aware of their biases then, in time, better hiring decisions will be made that will reflect a more diverse workforce. The pilot involving more than 100 participants was well received and there are plans for a more widespread deployment of the program in FY2017.

Workplace flexibility initiatives were also been trialled in certain automotive dealerships during the past financial year. These initiatives included flexible hours; revised start and finish times and flexible time away from the office. The results are still being assessed, however again it is expected that, in time, those dealerships with greater workplace flexibility will have more engaged employees, providing higher levels of customer service and in turn generating stronger financial performance.

During the reporting period the Executive Leadership Group and Board reviewed a number of gender pay gap reports and determined that in a very small number of cases gender accounted for differences in pay between male and female employees. As gender pay gaps were identified an action plan was developed and implemented to correct the issue. Gender pay comparisons are now a regular feature of reports to the Board (via the Remuneration committee).

AHG is confident that using a combination of the abovementioned initiatives will result in higher numbers of women joining and remaining with the organisation.

AHG WORKFORCE GENDER PROFILE AUSTRALIA & NZ (WGEA CATEGORIES)

APRIL 2016	Female	Male	Total	Female%	Male%
Labourers	68	462	530	13%	87%
Machinery operators and drivers	30	1,295	1,325	2%	98%
Technicians and trade	124	2,177	2,301	5%	95%
Sales	313	928	1,241	25%	75%
Clerical and administrative	847	261	1,108	76%	24%
Professional	88	127	215	41%	59%
Other managers	90	570	660	14%	86%
Senior managers	20	167	187	11%	89%
General managers	0	35	35	0%	100%
Key management personnel	0	9	9	0%	100%
Managing Director*	0	1	1	0%	100%
Total	**1,580**	**6,032**	**7,612**	**21%**	**79%**
Board members	1	7	8	12%	88%
Total Head Count	**1,581**	**6,039**	**7,620**		

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

RISK MANAGEMENT AND SUSTAINABILITY

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

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

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

INDUSTRY DOWNTURNS OR DISRUPTION

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

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

DELIVERING ON GROWTH OPPORTUNITIES

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

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

KEY RELATIONSHIPS

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

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

Operating and Financial Review (continued)

RELIANCE ON KEY PERSONNEL

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

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

HEALTH AND SAFETY

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

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

INFORMATION TECHNOLOGY

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

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

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

REGULATORY CHANGE

At the time of submitting this annual report ASIC was separately reviewing commissions paid to car dealerships by financiers and insurers. Although ASIC was yet to confirm a final position on the timing and substance of any proposed changes, the industry expects some regulation to be implemented consistent with ASIC's stated objectives.

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

Grand Toyota service manager Gerry Humphrey (left) with Phil McDonald who was named 2016 WA winner of Toyota's regional skills competition

Corporate Responsibility Highlights

COMMUNITY INVOLVEMENT

AHG understands and embraces its responsibility to support the communities in which it operates. Across Australia and New Zealand AHG supports more than 300 charitable, community and sporting organisations representing a broad cross-section of the communities. AHG's employees are encouraged to take paid leave days to support approved charities or community groups.

Alzheimer's Research

AHG underwrote a "Ride For Memories" awareness and fundraising event for the McCusker Alzheimer's Research Foundation with former VFL and WAFL player Barry Cable and celebrity chef Josh Catalano.

Rocky Bay

Western Australia's primary not-for-profit disability service provider supports people of all ages and disabilities, including home and community support, respite, clinical therapies, recreational activities, alternatives to employment, equipment and employment services.

With the support of its dealerships, logistics businesses, suppliers and other service providers, AHG stages an annual Rocky Bay golf day that has raised more than $1.8 million in the past 13 years. AHG staff also commit to charity leave days to support Rocky Bay activities.

Perth Symphony Orchestra

AHG is the Foundation Partner of Perth Symphony Orchestra. PSO musicians include some of the most accomplished players in Western Australia, many of whom also perform with Australia's leading orchestras.

AFL

The Group is the major sponsor of the Melbourne Football Club in the AFL and for the past two seasons has worked with the Club on the successful "Freeze the G" campaign to raise awareness and more than $6.5 million for research into Motor Neurone Disease.

Corporate Responsibility Highlights (continued)

Camp Quality New Zealand

Camp Quality is a not-for-profit volunteer organisation providing a wide range of support programmes for children living with cancer. AHG's New Zealand dealerships host an annual dinner auction for Camp Quality, with the 2016 event raising $250,000 for the children's charity.

The glittering event, held at the John Andrew Ford and Mazda showrooms in Auckland, was attended by more than 230 people from AHG's NZ business units, key business partners, suppliers and customers.

The annual event has raised more than $950,000 for Camp Quality over seven years.

Bear Cottage and Hummingbird House

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

NBL

AHG is the vehicle partner for the National Basketball League and has key partnerships with the Perth Wildcats and Melbourne United teams and their community programs. In 2016 AHG has also entered partnerships with the Sydney Kings and Brisbane Bullets.

Kids Rehab Unit

AHG's McGrath Mazda Liverpool dealership is a major supporter of Westmead Hospital's Kids Rehab Unit, which is one of the largest paediatric rehabilitation units in Australia.

Mater Little Miracles

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

Ronald McDonald House

AHG supports the operations of Ronald McDonald House facilities in Perth and Newcastle.

AHG's Newcastle dealerships support their local Ronald McDonald House

Team members from AHG's Northside Nissan dealership ran the Perth City to Surf 2016 event to raise funds for the Liver Foundation

AHG's Castle Hill Hyundai dealership provided a lifeline to women and children affected by domestic violence, supplying a van to The Sanctuary, a community women's and children's shelter in the Hills Shire, north-west of Sydney. Pictured: Castle Hill Hyundai dealer principal Brett Harrison hands over the keys to a new van to Hills Shire Mayor Yvonne Keane (right) and shelter manager Donna Cavanagh.

Annual Financial Report Contents

DIRECTORS' REPORT

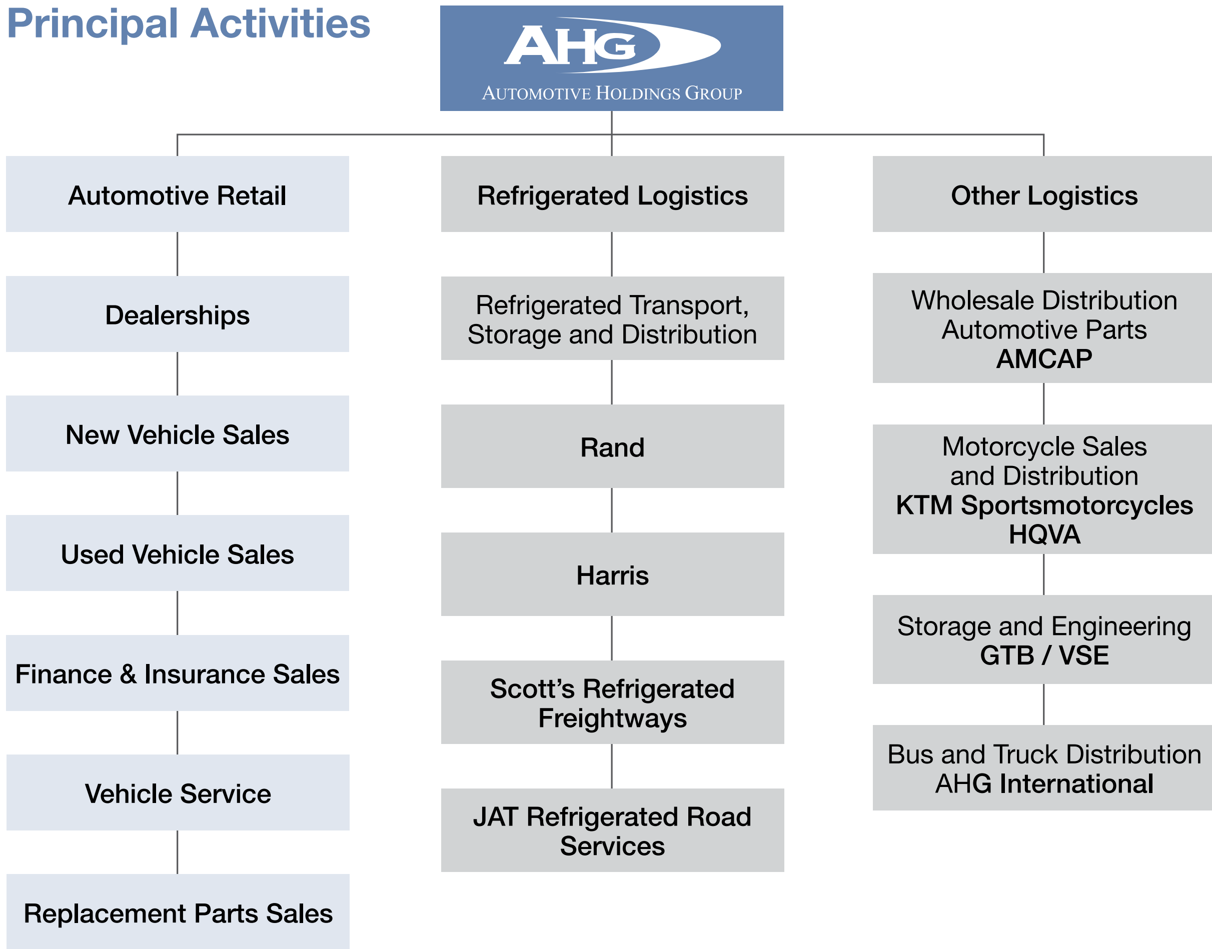
The directors present their report on the consolidated entity consisting of Automotive Holdings Group Limited (AHG or Company) and the entities it controlled (Group) at the end of, or during, the year ended 30 June 2016.

Directors

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

David Griffiths	*Non-Executive Chairman*
Howard Critchley	*Non-Executive Director*
Greg Duncan	*Non-Executive Director*
Giovanni (John) Groppoli	*Non-Executive Director*
Bronte Howson	*Managing Director*
Robert McEniry	*Non-Executive Director*
Jane McKellar	*Non-Executive Director (Appointed 10 December 2015)*
Peter Stancliffe	*Non-Executive Director*
Tracey Horton	*Non-Executive Director (Retired by rotation 20 November 2015)*
Michael Smith	*Non-Executive Deputy Chairman (Retired by rotation 20 November 2015)*

Principal Activities



DIRECTORS' REPORT

Dividends

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

	Parent	
DIvidends on ordinary shares:	2016 $'000	2015 $'000
Final dividend for the year ended 30 June 2015 of 13.0 cents per fully paid share paid on 2 October 2015 (30 June 2014 of 12.5 cents per fully paid share paid on 2 October 2014)	39,850	38,318
Interim dividend of the half-year ended 31 December 2015 of 9.5 cents per fully paid share paid on 6 April 2016 (31 December 2014 of 9.0 cents per fully paid share paid on 2 April 2015)	29,122	27,589
	68,972	65,907

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 13.0 cents per share, based on tax paid at 30%. The aggregate amount of dividend to be paid on 5 October 2016 out of the retained profits at 30 June 2016, but not recognised as a liability at year end, will be $43.11 million (2015: $39.85 million). This is inclusive of the dividend 13.0 cents per share payable on the 19.91 million shares issued as part of the Placement (19 August 2016) and 5.17 million shares issued as part of the Share Purchase Plan (16 September 2016).

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 included acquisitions of Western Pacific Automotive (WA Mercedes-Benz), Knox Mitsubishi and Sinclair Hyundai, the increase in AHG's Investment in 360 Finance Pty Ltd from 60.1% to 70.1% and the divestment of Covs Parts have impacted the financial performance and position of the Group at 30 June 2016 compared to 30 June 2015.

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.

DIRECTORS' REPORT

Matters Subsequent to the End of the Year

(a) On 4 July 2016 AHG announced that it had completed the acquisition of the Lance Dixon group of dealerships at Doncaster, Melbourne, representing the Jaguar, Land Rover, Fiat, Abarth and Alfa Romeo franchises.

(b) On 25 July 2016 AHG announced that it had agreed to acquire the Mercedes-Benz Commercial Vehicles dealership in Laverton, Victoria from Mercedes-Benz Australia/Pacific Pty Ltd. The acquisition involves a nominal amount for goodwill plus new inventory. Settlement occurred on 1 September.

(c) On 27 July 2016 AHG announced that it had completed the acquisition of the City Mazda dealership at South Melbourne.

(d) On 11 August 2016 AHG announced that Mr Bronte Howson, AHG's Managing Director, was to retire from that position as of 31 December 2016. It was announced that Mr John McConnell had been appointed as a successor to Mr Howson, commencing as Chief Executive Officer on 29 August 2016 and as Managing Director on 1 January 2017.

(e) On 19 August 2016 AHG announced that it had agreed to acquire the Audi Centre Newcastle and Newcastle Skoda dealerships in Newcastle, New South Wales. Settlement is expected in September.

(f) On 19 August 2016 AHG announced that it had acquired 29.9% of 360 Finance Pty Ltd, taking its ownership to 100%.

(g) On 19 August 2016 AHG announced it had raised $90.0 million through the issue of 19,911,505 shares at $4.52 to Institutional investors by way of a Share Placement.

(h) On 16 September 2016 AHG announced it had raised $23.4 million through the issue of 5,170,072 shares at $4.52 to Retail investors by way of a Share Purchase Plan.

(i) On 16 September 2016 AHG announced it was monitoring the outcome of possible regulatory change affecting the payment of commissions paid by insurers and financiers to automotive dealerships.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2016 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 seven years after that person ceases to be a director of the Company;
- subject to certain provisions, indemnification against any liability incurred by that director in their capacity as a director of the Company or of a subsidiary of the Company; and
- the Company obtaining a contract insuring a director against certain liabilities.

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

Proceedings on Behalf of the Company

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

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

Non-Audit Services

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

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

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

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

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2016:

	Consolidated	
	2016 $	2015 $
Taxation Services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	736,620	665,852
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	23,435	11,544
Total of Non-Audit Services provided to the Group	760,055	677,396

Auditor's Independence Declaration

The lead Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* has been received and follows the Directors' Report.

Auditor

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

Rounding of Amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Information on Directors

Standing (L-R): Bronte Howson, Howard Critchley, Peter Stancliffe, Robert McEniry, John Groppoli, Phil Mirams, David Rowland
Seated (L-R): Greg Duncan, David Griffiths, Jane McKellar

DAVID GRIFFITHS

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

Experience and expertise

Mr Griffiths was appointed as a non-executive director on 27 February 2007, Deputy Chairman on 3 April 2008 and Chairman on 19 November 2010. Mr Griffiths has held a range of senior financial executive positions and has extensive experience in equity capital markets, mergers and acquisitions, and the corporate advisory sector. He is a former Divisional Director of Macquarie Bank Limited and former Executive Chairman of Porter Western Limited. Mr Griffiths Chairman of Wellard Limited and the Independent Non-Executive Deputy Chairman of the contemporary dance company Co3.

Other current directorships (of listed entities)

Wellard Limited

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

ThinkSmart Limited

Interest in shares

77,243 ordinary shares in AHG

Special responsibilities

Chairman of the Board of Directors

Member Remuneration and Nomination Committee

Member Audit and Risk Management Committee

DIRECTORS' REPORT

HOWARD CRITCHLEY

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

Experience and expertise

Mr Critchley was appointed as a non-executive Director on 3 April 2015. He has more than 25 years experience in the logistics and Fast Moving Consumer Goods (FMCG) sectors and was formerly managing director (Australia, Asia and China) for CEVA Logistics (formerly TNT Logistics). He is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Economics degree and a Master of Administration from Monash University.

He has been a non-executive Director with Boom Logistics. He is currently a non-executive Director and member of the Advisory Committee of TVS Logistics, a global logistics business privately owned by an Indian conglomerate. He is also a non-executive Director of Linfox Australia Pty Ltd and Y-Gap in the not-for-profit sector.

Mr Critchley's executive career culminated in ten years of CEO roles in TNT/ CEVA Logistics, the world's second largest integrated logistics company, with responsibility for the Australian and Asia Pacific regions.

Other current directorships (of listed entities)

Nil

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

Boom Logistics Limited

Interest in shares

6,500 ordinary shares in AHG

Special responsibilities

Refrigerated Logistics advisory activities

GREG DUNCAN

B.Ec, FCA, Non-Executive Director (Independent)

Experience and expertise

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

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

Mr Duncan is also a founder, shareholder and chairman of the unlisted public company One Way Traffic, trading as CarsGuide.com.au, a joint venture between News Limited and some of Australia's major automotive dealer groups.

Mr Duncan holds an Economics degree from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia.

Other current directorships (of listed entities)

Nil

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

Nil

Interest in shares

150,000 ordinary shares in AHG

Special responsibilities

Member Remuneration and Nomination Committee

DIRECTORS' REPORT

GIOVANNI (JOHN) GROPPOLI

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

Experience and expertise

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

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

Mr Groppoli left private practice in 2004 and is currently Managing Director of RGM Equity whose business operations consist of the national distribution of international homewares, optical products and accessories and the provision of niche third party logistics/warehousing.

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

Other current directorships (of listed entities)

TFS Corporation Ltd

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

None

Interest in shares

45,898 ordinary shares in AHG

Special responsibilities

Chairman Remuneration and Nomination Committee

BRONTE HOWSON OAM

MAICD, Executive Director

Experience and expertise

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

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

Mr Howson has led AHG from being a private group with operations largely based in Western Australia to becoming the nation's leading listed specialist Automotive and Logistics Group, establishing a track record of driving profitable growth.

Mr Howson is President and a Life Member of the East Perth Football Club and was awarded honorary life membership of Rocky Bay for his support of the charity. He was awarded the Medal in the Order of Australia in the 2016 Queen's Birthday honours list for services to the automotive industry and to charities.

Other current directorships (of listed entities)

None

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

None

Interest in shares

3,445,895 ordinary shares in AHG

Special responsibilities

Managing Director

ROBERT McENIRY

MBA, MAICD, Non-Executive Director (Independent)

Experience and expertise

Mr McEniry has more than 25 years experience in the automotive industry including five years as Chair, President and CEO of Mitsubishi Motors Australia Limited. Prior to that he held a number of senior executive roles including Global Vehicle Line Executive for General Motors, Director of Marketing for General Motors Holden, Vice President Commercial and Marketing for Saab Automobile AB of Sweden, CEO of South Pacific Tyres Pty Ltd, Melbourne and CEO of Nucleus Network, Melbourne.

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

Other current directorships (of listed entities)

Bapcor Ltd (formerly Burson Group Ltd) (Chair)

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

None

Interest in shares

4,950 ordinary shares in AHG

Special responsibilities

Chairman Audit and Risk Management Committee

JANE McKELLAR

GAICD, MA (Hons), 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 Terry White Group.

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

Other current directorships (of listed entities)

McPhersons Limited
GWA Group Limited (from November 2016)

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

Helloworld Ltd

Interest in shares

Nil

Special responsibilities

Member Remuneration and Nomination Committee

DIRECTORS' REPORT

PETER STANCLIFFE

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

Experience and expertise

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

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

Other current directorships of listed entities)

None

Former directorships in the last 3 years

Hills Limited
Korvest Ltd

Interest in shares

38,523 ordinary shares in AHG

Special responsibilities

Member Audit and Risk Management Committee

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.

Further details of each Director's skills, experience, expertise, qualifications are set out in the Directors' Report within the Company's Annual Report.

Skills and experience	Number of Directors
Automotive retailing	5
Consumer / brand / marketing	All
Digital/e-commerce	3
Refrigerated and other logistics	5
Mergers and acquisitions / equity capital markets	All
International operations	7
Finance, accounting, audit and banking	7
Legal	2
Regulatory compliance	7
Business development	All
Human resources management	5
Occupational health and safety and risk management	7
Former director experience	All
Former executive management (e.g. CEO, CFO) experience	All

Chief Executive Officer (appointed 29 August 2016)

JOHN McCONNELL

BEc, MBA, Chief Executive Officer (from 29 August 2016)

Experience and expertise

Mr McConnell was appointed to the role of CEO and will assume the role of Managing Director of AHG from 1 January 2017 following the retirement of Bronte Howson. He is a certified accountant with an MBA from the University of Queensland and an Economics degree from Macquarie University.

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

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

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

Chief Financial Officer

PHILIP MIRAMS

B.Com, CA, Chief Financial Officer

Experience and expertise

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

He started his professional career as an accountant in New Zealand in 1989 before moving to the UK in 1995 where he held senior roles with Deutsche Bank and Andersen in London.

Philip moved to Australia in 2004 to become the Chief Financial Officer of Deutsche Bank, Australia and New Zealand before joining UGL, an ASX 100 company, as CFO in 2007.

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

Company Secretary and General Counsel

DAVID ROWLAND

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 2016 and the number of meetings attended by each Director are as follows:

	Full meetings of Directors		Audit and Risk Management		Remuneration and Nomination		Refrigerated Logistics	
	A	B	A	B	A	B	A	B
D Griffiths	13	13	5	5	4	4	1	1
G Groppoli	13	12	n/a	n/a	4	4	n/a	n/a
T Horton^	5	5	3	3	n/a	n/a	n/a	n/a
B Howson	13	13	n/a	n/a	n/a	n/a	1	1
R McEniry	13	12	2	2	n/a	n/a	n/a	n/a
M Smith^	5	5	3	3	3	3	n/a	n/a
P Stancliffe	13	13	5	5	n/a	n/a	1	1
H Critchley	13	13	n/a	n/a	n/a	n/a	1	1
G Duncan	13	13	n/a	n/a	1	1	n/a	n/a
J McKellar*	7	7	n/a	n/a	-	-	n/a	n/a

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

B = Number of meetings attended.

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

* Jane McKellar was appointed a Director on 10 December 2015. Meeting attendances recorded are for the period from 10 December 2015 to 30 June 2016.

^ Michael Smith and Tracey Horton retired by rotation as Directors on 20 November 2015. Meeting attendances recorded are for the period from 1 July 2015 to 20 November 2015.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of the Company, Mr David Griffiths and Mr Peter Stancliffe will retire by rotation.

Being eligible, Mr Griffiths offers himself for re-election at the next Annual General Meeting.

Mr Stancliffe is not seeking re-election.

In accordance with the Constitution of the Company, Ms Jane McKellar was appointed a Director on 10 December 2015 as a casual vacancy and offers herself for election at the next Annual General Meeting.

Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2016 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 FY2016
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 FY2016 (including link to performance)
5. Executive 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, Executive Director and other senior executives who have authority for planning, directing and controlling the activities of the company.

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

NON-EXECUTIVE DIRECTORS (NEDs)

- David Griffiths, *Chairman*
- Michael Smith, *Deputy Chairman (Retired by rotation 20 November 2015)*
- Howard Critchley, *Non-Executive Director*
- Greg Duncan, *Non-Executive Director*
- John Groppoli, *Non-Executive Director*
- Tracey Horton, *Non-Executive Director (Retired by rotation 20 November 2015)*
- Robert McEniry, *Non-Executive Director*
- Peter Stancliffe, *Non-Executive Director*
- Jane McKellar, *Non-Executive Director (Appointed 10 December 2015)*

EXECUTIVE DIRECTOR

- Bronte Howson, *Managing Director*

OTHER KMPs

- Philip Mirams, *Chief Financial Officer*
- David Rowland, *Company Secretary & General Counsel*
- Gus Kininmont, *GM Finance*
- Eugene Kavanagh, *Chief Information Officer*
- Martin Wandmaker, *Head of Human Resources*
- John McConnell, *Chief Executive Officer (Appointed 29 August 2016)*
- Hamish Williams, *Head of Business Development (Retired 1 July 2015)*

DIRECTORS' REPORT

1. Remuneration Overview for FY2016

OVERVIEW

The following provides an overview of AHG's remuneration framework and summary of outcomes for FY2016.

Executive remuneration	
Fixed remuneration	The FY2016 annual remuneration review process resulted in an average increase in fixed remuneration for executives of 3.2%, reflecting sustained ongoing performance and alignment with market benchmarks to ensure competitive rates of remuneration are provided.
Short-term incentives (STI)	STI measures are determined using threshold and stretch targets established at the commencement of each financial year and comprise two components, financial targets and non-financial targets. The FY2016 outcomes for financial targets equated to an average of 106% of threshold opportunity. In the case of the non-financial targets there was an average payment of 82% of threshold opportunity for all executives. This compares to 101% for financial targets and 83% for non-financial targets in FY2015. This STI award reflected the performance of AHG during FY2016.
Long-term incentives (LTI)	Zero percent vesting of the FY2014 LTI (performance period 1 July 2013 to 30 June 2016) reflected TSR of 25%, which ranked the Company at 48 percentile of the TSR comparator group, and absolute EPS growth of 4.4%.
Total Remuneration	In FY2016, average total remuneration for the Managing Director and other executive KMP decreased by 10% on a statutory basis (see table on page 58) influenced by nil FY2013 LTI achieved in FY2016 and the resignation of Hamish Williams, and by 24% on a realised or "take-home" basis (see table on page 54), compared with FY2015 remuneration levels.
Non-Executive Director remuneration	
	NED fees were increased by 3.9% in FY2016. The NED pool was increased to $900,000 at AHG's AGM on 15 November 2013.

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

USE OF REMUNERATION CONSULTANTS

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

During the financial year remuneration consultants were engaged by the Remuneration and Nomination Committee for the purpose of verifying the FY2013, FY2014 and FY2015 LTI performance tests and also to set the LTI peer group for FY2017. During the financial year no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by remuneration consultants.

REMUNERATION REPORT APPROVAL AT FY2015 AGM

The FY2015 Remuneration Report received positive shareholder support at the FY2015 AGM with a vote of 84% in favour.

3. Executive Remuneration Arrangements

A. REMUNERATION PRINCIPLES AND STRATEGY

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

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

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 senior 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. In the case of AHG's Managing Director: - financial STI earned related to achievement above budget is 100% payable as Performance Rights. - non-financial STI earned that is within $50,000 of the maximum available is 100% payable as Performance Rights.	Rewards executives for their contribution to achievement of a range of financial and non-financial business outcomes, as well as individual objectives.	Group Operating Profit after Tax attributable to Members is the key financial metric. Linked to other internal non-financial measures such as safety performance, people management and compliance etc.
LTI	Awards are made in the form of Performance Rights. Performance Rights do not attract dividends or voting rights.	Acts as a tool for retention of the executive and encourages the executive to take a long-term view of company performance.	Vesting of awards is dependent on total shareholder return (TSR) relative to a peer group and achieving Operating Earnings Per Share Growth (EPS) targets.

B. APPROACH TO SETTING REMUNERATION

In FY2016, the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below.

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

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

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

The following summarises the Managing Director's and executives' target remuneration mix for FY2016. This mix changes from year to year as personnel and targets evolve.

Managing Director - Target remuneration mix

Executives – Target remuneration mix

C. DETAILS OF INCENTIVE PLANS

Short-term incentive (STI)

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

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

For the Managing Director, a portion of the quantum of any stretch STI performance incentive is deferred as performance rights (STI Performance Rights). STI Performance Rights do not vest and convert into shares until a further 12-month service condition is met. No other performance conditions apply. The number of Performance Rights to be granted is determined by dividing the relevant dollar value to be deferred by the Company's share price at the time of the award.

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

	Group Operating Profit after Tax attributable to Members	Business Unit Profit before Tax	Group and Business Unit Non-Financial measures
Managing Director	76%	0%	24%
Key Management Personnel (KMP)	19%	11%	70%

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, Group corporate executives, and to individual business performance for General Managers, Dealer Principals and operational executives. This approach ensures the quantum of STI's earned and paid to any individual is directly driven by a financial performance metric relevant to that person's role. The total amount of 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 values, policies and behaviours
Compliance & Reporting	• Specific measures surrounding compliance with policies, and adherence with regulatory requirements
Business Development	• Identification and assessment of acquisition and divestment opportunities • Effective integration of acquisitions and alignment to target objectives • Strategic Planning and Input to core strategic issues facing operational businesses and/or AHG
Stakeholder Relationships	• Qualitative measures surrounding board and senior management communications • Management of external relationships (manufacturers, suppliers, investors) • KPI's aligned to customer relationships and aligned to successful business outcomes
Expense management	• Expense management targets are set • KPI's aligned to the achievement of savings in overall expenditure

Long Term Incentive (LTI)

An increasing proportion of total remuneration for senior executives is via LTI's subject to longer-term performance to enhance alignment of interests to those of shareholders. These equity-based LTI awards are made under AHG's existing Performance Rights Plan. This plan provides participants with the rights ("**LTI Performance Rights**") to acquire shares in the Company.

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

The table in section 4 provides details of the value of performance rights granted, exercised and lapsed during the year.

DIRECTORS' REPORT

Performance Conditions (FY2016)

The Board has considered current market practice in respect of LTI's 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 chosen under independent advice from PwC taking into consideration factors such as market capitalisation, business activities and management/board structure.

- AP Eagers Limited
- Ardent Leisure Group
- Beacon Lighting Group Limited
- Breville Group Limited
- Bapcor Limited (formerly Burson Group Limited)
- Corporate Travel Management Limited
- Dick Smith Holdings Limited
- Harvey Norman Holdings Limited
- JB Hi-Fi Limited
- Premier Investments Limited
- Reece Australia Limited
- Seven Group Holdings Limited
- Super Retail Group Limited
- Thorn Group Limited

The Company's performance against the measure 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 50th percentile	Nil
At 50th percentile	25% vesting
50th percentile up to 75th percentile	Progressive/pro-rata from 25-100%
At or above 75th percentile	100% vesting

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

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

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

Awards are 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 may be retained post departure subject to compliance with service agreement terms including non-compete restrictions.

Termination and change of control provisions

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

4. Executive Remuneration Outcomes for FY2016 (including link to performance)

FY2016 TOTAL REALISED EARNINGS

The table below sets out the total realised earnings for the Managing Director and executive KMP for FY2016 and FY2015 and provides shareholders with details of the "actual" or "take-home" pay 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 2016. The table does not include the accounting value of share based payments consisting of share 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 the Managing Director and KMP prepared in accordance with statutory requirements and accounting standards are detailed on page 58.

EXECUTIVE TOTAL REALISED EARNINGS IN FY2016 AND FY2015

(Non-International Finance Reporting Standards (IFRS))

		Fixed Remuneration[2] $	STI[3] $	LTI[4] $	Total Remuneration $
Executive Director					
B Howson *Managing Director*	2016	1,234,004	1,347,700	-	2,581,704
	2015	1,233,494	1,241,638	951,036	3,426,168
Key Executives					
P Mirams *Chief Financial Officer*	2016	640,000	215,735	-	855,735
	2015	640,000	257,032	-	897,032
D Rowland *Company Secretary and General Counsel*	2016	460,000	139,500	-	599,500
	2015	460,000	144,750	-	604,750
G Kininmont *GM Finance*	2016	400,000	198,397	-	598,397
	2015	333,064	195,270	-	528,334
E Kavanagh *Chief Information Officer*	2016	358,050	87,250	-	445,300
	2015	357,700	89,000	-	446,700
M Wandmaker *Head of Human Resources*	2016	327,500	69,500	-	397,000
	2015	327,500	72,500	-	400,000
H Williams[1] *Head of Business Development*	2016	2,270	-	-	2,270
	2015	675,916	200,000	-	875,916
Total	2016	3,421,824	2,058,082	-	5,479,905
	2015	4,027,674	2,200,190	951,036	7,178,900

[1] *Retired 1 July 2015.*
[2] *Fixed remuneration includes cash salary, paid leave, superannuation, and non-monetary benefits.*
[3] *Represents the value of the FY2015 STI which was awarded in September 2015 and FY2016 STI which was/will be awarded in September 2016. Please note for the Managing Director 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.*
[4] *FY2015 represented value of the FY2013 LTI award for which the performance period concluded 30 June 2015 calculated at the closing price as at 30 June 2015. There is no LTI vesting in relation to the FY2014 LTI award, hence $Nil value for LTI in FY2016.*

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

	2012	2013	2014	2015	2016
Statutory Profit before Tax	81,147	99,230	109,544	130,028	137,149
CAGR (five-year)***	11.1%				
Non-IFRS Operating Profit before Tax*	90,858	107,557	117,527	141,650	145,522
CAGR (five-year)***	9.9%				
Non-IFRS Operating EPS (cents)*	24.60	27.90	29.00	30.73	31.70
CAGR (five-year)***	5.2%				
Dividend (cents)	18.00	20.00	21.00	22.00	22.50
CAGR (five-year)***	4.6%				
Share Price @ 30 June	$2.47	$3.20	$3.65	$3.99	$3.76
CAGR (five-year)***	8.8%				
KMP (inc. NED) Total Remuneration	6,910	7,266	6,772	8,105	7,350
Non-IFRS Operating Profit: Total Remun % ratio*	11.5%	10.0%	8.6%	8.6%	7.6%
Remuneration Report - STI**	2,228	1,981	1,827	2,200	2,058
Non-IFRS Operating Profit: Remun STI % ratio*	3.7%	2.7%	2.3%	2.3%	2.1%

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

** *STI remuneration reflects the STI amounts that were paid out to executives.*

*** *CAGR represents compound annual growth rate.*

COMPANY PERFORMANCE AND ITS LINK TO SHORT-TERM INCENTIVES

The key FY2016 financial performance measure is Group Operating* Profit after Tax attributable to Members. FY2016 performance was above target in this regard.

The table below outlines FY2016 performance against non-financial targets:

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

DIRECTORS' REPORT

The proportion of maximum threshold STI earned and forfeited in relation to the 2016 financial year was:

	Proportion of maximum STI earned in FY2016	Proportion of maximum STI forfeited in FY2016
B Howson *Managing Director*	100%	0%
P Mirams *Chief Financial Officer*	81%	19%
D Rowland *Company Secretary and General Counsel*	93%	7%
G Kininmont *GM Finance*	86%	14%
E Kavanagh *Chief Information Officer*	54%	46%
M Wandmaker *Head of Human Resources*	93%	7%
H Williams[1] *Head of Business Development*	N/A	N/A

[1] Retired 1 July 2015.

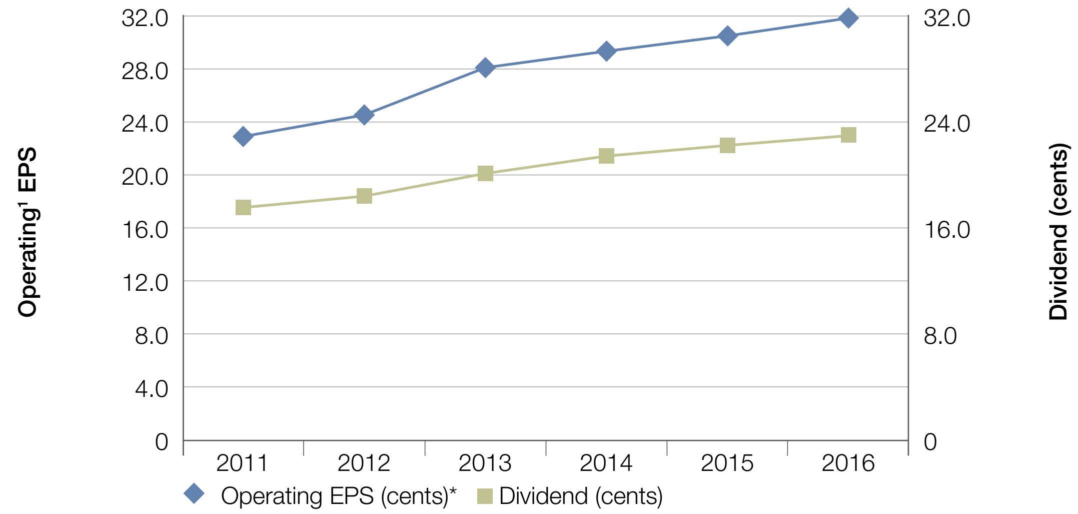
COMPANY PERFORMANCE AND ITS LINK TO LONG-TERM INCENTIVES

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 FY2016. 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:

	2013 grant (FY2014)	2014 grant (FY2015)	2015 grant (FY2016)
Relative TSR performance:			
• AHG performance	32% return over 3 years	13% return over 2 years	Preliminary assessment will be conducted in FY2017.
• AHG vs peer group	48th percentile ranking	55th percentile ranking	
EPS Growth	4.4% p.a.	3.0% p.a.	3.3% p.a.
Implication for vesting:			
• TSR component	0% will vest on 30 September 2016.	40% will vest on 30 September 2017 if TSR ranking remains unchanged to the vesting date in FY2017.	No preliminary assessment has been conducted.
• EPS component	0% will vest on 30 September 2016.	0% will vest on 30 September 2017 if EPS ranking remains unchanged to the vesting date in FY2017.	0% will vest on 30 September 2018 if EPS ranking remains unchanged to the vesting date in FY2018.

DIRECTORS' REPORT

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



[1] Operating results exclude non-recurring items (including cost and fees in relation to integration and acquisition-related activities, asset divestments, impairment of assets, sale of properties and benefits applicable to GST refunds (Son of Holdback) (refer to note 1 for a reconciliation of Non-IFRS Profit to IFRS Profit).

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

		Fixed Remuneration	At risk - STI	At risk - LTI
Executive Director				
Bronte Howson	2016	45.6%	47.3%	7.1%
	2015	41.2%	39.0%	19.8%
Key Executives				
Philip Mirams	2016	69.7%	23.7%	6.6%
	2015	63.2%	25.2%	11.6%
David Rowland	2016	73.1%	22.1%	4.8%
	2015	70.3%	21.1%	8.6%
Gus Kininmont	2016	65.5%	32.1%	2.4%
	2015	60.7%	34.2%	5.2%
Eugene Kavanagh	2016	78.4%	18.4%	3.2%
	2015	76.0%	18.0%	6.0%
Martin Wandmaker	2016	76.9%	16.4%	6.7%
	2015	79.4%	17.2%	3.5%
Hamish Williams[1]	2016	116.7%	0.0%	(16.7%)
	2015	68.7%	24.1%	7.1%

[1] Retired 1 July 2015. Negative LTI due to reversal of LTI benefits accrued in prior years.

The table below provides remuneration details for the Executive Director of the Company and key management personnel of the Group for the years ended 30 June 2016 and 30 June 2015:

		Short-term Employment Benefits				Long-term Benefits		Post Employment Benefits	Total
		Cash Salary $	Commission / Bonus Earned and Payable for June 2016 $	Other Non Monetary Benefits $	Termination/ Severance Benefits $	Long Service Leave and LTI Benefits $	Share Plan Benefits (Accrued)# $	Super-annuation $	$
Executive Director									
Bronte Howson	2016	1,095,504	1,347,700	97,376	-	74,289	201,601	35,000	2,851,470
	2015	1,095,504	1,241,638	162,927	-	18,805	631,697	35,000	3,184,971
Key Executives									
Philip Mirams	2016	595,271	215,735	13,428	-	6,020	60,480	19,308	910,242
	2015	596,217	257,032	15,084	-	14,844	118,297	18,783	1,020,257
David Rowland	2016	398,817	139,500	21,762	-	5,568	30,240	36,708	632,595
	2015	401,767	144,750	35,409	-	12,125	59,148	33,233	686,432
Gus Kininmont	2016	355,692	198,397	13,664	-	15,623	15,120	19,308	617,804
	2015	289,281	195,270	21,451	-	17,264	29,574	18,783	571,623
Eugene Kavanagh	2016	300,022	87,250	27,938	-	9,781	15,120	33,628	473,739
	2015	298,130	89,000	33,881	-	8,100	29,574	34,995	493,680
Martin Wandmaker	2016	284,859	69,500	20,527	-	957	28,325	19,308	423,476
	2015	288,715	72,500	27,263	-	642	14,666	18,784	422,570
Hamish Williams[1]	2016	2,270	-	307,070	297,608	-	(91,887)	35,000	550,061
	2015	590,585	200,000	20,178	-	(76,639)	59,148	35,000	828,272
Total Executive Director and Key Executives	2016	3,032,435	2,058,082	501,765	297,608	112,238	258,999	198,260	6,459,387
	2015	3,560,199	2,200,190	315,593	-	(4,859)	942,104	194,578	7,207,805

 # LTI Performance Rights are expensed over their three-year performance period. For FY2016, the accrual relates to three years for the Executive Director and all Key Executives except for M Wandmaker for whom it relates to two years. FY2015 accrual relates to three years for the Executive Director and two year for Key Executives other than M Wandmaker and one year for M Wandmaker.

[1] Retired on 1 July 2015.

5. Executive Contracts

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

EXECUTIVE SERVICE CONTRACT FOR THE MANAGING DIRECTOR

Mr Howson's total remuneration package for FY2016 is as follows:

- Fixed remuneration of $1,234,004 per annum.
- Target STI opportunity is 98% of fixed remuneration, and is the maximum STI opportunity. For Mr Howson's financial STI, a portion of target and any stretch performance is deferred and payable as STI Performance Rights. The grant of STI Performance Rights is subject to shareholder approval at the AGM.
- Eligible to participate in AHG's LTI plan on terms determined by the Board, subject to receiving any required or appropriate shareholder approval.

As announced to the ASX, AHG and Mr Howson have agreed to variations to Mr Howson's service agreement to reflect the proposed transitional arrangements regarding the management of AHG. Mr Howson ceased to be Chief Executive Officer on 28 August 2016, and will cease to be Managing Director on 31 December 2016. Mr Howson's employment with AHG will cease on 30 September 2017. Some of Mr Howson's remuneration arrangements for existing LTI rights and for his FY2017 remuneration package under his service agreement have been amended, in particular previously-approved long term incentive performance entitlements, the testing of which are proposed to be brought forward, FY2017 short term incentive payment is capped at $1,200,000 (depending on achievement of applicable performance hurdles tested as at 31 December 2016 and 30 June 2017), and payment of $600,000 in consideration of a post-employment restraint, together with a fixed remuneration salary until his termination date.

Mr McConnell, will be employed as Managing Director from 1 January 2017 under an ongoing contract which can be terminated with notice by either side.

SERVICE AGREEMENTS

Remuneration and other terms of employment for executives are formalised in an Executive Service Agreement. The agreements for the 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 executive and details are as follows:

	Duration of contract	Notice required to terminate contract*	Termination benefit**	Treatment of STI on termination	Treatment of LTI on termination
Executive director			6 months base salary	Must be employed at date of review to receive	At the ultimate discretion of the Board as to whether any LTI is payable on termination
Bronte Howson	Rolling contract (commenced 01 July 2012)	6 months			
Executive					
Philip Mirams	Rolling contract (commenced 10 May 2012)	3 months			
David Rowland	Rolling contract (commenced 11 August 2011)	3 months			
Gus Kininmont	Rolling contract (commenced 27 January 2010)	3 months			
Eugene Kavanagh	Rolling contract (commenced 23 January 2003)	3 months			
Martin Wandmaker	Rolling contract (commenced 14 October 2013)	3 months			
John McConnell	Rolling contract (commenced 29 August 2016)	6 months			

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

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

6. Non-Executive Directors' Remuneration Arrangements

REMUNERATION POLICY

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

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2013 AGM held on 15 November 2013 when shareholders approved an aggregate fee pool of $900,000 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 2016:

Board fees	Chairman	Deputy Chairman	Other Non-Executive Directors
Board fees	$192,000	$N/A	$96,000

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

The Company makes superannuation contributions within the above fees in accordance with the minimum level of superannuation contributions required under any applicable legislation.

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

NEDs do not participate in any incentive programs.

DIRECTORS' REPORT

SERVICE AGREEMENTS

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The directors also receive a Directors' Manual. Together, the letter and 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 2016 and 30 June 2015 is detailed below:

Non-executive directors	Financial year	Fees $	Short-term benefits Non-monetary benefits $	Other $	Post employment Superannuation $	Total $
David Griffiths	2016	186,623	-	-	17,729	**204,352**
	2015	186,716	-	-	17,738	**204,454**
Michael Smith[2]	2016	58,284	-	-	5,537	**63,821**
	2015	148,359	-	-	14,094	**162,453**
Howard Critchley	2016	94,898	-	-	9,015	**103,913**
	2015	88,425	-	-	8,400	**96,825**
Greg Duncan[1]	2016	91,510	-	-	8,693	**100,203**
	2015	24,958	-	-	2,079	**27,037**
John Groppoli	2016	98,950	-	-	9,400	**108,350**
	2015	91,964	-	-	8,737	**100,701**
Tracey Horton[2]	2016	37,517	-	-	3,564	**41,081**
	2015	95,497	-	-	9,072	**104,569**
Robert McEniry	2016	98,356	-	-	9,344	**107,700**
	2015	88,425	-	-	8,400	**96,825**
Peter Stancliffe	2016	96,150	-	-	9,134	**105,284**
	2015	95,497	-	-	9,072	**104,569**
Jane McKellar[3]	2016	51,201	-	-	4,864	**56,065**
	2015	-	-	-	-	**-**
FY2016 NEDs		**813,489**	**-**	**-**	**77,280**	**890,769**
FY2015 NEDs		**819,841**	**-**	**-**	**77,592**	**897,433**

[1] *Appointed 25 March 2015.*
[2] *Retired by rotation 20 November 2015.*
[3] *Appointed 10 December 2015.*

7. Additional Statutory Disclosures

PERFORMANCE RIGHTS AWARDED, VESTED AND LAPSED DURING THE YEAR

The table below discloses the number of performance rights granted to executives as remuneration during FY2016, FY2015, FY2014 and FY2013 as well as the number of performance rights that vested or lapsed/forfeited during the year.

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	Forfeited %	Financial years in which shares may vest	Maximum value yet to vest
Bronte Howson	2013	336,700	$2.12	71%	238,355	29%	2016	-
	2014	243,407	$2.45	-	-	-	2017	-
	2015	219,298	$2.68	-	-	-	2018	$195,541
	2016	183,655	$2.98	-	-	-	2019	$364,249
Philip Mirams	2014	73,022	$2.45	-	-	-	2017	-
	2015	65,789	$2.68	-	-	-	2018	$58,662
	2016	55,096	$2.98	-	-	-	2019	$109,275
David Rowland	2014	36,511	$2.45	-	-	-	2017	-
	2015	32,895	$2.68	-	-	-	2018	$29,331
	2016	27,548	$2.98	-	-	-	2019	$54,637
Gus Kininmont	2014	18,256	$2.45	-	-	-	2017	-
	2015	16,447	$2.68	-	-	-	2018	$14,666
	2016	13,774	$2.98	-	-	-	2019	$27,319
Eugene Kavanagh	2014	18,256	$2.45	-	-	-	2017	-
	2015	16,447	$2.68	-	-	-	2018	$14,666
	2016	13,774	$2.98	-	-	-	2019	$27,319
Martin Wandmaker	2015	16,447	$2.68	-	-	-	2018	$14,666
	2016	13,774	$2.98	-	-	-	2019	$27,319
Total	2013	336,700	$2.12	71%	238,355	29%	2016	-
	2014	389,451	$2.45	-	-	-	2017	-
	2015	367,325	$2.68	-	-	-	2018	$327,531
	2016	307,622	$2.98	-	-	-	2019	$610,116

DIRECTORS' REPORT

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

Total value of performance rights awarded to Executive Director and key management personnel for FY2016 was $915,715.

The FY2013 performance rights vested on 30 September 2015, with 238,355 performance rights awarded per the above table. This represented 71% of the maximum performance grants available for vesting, with the remaining 29% being forfeited. The FY2014 performance rights will vest on 30 September 2016, however per prior disclosures in this Directors' Report no performance rights will be awarded.

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

SHARES ISSUED ON EXERCISE OF PERFORMANCE RIGHTS

238,355 shares were issued during FY2016 on the exercise of performance rights.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

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

2016		Balance at start of year	Changes during the year	Balance at the end of the year
Directors	**Beneficial Owners**			
Bronte Howson	Croystone Nominees Pty Ltd atf BBK Unit Trust	3,000,000	Nil	3,000,000
	BM Howson	234,598	117,297[1,2]	351,895
	BM & CC Howson	94,000	Nil	94,000
David Griffiths	Darju Pty Ltd; NTH Citrus Pty Ltd atf Lake Avenue Trust	77,243	Nil	77,243
Michael Smith[3]	RP Smith	25,873	(25,873)[3]	Nil
Howard Critchley	Suehow Pty Ltd	6,500	Nil	6,500
Greg Duncan	Cleopatra Nominees Pty Ltd	50,000	100,000[1]	150,000
Giovanni (John) Groppoli	Magix Communications Pty Ltd	45,898	Nil	45,898
Tracey Horton[3]		Nil	Nil	Nil
Robert McEniry	PA McEniry and RJH McEniry	4,950	Nil	4,950
Peter Stancliffe	PW Stancliffe	38,523	Nil	38,523
Jane McKellar[4]		Nil	Nil	Nil
Other Key Management Personnel				
Philip Mirams		Nil	Nil	Nil
David Rowland		Nil	Nil	Nil
Gus Kininmont	FY Kininmont	6,498	Nil	6,498
Eugene Kavanagh	E & M Kavanagh	6,672	Nil	6,672
Martin Wandmaker		Nil	Nil	Nil
Hamish Williams[5]	HC Williams and Associates	28,716	(28,716)[5]	Nil

[1] *Shares were acquired / (sold) on market.*
[2] *Shares were acquired on awarding of Performance Rights.*
[3] *Retired by rotation as a Director on 20 November 2015.*
[4] *Appointed as Director on 10 December 2015.*
[5] *Retired 1 July 2015.*

DIRECTORS' REPORT

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel (FY2015: $Nil).

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

	2016 $'000	2015 $'000
Amounts recognised as distributions to shareholders		
Dividends paid	833	767

This is the end of the audited remuneration report

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

David C Griffiths
Chairman
Perth, 22 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

BDO

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

As lead auditor of Automotive Holdings Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd

Perth, 22 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016	Notes	2016 $'000	2015 $'000
Revenue from continuing operations	3	**5,625,999**	5,245,789
Profit on sale of assets	3	**2,893**	149
Raw materials and inventory expense		**(4,165,593)**	(3,904,842)
Employee benefits expense	4	**(744,203)**	(697,121)
Depreciation and amortisation expense	4	**(43,386)**	(40,549)
Finance costs	4	**(39,924)**	(36,526)
Advertising and promotion		**(49,524)**	(46,388)
Occupancy costs		**(167,694)**	(148,115)
Vehicle preparation and service		**(47,158)**	(43,353)
Supplies and outside services		**(79,543)**	(48,419)
Motor vehicle expense		**(11,035)**	(12,795)
Equipment rental	4	**(20,216)**	(16,504)
Professional services		**(9,342)**	(7,743)
Other expenses	4	**(114,449)**	(113,860)
Share of net profit of joint venture partnership accounted for using the equity method		**324**	305
Profit before income tax		**137,149**	130,028
Income tax expense	5	**(40,263)**	(35,913)
Profit for the year before other comprehensive income		**96,886**	94,115
Profit attributable to:			
Owners of Automotive Holdings Group Limited	18	**90,071**	88,091
Non-controlling interest		**6,815**	6,024
		96,886	94,115
Other Comprehensive Income			
Items that may be reclassified to profit or loss (net of tax)			
Unrealised changes in the fair value of cash flow hedges	18	**(958)**	(299)
Exchange differences on translation of foreign operations	18	**1,758**	(789)
Total comprehensive income for the year (net of tax)		**97,686**	93,027
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		**90,871**	87,003
Non-controlling interest		**6,815**	6,024
		97,686	93,027
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	21	**29.4**	28.7
Diluted earnings per share	21	**29.4**	28.7
Earnings per share is calculated on a weighted average number of shares of:		**306,541,437**	306,541,437

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016	Notes	2016 $'000	2015 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	**108,593**	69,862
Trade and other receivables	7	**333,614**	318,586
Inventories	8	**828,111**	732,030
Other current assets	9	**34,548**	29,167
TOTAL CURRENT ASSETS		**1,304,866**	1,149,645
NON CURRENT ASSETS			
Investments accounted for using the equity method		**1,048**	925
Available-for-sale financial assets	10	**4,028**	6,450
Property, plant and equipment	11	**359,041**	349,174
Intangible assets	12	**462,260**	392,041
Deferred tax assets	5	**60,192**	58,847
TOTAL NON CURRENT ASSETS		**886,569**	807,437
TOTAL ASSETS		**2,191,435**	1,957,082
CURRENT LIABILITIES			
Trade and other payables	13	**259,923**	268,953
Interest-bearing loans and borrowings	16	**759,873**	616,483
Income tax payable		**5,051**	7,202
Provisions	14	**74,494**	66,598
TOTAL CURRENT LIABILITIES		**1,099,341**	959,236
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	16	**334,251**	266,466
Deferred tax liabilities	5	**15,800**	12,885
Provisions	15	**22,540**	22,852
TOTAL NON CURRENT LIABILITIES		**372,591**	302,203
TOTAL LIABILITIES		**1,471,932**	1,261,439
NET ASSETS		**719,503**	695,643
EQUITY			
Contributed equity	17	**541,532**	541,532
Reserves	18	**2,669**	1,537
Retained profits	18	**150,374**	129,275
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		**694,575**	672,344
Non-controlling interest	19	**24,928**	23,299
TOTAL EQUITY		**719,503**	695,643

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 2015	Contributed Equity	Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2014	**541,532**	**1,446**	**107,089**	**650,068**	**14,310**	**664,378**
Profit for the year (after tax)	-	-	88,091	88,091	6,024	94,115
Changes in fair value of cash flow hedges	-	(610)	-	(610)	-	(610)
Exchange differences on translation of foreign operations	-	(789)	-	(789)	-	(789)
Income tax relating to components of other comprehensive income	-	311	-	311	-	311
Total comprehensive income for the year	**-**	**(1,088)**	**88,091**	**87,003**	**6,024**	**93,027**
Transactions with owners in their capacity as equity holders:						
Other transactions with non-controlling interests	-	-	-	-	3,825	3,825
Non-controlling interest on acquisition of subsidiary	-	-	-	-	4,340	4,340
Dividends provided for or paid	-	-	(65,906)	(65,906)	(5,200)	(71,106)
Employee share scheme	-	1,179	-	1,179	-	1,179
	-	**1,179**	**(65,906)**	**(64,727)**	**2,965**	**(61,762)**
At 30 June 2015	**541,532**	**1,537**	**129,275**	**672,344**	**23,299**	**695,643**

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

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 2016	Notes	2016 $'000	2015 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		**6,165,924**	5,750,984
Payments to suppliers and employees (inclusive of GST)		**(5,949,255)**	(5,564,778)
Interest paid and costs of finance		**(39,924)**	(36,526)
Interest received		**3,345**	2,951
Income tax paid		**(40,283)**	(39,325)
Net cash inflow from operating activities	22	**139,807**	113,306
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired	27	**(75,842)**	(74,974)
Proceeds from sale of business, net of cash disposed		**22,829**	-
Payment for property plant and equipment		**(113,936)**	(98,444)
Dividends and distributions received		**258**	640
Proceeds of sale of property, plant and equipment		**54,519**	17,120
Proceeds of sale of investments		**4,200**	-
Net cash outflow from investing activities		**(107,972)**	(155,658)
Cash flows from financing activities			
Net proceeds from borrowings		**81,813**	83,825
Dividends paid to members	20	**(68,972)**	(65,906)
Dividends paid to non-controlling interest		**(5,945)**	(5,200)
Net cash inflow from financing activities		**6,896**	12,719
Net increase / (decrease) in cash and cash equivalents		**38,731**	(29,633)
Cash and cash equivalents at the beginning of the year		**69,862**	99,495
Cash and cash equivalents at the end of the year	6	**108,593**	69,862

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

Non-cash financing and investing activities

During the year the consolidated entity acquired plant and equipment with a fair value of $4,902,560 (2015: $5,656,439) by means of finance leases (excluding those assumed in acquisitions) – refer note 11. These acquisitions are not reflected in the statement of cash flows.

Contents to the Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant changes in the current reporting period

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

Acquisitions of Western Pacific Automotive (WA Mercedes-Benz), Knox Mitsubishi and Sinclair Hyundai, the increase in AHG's Investment in 360 Finance Pty Ltd from 60.1% to 70.1% and the divestment of Covs Parts have impacted the financial performance and position of the Group at 30 June 2016 compared to 30 June 2015.

Refer to note 27 for further details in relation to the above acquisitions.

Key Financial Data	Statutory IFRS Result	Unusual items*	Operating Non-IFRS Result
For the year ended 30 June 2016	2016 $'000	2016 $'000	2016 $'000
Revenue	**5,625,999**	**-**	**5,625,999**
EBITDA	217,115	(8,373)	225,488
EBITDA margin %	3.9%		4.0%
Depreciation and amortisation	(43,386)	-	(43,386)
EBIT	173,729	(8,373)	182,102
Interest (net)	(36,580)	-	(36,580)
Profit before tax	137,149	(8,373)	145,522
Tax expense	(40,263)	1,197	(41,460)
Profit after tax	96,886	(7,176)	104,062
Non-controlling interest	(6,815)	-	(6,815)
Net profit after tax attributable to shareholders	**90,071**	**(7,176)**	**97,247**
Basic EPS (cents per share)	29.4		31.7

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

Net profit after tax attributable to members for the year ended 30 June 2016 was $90.07 million (2015: $88.09 million). Net profit after tax excluding unusual items* attributable to members for the year ended 30 June 2016 was $97.25 million (2015: $94.21 million).

	2016 $'000	2015 $'000
Statutory IFRS Profit (net of tax) attributable to members	**90,071**	88,091
Unusual items		
Add-back:		
- Net costs in relation to integration and acquisition-related activities	**4,091**	4,088
- Net (profit)/loss on divestments	**(740)**	-
- Impairment of assets	**4,562**	3,000
- Net (profit)/loss on other unusual items, including benefits applicable to GST refunds (Son of Holdback)	**(737)**	(966)
Operating Non-IFRS Profit (net of tax) attributable to members	**97,247**	94,213

2. Operating segments

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

AUTOMOTIVE RETAIL

The automotive segment has 188 motor vehicle franchises at 108 dealership locations operating within the geographical areas of Australia and New Zealand.

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

REFRIGERATED LOGISTICS

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

OTHER LOGISTICS

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

PROPERTY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

Segment Reporting June 2015	Automotive Retail	Refrigerated Logistics	Other Logistics	Total Logistics	Property	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Statutory IFRS Financial Performance Analysis						
Gross revenue	4,754,876	639,501	414,656	1,054,157	401	5,809,434
Less: intercompany sales	(486,209)	(30,643)	(49,744)	(80,387)	-	(566,596)
Segment revenue	**4,268,667**	608,858	**364,912**	**973,770**	**401**	**5,242,838**
Interest earned	2,477	196	278	474	-	2,951
Total revenue						**5,245,789**
EBITDA	**165,114**	**42,270**	**(2,024)**	**40,246**	**(1,207)**	**204,153**
Depreciation and amortisation	(17,869)	(18,547)	(4,133)	(22,680)	-	(40,549)
EBIT	**147,245**	**23,723**	**(6,157)**	**17,566**	**(1,207)**	**163,604**
Interest expense (net)	(21,401)	(6,454)	(1,119)	(7,573)	(4,602)	(33,576)
Profit before tax						**130,028**
Income tax expense						(35,913)
Reportable segment profit after tax						**94,115**
Operating Non-IFRS Financial Performance Analysis						
Total revenue	**4,271,145**	**609,054**	**365,190**	**974,244**	**401**	**5,245,789**
EBITDA before unusual items*	**161,228**	**45,242**	**10,512**	**55,754**	**(1,207)**	**215,775**
EBIT before unusual items*	**143,359**	**26,696**	**6,379**	**33,075**	**(1,207)**	**175,227**
Segment result before unusual items*	**121,958**	**20,241**	**5,261**	**25,502**	**(5,809)**	**141,651**
Unusual items*	3,887	(2,973)	(12,536)	(15,509)	-	(11,622)
Reportable segment result after unusual items before tax	**125,844**	**17,269**	**(7,276)**	**9,993**	**(5,809)**	**130,028**
Statutory Financial Position Analysis						
Segment assets	1,461,543	321,991	114,885	466,876	28,663	1,957,082
Total consolidated assets						**1,957,082**
Segment liabilities	759,953	301,625	155,918	457,543	43,943	1,261,439
Total consolidated liabilities						**1,261,439**
Acquisition of property, plant, equipment and intangibles	**129,620**	**36,656**	**6,746**	**43,402**	**(3,127)**	**169,896**

* ***Unusual items:*** *costs and fees in relation to integration and acquisition-related activities, impairment of assets and benefits applicable to GST refunds (Son of Holdback).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Operating segments (continued)

Accounting Policy

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Group has determined that its chief operating decision maker is its Managing Director and through this role, the Board.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the following respects:

- Nature of the products and services;
- Nature of the production process;
- Type or class of customer for the products or services;
- Methods used to distribute the products or provide the services, and if applicable; and
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed in AASB 8 Operating Segments are reported separately. This has resulted in the separate disclosure of the Group's refrigerated logistics operations from within the total Logistics Division.

The Board has determined that AHG's operating segments be divided between a single reportable automotive segment, two reportable logistics segments comprising AHG's refrigerated logistics operations and the balance of all of its other logistical operations, and a single reportable property segment.

3. Revenue and other income

	2016 $'000	2015 $'000
Sales revenue		
Sale of goods	**4,634,937**	4,227,254
Rendering of services	**963,809**	975,201
	5,598,746	5,202,455
Other revenue		
Interest	**3,345**	2,951
Other revenue	**23,908**	40,383
	27,253	43,334
Total Revenue from continuing operations	**5,625,999**	5,245,789

	2016 $'000	2015 $'000
Other Income		
Net gain on disposal of assets	**2,893**	149
	2,893	149

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Expenses

	2016 $'000	2015 $'000
Depreciation		
Vehicles, plant, furniture and equipment	**32,967**	29,999
	32,967	29,999
Amortisation		
Capitalised leased assets	**4,068**	4,899
Leasehold improvements	**6,351**	5,651
	10,419	10,550
Finance costs ***(for financial liabilities not at fair value through profit or loss)***		
Interest paid - other	**8,532**	5,287
Interest paid - finance leases	**1,429**	1,547
Interest paid - hire purchase	**4,493**	4,760
Interest paid - floor plan	**25,470**	24,932
	39,924	36,526
Lease payments		
Rental expenses relating to property operating leases	**135,294**	118,351
Rental expenses relating to equipment operating leases	**20,216**	16,504
	155,510	134,855
Employee benefits expense		
Wages, salaries and employee benefits	**694,957**	650,215
Superannuation	**48,914**	45,727
Share-based payments expense	**332**	1,179
	744,203	697,121
Other expenses		
Bad debts written off	**235**	1,066
Repairs and maintenance	**25,151**	24,106
Insurances	**29,985**	27,206
Stamp duty and bank fees	**10,919**	10,448
Impairment of non-current assets	**4,281**	-
Impairment of intangibles	**-**	3,000
Office, IT, telephone and travel	**38,575**	35,449
Miscellaneous	**5,303**	12,585
	114,449	113,860

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

	2016 $'000	2015 $'000
Current tax	37,736	41,052
Deferred tax	3,393	(6,007)
Adjustment for current tax of prior periods	(866)	868
	40,263	35,913
Income tax expense is attributable to:		
Profit from continuing operations	40,263	35,913
	40,263	35,913
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	418	(12,517)
Increase / (decrease) in deferred tax liabilities	2,915	6,510
	3,393	(6,007)

AMOUNTS CHARGED OR CREDITED DIRECTLY TO EQUITY

	2016 $'000	2015 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - (credited) / debited directly to equity	(607)	275
	(607)	275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income Tax (continued)

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2016 $'000	2015 $'000
Profit from continuing operations before income tax expense	137,149	130,028
Corporate tax at the rate of 30% (2015: 30%)	41,145	39,008
Non-deductible expenses	851	1,315
Research and development claim	-	(622)
Non-deductible diminution of investment and impairment of intangibles	900	-
Non-deductible stamp duty attributed to goodwill on acquisition	1,022	152
Other accessible income	452	-
Derecognition of deferred tax balances	827	-
Reversal of previously unrecognised deferred tax losses	-	(3,195)
Non-assessable income	(2,866)	(1,613)
Other deductible expenses	(2,614)	-
Difference in foreign tax rates	(191)	-
Other	1,603	-
Income tax expense	41,129	35,045
Adjustments in respect of current income tax of previous years	(866)	868
Income tax expense	40,263	35,913

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	2016 $'000	2015 $'000
Deferred tax assets		
Opening balance 1 July	58,847	42,613
Acquisition of subsidiaries	1,213	3,992
Credited to income	(475)	12,517
Credited / (debited) to equity	607	(275)
Closing balance 30 June	60,192	58,847
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss and other comprehensive income		
Doubtful debts	2,293	1,839
Finance leases	-	5
Inventory	1,239	1,026
Property, plant & equipment	4,899	4,261
Fringe benefits tax	-	36
Accrued expenses	8,694	10,629
Provisions:		
Employee benefits	23,528	21,574
Warranties	3,664	3,676
Other provisions	3,359	5,584
Other	11,641	9,362
Amounts recognised directly in the statement of financial position		
Share issue expenses	450	679
Cash flow hedges	425	176
Deferred tax assets	60,192	58,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income Tax (continued)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	2016 $'000	2015 $'000
Deferred tax liabilities		
Opening balance 1 July	12,884	6,049
Acquisition of subsidiaries	-	326
Debited / (credited) to income	2,916	6,509
Closing balance 30 June	15,800	12,884
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of profit or loss and other comprehensive income		
Doubtful debts	1,743	1,221
Finance leases	2,496	1,616
Other	11,361	10,047
Deferred tax liabilities	15,800	12,884

Deferred tax assets of $34,435,000 (2015: $36,582,000) and liabilities of $4,239,000 (2015: $2,837,000) are expected to be settled within 12 months. The balance is expected to be settled after 12 months.

Accounting Policy

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

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

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

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

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

5. Income Tax (continued)

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation:

Automotive Holdings Group Limited (the head entity) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single consolidated entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that is relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Refer to note 31 Accounting Policy (ii) for further details.

6. Current assets – cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and on hand	108,083	69,352
Deposits at call	510	510
	108,593	69,862

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

Cash on hand is non-interest bearing. Cash at bank attracts floating interest rates between 0.50% and 1.41% (2015: 0.75% and 1.58%). The interest rates applicable to deposits at call at 30 June 2016 vary between 0.70% and 2.86% (2015: 1.80% and 2.65%).

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

Accounting Policy

Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Banking Transactions

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

7. Current assets – trade and other receivables

	2016 $'000	2015 $'000
Trade receivables	317,720	308,891
Allowance for impairment of receivables	(2,765)	(2,977)
Other receivables	18,659	12,672
	333,614	318,586

IMPAIRED TRADE RECEIVABLES

The Group has recognised a loss of $235,000 (2015: $1,066,000) in respect of impaired trade receivables during the year ended 30 June 2016. The loss has been included in "other expenses" in the profit for the year.

At 30 June 2016, the Group recognised $2,765,000 (2015: $2,977,000) 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.

	2016 $'000	2015 $'000
Opening balance	(2,977)	(2,940)
Translation adjustment	(6)	3
Acquired on acquisition	-	(159)
Release on disposal of subsidaries	402	-
Allowance for impaired receivables	(1,110)	(1,426)
Receivables written off during the year	235	1,066
Reversal of amounts provided	691	479
Closing balance	(2,765)	(2,977)

PAST DUE NOT IMPAIRED

As at 30 June 2016, trade receivables of $68,636,000 (2015: $59,569,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 $'000	2015 $'000
Days Past Due		
1 - 30	51,214	45,591
31 - 60	6,912	6,440
61 - 90	6,912	2,010
91 +	3,598	5,528
	68,636	59,569

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

FAIR VALUE AND CREDIT RISK

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

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

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount and the present value of estimated future cash flows are discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in profit for the period within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

8. Current assets – inventories

	2016 $'000	2015 $'000
Vehicles inventory - at cost	**750,536**	644,352
Write-down to net realisable value	**(13,792)**	(11,818)
Other inventories - at cost	**96,604**	106,950
Write-down to net realisable value	**(5,237)**	(7,454)
	828,111	732,030

Inventory recognised as an expense (cost of sales) during the year ended 30 June 2016 (including write-down of inventories to net realisable value) amounted to $4,165,593,000 (2015: $3,904,842,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Current assets – other

	2016 $'000	2015 $'000
Prepaid expenses and deposits	**34,548**	29,167
	34,548	29,167

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

	2016 $'000	2015 $'000
Shares in unlisted company and trust	**4,028**	6,450
	4,028	6,450

UNLISTED SECURITIES

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

	2016 $'000	2015 $'000
Opening balance	**6,450**	6,450
Return of capital	**(2,422)**	-
Closing balance	**4,028**	6,450

IMPAIRMENT AND RISK EXPOSURE

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

Accounting Policy

Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss and other comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and pricing models to reflect the issuer's specific circumstances.

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

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

CARRYING AMOUNTS MEASURED AT COST LESS ACCUMULATED DEPRECIATION AND AMORTISATION

	2016 $'000	2015 $'000
Land and buildings	17,588	38,357
Accumulated depreciation	(7)	-
	17,581	38,357
Plant and equipment at cost	309,381	266,157
Accumulated depreciation	(144,278)	(121,983)
	165,103	144,174
Capitalised leased assets	34,460	37,989
Accumulated amortisation	(15,256)	(14,903)
	19,204	23,086
Leasehold improvements at cost	110,919	99,398
Accumulated amortisation	(31,088)	(25,922)
	79,831	73,476
Assets under construction	77,322	70,081
Total property, plant and equipment	359,041	349,174

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

Consolidated June 2016	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve-ments	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2015	38,357	144,174	23,086	73,476	70,081	349,174
Translation adjustment	-	200	-	51	10	261
Additions	1,436	72,732	4,903	24,801	11,943	115,815
Impairment	-	-	-	-	(4,712)	(4,712)
Disposals	(22,205)	(23,738)	-	(12,168)	-	(58,111)
Transfers	-	4,695	(4,717)	22	-	-
Depreciation / amortisation	(7)	(32,960)	(4,068)	(6,351)	-	(43,386)
Carrying amount at 30 June 2016	**17,581**	**165,103**	**19,204**	**79,831**	**77,322**	**359,041**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Consolidated June 2015	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve-ments	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2014	40,469	137,081	23,717	48,054	54,623	303,944
Translation adjustment	-	(127)	-	(34)	(1)	(162)
Additions	69	45,981	5,656	31,279	15,459	98,444
Acquisitions through business combinations	-	3,533	-	61	-	3,594
Disposals	(2,181)	(13,683)	-	(233)	-	(16,097)
Transfers	-	1,388	(1,388)	-	-	-
Depreciation / amortisation	-	(29,999)	(4,899)	(5,651)	-	(40,549)
Carrying amount at 30 June 2015	**38,357**	**144,174**	**23,086**	**73,476**	**70,081**	**349,174**

PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

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

Land and buildings with a carrying amount of $Nil (2015: $10,646,810) are subject to a first mortgage from certain other loans as disclosed in note 16.

Land and buildings with a carrying amount of $17,581,000 (2015: $27,710,541) are pledged as security for non-current liabilities as disclosed in note 16.

Other property, plant and equipment with a carrying amount of $322,256,000 (2015: $287,731,000) are pledged as security for non-current liabilities as disclosed in note 16.

Accounting Policy

Property, Plant and Equipment

Property, plant and equipment (excluding land) is measured on a historical cost basis and is depreciated on a straight line basis over its estimated useful economic life, as follows:

Category	Life
Buildings	40 years
Plant & equipment (including motor vehicles and computer software)	2½ – 20 years

Historical cost includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Land and buildings are shown at cost less subsequent depreciation for buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease (including option periods) or the estimated useful life of the improvement to the Group, whichever is the shorter. Assets under construction are not amortised until they are completed and transferred to their appropriate asset category.

Leased Assets

Leasing of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the leases inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments (note 33). They are amortised over the anticipated life of the relevant lease. Lease payments are allocated between interest expense and reduction in the lease liability to achieve a constant rate on the finance balance outstanding.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 33). Operating lease assets are not capitalised and rental payments are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

12. Non-current assets – intangible assets

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

	Goodwill	Franchise Rights & Distribution Agreements	Total
	$'000	$'000	$'000
Consolidated 2016			
Carrying amount at 1 July 2015	186,614	205,427	392,041
Additions	26,392	47,809	74,201
Divestments	(3,729)	(253)	(3,982)
Carrying amount at 30 June 2016	**209,277**	**252,983**	**462,260**
Consolidated 2015			
Carrying amount at 1 July 2014	158,600	164,990	323,590
Additions	28,014	43,437	71,451
Impairment charges	-	(3,000)	(3,000)
Carrying amount at 30 June 2015	**186,614**	**205,427**	**392,041**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Goodwill	Franchise Rights & Distribution Agreements	Total
	$'000	$'000	$'000
Consolidated 2016			
Automotive Retail	123,460	243,040	366,500
Refrigerated Logistics	78,762	-	78,762
Other Logistics	7,055	9,943	16,998
Carrying amount at 30 June 2016	**209,277**	**252,983**	**462,260**
Consolidated 2015			
Automotive Retail	97,067	195,484	292,551
Refrigerated Logistics	78,762	-	78,762
Other Logistics	10,785	9,943	20,728
Carrying amount at 30 June 2015	**186,614**	**205,427**	**392,041**

There are no intangible assets associated with the property segment.

IMPAIRMENT TESTING

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

The recoverable amounts of the Group's various CGUs are determined based on value-in-use calculations for these units. Value-in-use calculations use cash flow projections based on financial budgets covering a projected five-year period to determine a unit's recoverable amount that is then compared with the carrying value of the assets of that unit.

IMPAIRMENT TESTING

Key assumptions used for value-in-use calculations

Calculating value-in-use for each CGU, a pre-tax discount rate of 11% (2015: 10%) is applied, which represents the Group's historical weighted average cost of capital. The growth rate used to project cash flows beyond the following year's approved budget period is 3% (2015: 3%). This growth rate is consistent with forecasts included in industry reports.

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

(i) Sensitivity of discount rates applied. A range of discount rates from 10% to 15% (2015: 9.5% to 15%) were tested;

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

(iii) Sensitivity analysis of estimated future cash flows against the pre-tax discount rate of 11% (2015: 10%) and the breakeven point.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Impact of possible changes in key assumptions

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

Impairment charge

As a result of the above impairment testing process at 30 June 2016, no impairment charge (2015: $Nil) has been brought to account in the year ended 30 June 2016.

Separate to the above assessment process, an impairment charge of $4.7 million was brought to account in the year ended 30 June 2016 against IT project costs (refer note 11, Assets under Construction) that related to Covs and which were excluded from the divestment of the business to GPC Asia Pacific (Repco). Reversal of impairment charges from prior periods totalling $0.4 million arose in relation to divested operations.

An impairment charge of $3.0 million against intangibles was brought to account in FY2015 from a restructure of AHG's WMC related operations.

Accounting Policy

Goodwill on acquisition

The difference between the purchase consideration and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised. Instead, goodwill is tested for impairment at each reporting date, or more frequently if events or change in circumstances indicate that it might be impaired and is carried at cost less any accumulated impairment losses. Impairment of goodwill cannot be reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash generating unit grouped within the lowest level at which goodwill is monitored for internal management purposes.

Franchise rights

The Group has franchise agreements with manufacturers for the distribution of new vehicles and parts. These franchise rights agreements have varying terms and periods of renewal. The Group considers that the franchise agreements will be renewed indefinitely and accordingly no amortisation is charged on these assets. The Group assesses the franchise rights for impairment on a periodic basis, but at least at each reporting date and where there are indications of impairment the franchise rights values are adjusted to their recoverable amounts.

Significant accounting judgement, estimates and assumptions

Impairment of intangibles with indefinite useful lives

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Current liabilities – trade and other payables

	2016 $'000	2015 $'000
Trade payables	**96,371**	102,769
Other payables and accruals	**148,747**	155,223
Goods and services tax	**12,780**	10,107
Derivative financial instruments	**2,025**	854
	259,923	268,953

Accounting Policy

These amounts represent liabilities for goods and services provided to the Group prior to the reporting date and which are unpaid at reporting date. The amounts are generally unsecured and are usually paid within 30 days of recognition. Amounts are recognised initially at fair value and subsequently at amortised cost.

14. Current liabilities – provisions

	2016 $'000	2015 $'000
Annual leave	**37,384**	35,517
Long service leave	**27,784**	25,619
Other	**6,401**	2,880
Warranties	**2,925**	2,582
	74,494	66,598

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

Refer to note 15 for details.

Accounting Policy – (notes 14 and 15)

Provisions

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

An extended mechanical warranty is offered on the majority of the Group's retail used vehicle sales. The majority of the Group's operations pay a fee to an independent third party to administer the warranty program and an amount is set aside as a provision for future warrantable repairs in respect of all policies taken up. All warrantable repairs are submitted to the administrator for approval and, once approved, are charged against the provision. Where an independent third party is not used to determine the warranty provision the Group makes a best estimate of the expenditure required to settle the present obligation at reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate the risks specific to the liability.

14. Current liabilities – provisions (continued)

Employee Benefits

Short-term obligations

The provision for employee entitlements, salaries (including non-monetary benefits) and annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Leave entitlements are recognised in the provision for employee benefits. All other short-term obligations are recognised as payables.

Other long-term employee benefit obligations

Where the liability for annual or long service leave is expected to be settled more than 12 months from the reporting date, the associated obligations are still presented as a current liability in the statement of financial performance if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. For those annual leave and long service leave liabilities that are a non current liability within employee entitlements, they are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after agreed adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Share-based compensation benefits are provided to eligible senior executives of the Company via the AHG Performance Rights Plan. Information relating to this scheme is set out in note 29.

The fair value of Performance Rights are recognised as an employee benefit expense based on the probability of certain executives meeting performance hurdles during a performance period.

At each reporting date, the Group revises its estimate of the number of Performance Rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimates.

15. Non-current liabilities – provisions

	2016 $'000	2015 $'000
Warranties	**5,850**	6,671
Long service leave	**10,688**	9,957
Make good provisions	**6,002**	6,224
	22,540	22,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Non-current liabilities – provisions (continued)

WARRANTIES

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

MAKE GOOD PROVISION

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

MOVEMENTS IN PROVISIONS

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

	Warranties	Make Good / Other
	$'000	$'000
At 1 July 2015	9,253	9,104
Additional provisions recognised	(478)	3,299
At 30 June 2016	**8,775**	**12,403**
Current 2016	2,925	6,401
Non-current 2016	5,850	6,002
	8,775	**12,403**
Current 2015	2,582	2,880
Non-current 2015	6,671	6,224
	9,253	**9,104**

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 $52,134,468 (2015: $48,909,153).

Accounting Policy – note 14

Significant accounting judgement, estimates and assumptions

Warranties

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

16. Interest-bearing loans and borrowings

CURRENT

	2016 $'000	2015 $'000
Finance company loans	711,510	582,148
Lease liability	11,864	6,564
Hire purchase liability	20,928	15,601
Other	15,571	12,170
	759,873	616,483

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 $937,260,164 (2015: $804,723,778). At 30 June 2016, $721,672,916 (2015: $582,148,000) of these facilities were used. The weighted average interest rate applicable at 30 June 2016 on these loans was 4.17% (2015: 4.09%).

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

NON-CURRENT

	2016 $'000	2015 $'000
Other loans	264,047	196,021
Lease liability	7,104	16,541
Hire purchase liability	61,515	52,682
Amounts owing to manufacturer	1,585	1,222
	334,251	266,466

Other Loans

$262,000,000 (2015: $189,000,000) are commercial bills secured over certain properties, plant and equipment, receivables, cash and inventories of the Group. Interest is charged at an average rate of 2.24% (2015: 2.09%) for the period of the current bills in place.

$16,086,586 (2015: $18,133,734) are other commercial loans secured over specific properties and plant and equipment. Interest is charged at an average rate of 4.35% (2015: 4.81%).

$500,000 (2015: $500,000) are commercial loans with a five year term. Interest is charged at a variable rate of 6.00% at 30 June 2016 (2015: 6.65%).

$37,238 (2015: $136,924) is a franchise supported working capital loan between Auckland Auto Collection Limited and UDC Finance Limited. Interest is charged at an average rate of 6.85% (2015: 6.85%).

$994,675 (2015: $420,342) is a supplier loan to fund minor capital works in fixed operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Interest-bearing loans and borrowings (continued)

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Amounts owing to manufacturer

$1,585,434 (2015: $1,222,304) is an unsecured amount owing to a manufacturer and is non-interest bearing.

Fair values

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

NON-CURRENT

	Carrying Value		Fair Value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Group				
Finance liabilities				
Advances	263,052	195,601	263,052	195,601
Lease liability	7,104	16,541	7,104	16,541
Hire purchase liability	61,515	52,682	61,515	52,682
Amounts owing to manufacturer	1,585	1,222	1,585	1,222
Other loans	995	420	995	420
	334,251	266,466	334,251	266,466

INTEREST RATE AND LIQUIDITY RISK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Interest-bearing loans and borrowings (continued)

ASSETS PLEDGED AS SECURITY

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

	Notes	2016 $'000	2015 $'000
Current			
Floating charge			
Cash and cash equivalents	6	**108,593**	69,862
Trade and other receivables	7	**333,614**	318,586
Inventories	8	**828,111**	732,030
Other current assets	9	**30,879**	27,088
Total current assets pledged as security		**1,301,197**	1,147,566
Non - Current			
First mortgage			
Freehold land and buildings	11	**-**	10,647
Finance lease			
Plant and equipment	11	**19,204**	23,086
Floating charge			
Freehold land and buildings	11	**17,581**	27,711
Plant and equipment	11	**322,256**	287,730
Total non-current assets pledged as security		**359,041**	349,174
Total assets pledged as security		**1,660,238**	1,496,740

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	-	5,000	5,000
Finance company loans	711,510	225,750	937,260
Lease & HP	101,411	91,019	192,430
Commercial loans	279,619	130,381	410,000
Amounts owing to manufacturer	1,585	-	1,585
	1,094,125	452,150	1,546,275
Contingent Liabilities (guarantees)	27,495	505	28,000
	1,121,620	452,655	1,574,275

16. Interest-bearing loans and borrowings (continued)

Accounting Policy

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the estimated term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. This policy also applies to inter-company borrowings within the Group.

17. Contributed equity

	Parent		Parent	
	2016 Shares	2015 Shares	**2016 $'000**	2015 $'000
Ordinary shares fully paid	**306,541,437**	306,541,437	**541,532**	541,532
Total contributed equity	**306,541,437**	306,541,437	**541,532**	541,532

ORDINARY SHARES

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

		No. of Shares	$'000
01/07/14	Balance at 1 July 2014	306,541,437	541,532
30/06/15	Balance at 30 June 2015	306,541,437	541,532
30/06/16	**Balance at 30 June 2016**	**306,541,437**	**541,532**

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Consideration paid for treasury shares is deducted from equity attributable to owners until the shares are re-issued.

18. Retained earnings and reserves

MOVEMENTS IN RETAINED EARNINGS WERE AS FOLLOWS:

	2016 $'000	2015 $'000
Opening balance at 1 July	129,275	107,090
Net profit for the year attributable to members	90,071	88,091
Dividends paid to members	(68,972)	(65,906)
Closing balance at 30 June	150,374	129,275

OTHER RESERVES

Consolidated	Share-based Payments Reserve	Hedge Reserve	Foreign Currency Translation	Total
	$'000	$'000	$'000	$'000
At 1 July 2014	705	(160)	902	1,446
Cash flow hedges	-	(610)	-	(610)
Exchange differences on translation of foreign operations	-	-	(789)	(789)
Employee share scheme	1,179	-	-	1,179
Income tax relating to components of other comprehensive income	-	311	-	311
At 30 June 2015	**1,883**	**(459)**	**113**	**1,537**
At 1 July 2015	1,883	(459)	113	1,537
Cash flow hedges	-	(1,369)	-	(1,369)
Exchange differences on translation of foreign operations	-	-	1,758	1,758
Employee share scheme	332	-	-	332
Income tax relating to components of other comprehensive income	-	411	-	411
At 30 June 2016	**2,215**	**(1,417)**	**1,871**	**2,669**

NATURE AND PURPOSE OF RESERVES

Share-based payments reserve

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

Hedge revaluation reserve

Changes in the fair value of hedging instruments are taken to this reserve, as described in note 25(a). Amounts are recognised in the statement of profit or loss and other comprehensive income when the associated hedge transaction affects the statement of profit or loss and other comprehensive income.

Foreign currency translation reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Non-controlling interest

	2016 $'000	2015 $'000
Interest in:		
Share capital	17,800	17,041
Retained profit	7,128	6,258
Balance 30 June	24,928	23,299

Refer to note 28 for details of the subsidiaries within the AHG Group. There are 16 subsidiaries (2015: twelve) where AHG holds an equity interest between 70.1% and 80% (2015: 60.1% and 80%), giving rise to non-controlling interests for the balance to 100% shareholding. None of the non-controlling interests held in these subsidiaries are individually material to AHG's consolidated performance or position.

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

Transactions with non-controlling interests

On 1 July 2015, AHG acquired an additional 10% of the issued shares of 360 Finance Pty Ltd for $3,085,040. Immediately prior to the purchase, the carrying amount of the existing 60.1% non-controlling interest in 360 Finance Pty Ltd was $6.45 million. AHG recognised a decrease in the non-controlling interests of $440,000 and a decrease in equity attributed to owners of the parent of $2,645,040.
The effect on the equity attributable to the owners of 360 Finance Pty Ltd during the year is summarised as follows:

	2016 $'000	2015 $'000
Carrying amount of non-controlling interests acquired	440	440
Consideration paid to non-controlling interests	(3,085)	(2,076)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(2,645)	(1,636)

20. Dividends paid and proposed

RECOGNISED AMOUNTS

	2016 $'000	2015 $'000
Dividends on ordinary shares:		
Final dividend for the year ended 30 June 2015 of 13.0 cents per fully paid share paid on 2 October 2015 (30 June 2014 of 12.5 cents per fully paid share paid on 2 October 2014)	**39,850**	38,318
Interim dividend for the half-year ended 31 December 2015 of 9.5 cents per fully paid share paid on 6 April 2016 (31 December 2014 of 9.0 cents per fully paid share paid on 2 April 2015)	**29,122**	27,589
	68,972	65,907

UNRECOGNISED AMOUNTS

	2016 $'000	2015 $'000
Dividends on ordinary shares:		
Since year end, the directors have recommended the payment of a fully franked final dividend of 13.0 cents per share (2015: 13.0 cents), based on tax paid at 30%. The aggregate amount of dividends to be paid on 5 October 2016 (2015: 2 October 2015) out of the retained profits at 30 June 2016, but not recognised as a liability at year end is	**43,111**	39,850

FRANKING CREDIT BALANCE

	AHG Tax Consolidated Group	
	2016 $'000	2015 $'000
Dividends on ordinary shares:		
Franking credits available for subsequent financial years based on a tax rate of 30%	**126,432**	126,020

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 $18,476,139 (2015: $17,078,737).

Tax rates

The tax rate at which paid dividends have been franked is 30% (2015: 30%). Dividends proposed will be franked at 30% (2015: 30%).

Accounting Policy

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Earnings per share

BASIC EARNINGS PER SHARE

	2016 cents	2015 cents
IFRS Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**29.4**	28.7
Diluted earnings per share	**29.4**	28.7
Non-IFRS Earnings per share for profit attributable before unusual items* attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**31.7**	30.7
Diluted earnings per share	**31.7**	30.7

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

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

Basic Earnings Per Share	2016 $'000	2015 $'000
Profit attributable to the ordinary equity holders of the Company from continuing operations excluding unusual items*	**90,071**	88,091
Profit / (loss) attributable to the ordinary equity holders of the Company from unusual items*	**7,176**	6,122
Profit attributable to the ordinary equity holders of the Company from continuing operations in calculating basic earnings per share	**97,247**	94,213

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

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Number	
	2016	2015
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**306,541,437**	306,541,437

Accounting Policy

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year (excluding treasury shares).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: the after income tax effect of interest and other financing costs associated with the conversion of dilutive potential ordinary shares (the numerator); and the weighted average number of shares assumed to have been issued in relation to these dilutive potential ordinary shares (the denominator).

22. Statement of cash flows reconciliation

	2016 $'000	2015 $'000
Cash at bank and on hand	**108,083**	69,352
Deposits at call	**510**	510
	108,593	69,862
Profit after tax	**96,886**	94,115
Non Operating Activity Cash flow in profit		
- Distributions received	**(258)**	(641)
- Profit on sale of assets	**(2,893)**	(149)
- Profit on sale of investments	**(1,775)**	-
Non Cash flow in profit		
- Depreciation	**32,967**	29,999
- Amortisation	**10,419**	10,550
- Impairment of assets / intangibles	**4,281**	3,000
Changes in operating assets and liabilities		
(Increase) in trade debtors	**(14,296)**	(11,189)
Decrease / (increase) in inventories	**15,586**	(35,533)
(Increase) / decrease in other current assets	**(124)**	595
(Increase) in prepayments	**(5,597)**	(1,860)
(Increase) in deferred tax assets	**(680)**	(12,094)
(Decrease) / increase in current tax payable	**(2,152)**	2,771
Increase / (decrease) in trade creditors	**1,277**	(427)
(Decrease) / increase in accruals	**(2,059)**	26,107
Increase in employee entitlements	**4,066**	4,629
Increase / (decrease) in other provisions	**1,348**	(2,479)
Increase in deferred tax liabilities	**2,811**	5,911
Net cash inflow from operating activities	**139,807**	113,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Significant accounting judgements, estimates and assumptions

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

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

Page		
84	Note 8	Demonstrator vehicle write-down to net realisable value Used vehicle write-down to net realisable value
88	Note 12	Impairment of intangibles with indefinite useful lives
92	Note 15	Warranties
114	Note 27	Fair Value of assets and liabilities acquired in a business combination

24. Financial risk management objectives and policies

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

RISK EXPOSURE AND RESPONSES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

RISK EXPOSURE AND RESPONSES (continued)

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

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

The Group holds the following financial instruments:

	2016 $'000	2015 $'000
Financial Assets		
Cash and cash equivalents	108,593	69,862
Trade and other receivables	333,614	318,586
Available-for-sale financial assets	4,028	6,450
	446,235	394,898
Financial Liabilities at amortised cost		
Trade and other payables	257,898	268,099
Interest-bearing loans and borrowings	1,094,124	882,949
Derivative financial liabilities	2,025	854
	1,354,047	1,151,902

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

MARKET RISK

Interest rate risk

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

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

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

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

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

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

Within the fixed interest borrowing structure, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees to exchange, at specified intervals (e.g. monthly) the difference between fixed contract rates and floating rate interest amounts by reference to the agreed notional principal amounts. Fixed rate borrowings are carried at amortised cost and are not subject to variable interest rate risk. The fixed rate borrowings under interest rate swaps amounted to $155.00 million (2015: $100.00 million) at 30 June 2016, at a weighted average interest rate of 2.22% (2015: 2.60%).

During 2016 and 2015, the Group's borrowings were principally denominated in Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

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

Consolidated 2016		$'000	$'000	- 25Bps		- 50Bps	
	Weighted Average Interest Rate [1]	Notional Amount	Carrying Amount	Profit (after tax)	Equity (after tax)	Profit (after tax)	Equity (after tax)
Financial Assets							
Cash and cash equivalents	0.77%	-	108,593	(200)	-	(400)	-
Financial Liabilities							
Vehicle borrowings	4.17%	-	(711,510)	1,283	-	2,567	-
Derivatives - cash flow hedges	2.22%	(155,000)	(1,791)	-	(3)	-	(6)
Other borrowings	2.59%	-	(262,037)	459	-	917	-
Total Increase / (Decrease)		**(155,000)**	**(866,745)**	**1,452**	**(3)**	**3,084**	**(6)**

Consolidated 2015		$'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	0.82%	-	69,862	(122)	-	(245)	-
Financial Liabilities							
Vehicle borrowings	4.09%	-	(582,148)	1,019	-	2,038	-
Derivatives - cash flow hedges	2.60%	(100,000)	(816)	-	(1)	-	(2)
Other borrowings	2.75%	-	(189,137)	331	-	662	-
Total Increase / (Decrease)		**(100,000)**	**(702,239)**	**1,228**	**(1)**	**2,455**	**(2)**

[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 2016 reflects a sensitivity analysis on potential interest rate movements of up of 25 and 50 basis points (bps to relevant floating borrowing balances as at reporting date); there exists ongoing volatility in the current market regarding expectations of likely interest rate movements, the quantum of such movements and the direction of these movements. Accordingly, the above tables equally reflect the impact for both interest rate decreases and increases on the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the currency exposures centred on the purchase of inventory (and associated trade payables and finance company loans) and, accordingly, had entered into forward exchange contracts to buy EUR $11.45 million (2015: EUR $Nil) and USD $1.28 million (2015: USD $1.28 million) as of 30 June 2016.

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

PRICE RISK

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

CREDIT RISK

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

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

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

Specifically, the Group's credit risk arises from:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

CREDIT RISK (continued)

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

Maximum Credit Risk	2016 $'000	2015 $'000
Deposits	11,576	12,721
Vehicle debtors	82,329	67,004
Parts and service debtors	151,641	169,968
Factory receivables	41,945	34,463
Finance and insurance receivables	30,229	24,735
Allowance for impairment of trade receivables	(2,765)	(2,977)
Total trade receivables	314,955	305,914

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	2016 $'000	2015 $'000
Counterparties with external credit ratings		
AA	29,563	16,008
A	7,496	6,412
BBB	13,109	6,507
BB	8,473	10,270
B	3,038	1,352
CCC	1,062	63
	62,741	40,612
Counterparties without external credit ratings		
Group 1	78,815	70,943
Group 2	173,045	177,185
Group 3	3,119	20,151
	254,979	268,279
Total trade receivables	317,720	308,891
Cash and cash equivalents		
AA	108,576	69,847
BBB	17	15
	108,593	69,862

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

24. Financial risk management objectives and policies (continued)

LIQUIDITY RISK

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

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

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

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

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

Gross Contractual Liability Cash Flow Outgoings ($'000)						
Consolidated 2015	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car VIL borrowings	34,201	34,320	-	-	-	34,320
New car floorplan*	547,947	549,709	-	-	-	549,709
Trade payables	102,764	101,973	791	-	-	102,764
Other payables and accruals	165,340	163,954	277	741	368	163,340
Finance lease liabilities	23,105	6,564	12,302	4,239	-	23,105
Hire purchase liabilities	68,283	15,601	16,252	36,411	19	68,283
External loans	209,413	12,170	196,646	597	-	209,413
	1,151,053	884,291	226,268	41,988	387	1,150,943

* *The Group finances the acquisition of its new 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.*

24. Financial risk management objectives and policies (continued)

FAIR VALUE MEASUREMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period (current bid price). These instruments are included in level 1. $Nil at 30 June 2016 (2015: $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 (2015: $Nil) and derivative liabilities of $2,025,000 (2015: $854,000).

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

As of 30 June 2016, there were two level 3 investments held, being an unlisted equity investment in One Way Traffic Pty Ltd (Carsguide.com.au) with a fair value of $2.25 million (2015: $2.25 million) and unlisted units held in the AHG Property Syndicate No. 1 Unit Trust with a fair value of $1.78 million (2015: $4.20 million).

The fair values of these unlisted investments are individually determined based on the present value of net cash inflows from future profits and subsequent disposal of the securities. These net cash inflows are discounted to their present value using a pre-tax discount rate of 10.0% that reflects a current market assessment of the time value of money and the risks specific to those assets. If the estimated risk-adjusted discount rate was 10% higher or lower, the fair value (and equity reserves) would increase/decrease by $0.40 million (2015: $0.65 million).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting their future contractual cash flows at the current market interest rate of 2.59% (2015: 2.75%) that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying value amount, as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Derivative financial instruments

	2016 $'000	2015 $'000
Current liabilities		
Interest-rate swap contracts (included in Payables note 13)	**1,792**	816
Forward foreign exchange contracts (included in Payables note 13)	**233**	38
	2,025	854

(a) Instruments used by the Group

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

(i) Interest rate swaps – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 2.59% (2015: 2.75%) (excluding fees). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable interest rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 59% (2015: 53%) of the variable loan principal outstanding. The average fixed interest rate is 2.22% (2015: 2.60%). The contracts require settlement of net interest receivable or payable on a monthly basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the statement of profit or loss and comprehensive income when the hedged interest expense is recognised. In the year ended 30 June 2016 a loss of $1.79 million (2015: loss of $0.57 million) was reclassified into the statement of profit or loss and other comprehensive income and included in finance costs. There was no hedge ineffectiveness in the current year.

(ii) Forward exchange contracts – cash flow hedges

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

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

During the year ended 30 June 2016 $0.23 million (2015: $0.15 million) was reclassified from other comprehensive income and included in the cost of sales.

(b) Risk exposures and fair value measurements

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

25. Derivative financial instruments (continued)

Accounting Policy

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

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

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

Movements in the hedging reserve in shareholders' equity are shown in note 18.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income within other income or other expense.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of profit or loss and other comprehensive income within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the statement of profit or loss and other comprehensive income within 'raw materials and inventory expense'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory) the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the statement of profit or loss and other comprehensive income as raw materials and inventory expense.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Capital management

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

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

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

1. Traditional Gearing Ratio

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

Gearing Ratio - Traditional	**2016 $'000**	2015 $'000
Total borrowings	**1,094,124**	882,949
Less: cash and cash equivalents	**(108,593)**	(69,862)
Net debt	**985,531**	813,087
Total equity	**719,503**	695,643
Total capital under management	**1,705,034**	1,508,730
Gearing Ratio - Traditional	**57.8%**	53.9%

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	**2016 $'000**	2015 $'000
Current debt	**759,873**	616,483
Less: finance company loans	**(711,510)**	(582,148)
Current debt excluding finance company loans	**48,363**	34,335
Less: cash and cash equivalents	**(108,593)**	(69,862)
Net cash excluding finance company loans	**(60,230)**	(35,527)
Non-current debt	**334,251**	266,466
Net debt excluding finance company loans and cash	**274,021**	230,939
Total equity	**719,503**	695,643
Total capital	**993,524**	926,582
Gearing Ratio - Automotive Industry	**27.6%**	25.0%

AHG has complied with the financial covenants of its borrowings facilities during the 2016 and 2015 reporting periods.

27. Business combinations

During FY2016, AHG completed the following business combinations:

	Name	Type	Consideration $'million	Location
31 October 2015	Western Pacific Mercedes-Benz	Certain business assets and liabilities	$59.542	Perth, Western Australia
31 March 2016	Knox Mitsubishi	Certain business assets and liabilities	$5.594	Knox, Victoria
25 May 2016	Sinclair Hyundai (Penrith)	Certain business assets and liabilities	$6.859	Penrith, New South Wales

The business combinations contributed revenues of $145.72 million and net profit before tax of $3.69 million for the year ended 30 June 2016 from their dates of acquisition, before unusual items. It is expected that AHG would have reported $5.75 billion in consolidated revenues and $99.56 million consolidated net profit after tax attributable to members, for the year ended 30 June 2016, 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			
	Western Pacific Mercedes-Benz	Knox Mitsubishi	Sinclair Hyundai	Consolidated
Vehicle inventories (net of bailment)	(1,497)	(107)	429	**(1,175)**
Parts inventories	2,335	121	134	**2,590**
Other inventory	59	66	50	**175**
Other assets	166	-	-	**166**
Property, plant and equipment	2,099	729	164	**2,992**
Deferred tax assets	813	112	143	**1,068**
	3,975	921	920	**5,816**
Trade and other payables	(937)	(70)	(74)	**(1,081)**
Employee entitlements	(2,192)	(164)	(632)	**(2,988)**
	(3,129)	(234)	(706)	**(4,069)**
Net identifiable assets acquired	846	687	214	**1,747**
Add: goodwill	19,565	1,636	2,215	**23,416**
Add: franchise rights	39,131	3,271	4,430	**46,832**
Net assets acquired	59,542	5,594	6,859	**71,995**
Purchase consideration				
Cash paid	59,542	5,594	6,859	**71,995**
Total purchase consideration	59,542	5,594	6,859	**71,995**

27. Business combinations (continued)

i. Goodwill

The goodwill is attributable to the workforce, profitability of the acquired business and the synergistic opportunities it offers with AHG's existing automotive retail operations. It is only deductible for tax purposes upon any future sale of this business.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisitions, nor any contingent liabilities or non-controlling interests to be accounted for.

Integration-related costs (technology, personnel, occupancy) and acquisition-related costs (stamp duty, professional services) of $3.65 million are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2016.

iii. Information not disclosed as not yet available

The Group has reported provisional amounts for goodwill and other assets acquired from Western Pacific Mercedes-Benz, Knox Mitsubishi and Sinclair Hyundai (Penrith). The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired.

iv. FY2015 Business Combination finalisation

Provisional acquisition accounting has been completed for the FY2015 acquisitions of Bradstreet Motor Group, Paceway Mitsubishi and Leo Muller CJD. This has resulted in an increase of $0.99 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.
- **Refrigerated Logistics:** Vehicle fleet, provisioning policies and make good obligations on Leased premises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures

SUBSIDIARIES

Name Of Entity	Country of Incorporation	Equity Holding 2016	Equity Holding 2015
Corporate			
AHG Services (NSW) Pty Ltd	Australia	100%	100%
AHG Services (WA) Pty Ltd	Australia	100%	100%
AHG Services (Vic) Pty Ltd	Australia	100%	100%
AHG Services (Qld) Pty Ltd	Australia	100%	100%
AHG Training Pty Ltd	Australia	100%	100%
Logistics			
Rand Transport (1986) Pty Ltd	Australia	100%	100%
Rand Transport Pty Ltd	Australia	100%	100%
Rand Transport Unit Trust	Australia	100%	100%
Motorcycle Distributors Pty Ltd	Australia	100%	100%
Butmac Pty Ltd	Australia	100%	100%
Motorbike Unit Trust	Australia	100%	100%
Janasen Pty Ltd	Australia	100%	100%
VMS Pty Ltd	Australia	100%	100%
Vehicle Storage & Engineering Pty Ltd	Australia	100%	100%
Shemapel 2005 Pty Ltd	Australia	100%	100%
Covs Parts Pty Ltd	Australia	0%	100%
Vehicle Parts (WA) Pty Ltd	Australia	50%	50%
Zupps Parts Pty Ltd	Australia	100%	100%
Castlegate Enterprises Pty Ltd	Australia	100%	100%
AHG Management Co Pty Ltd	Australia	100%	100%
AHG International Pty Ltd	Australia	100%	100%
HQVA Pty Ltd	Australia	100%	100%
Scott's Refrigerated Freightways Pty Ltd	Australia	100%	100%
JAT Refrigerated Road Services Pty Ltd	Australia	100%	100%
WMC Bus Pty Ltd	Australia	0%	0%
WMC Unit Trust	Australia	0%	0%
JAC Unit Trust	Australia	0%	0%
LDV Pty Ltd	Australia	0%	0%
LWC Limited	New Zealand	100%	100%
LWC International Limited	New Zealand	100%	100%
KTM New Zealand Limited	New Zealand	74%	74%

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2016	Equity Holding 2015
Automotive			
Auckland Auto Collection Limited	New Zealand	100%	100%
AHG Finance 2005 Pty Ltd	Australia	100%	100%
AHG Finance Pty Ltd	Australia	100%	100%
AHG Finance Unit Trust	Australia	100%	100%
MBSA Motors Pty Ltd	Australia	100%	100%
AHG Property Head Trust 1 Unit Trust	Australia	100%	100%
ACN 132 712 111 Pty Ltd	Australia	100%	100%
AHG Property Sub Trust 1 Unit Trust	Australia	100%	100%
AHG Property Sub Trust 2 Unit Trust	Australia	100%	100%
AHG Property Pty Ltd	Australia	100%	100%
Allpike Autos Pty Ltd	Australia	100%	100%
Big Rock 2005 Pty Ltd	Australia	80%	80%
Big Rock Pty Ltd	Australia	100%	100%
Big Rock Unit Trust	Australia	100%	100%
Chellingworth Pty Ltd	Australia	100%	100%
AUT 6 Pty Ltd	Australia	100%	100%
Mounts Bay Unit Trust	Australia	100%	100%
City Motors (1981) Pty Ltd	Australia	100%	100%
Lionteam Pty Ltd	Australia	100%	100%
City Motors Unit Trust	Australia	100%	100%
Dual Autos Pty Ltd	Australia	100%	100%
Duncan Autos 2005 Pty Ltd	Australia	100%	100%
Duncan Autos Pty Ltd	Australia	100%	100%
Duncan Autos Unit Trust	Australia	100%	100%
Giant Autos (1997) Pty Ltd	Australia	100%	100%
Giant Autos Pty Ltd	Australia	100%	100%
Giant Autos Unit Trust	Australia	100%	100%
Grand Autos 2005 Pty Ltd	Australia	80%	80%
SWGT Pty Ltd	Australia	100%	100%
SWGT Unit Trust	Australia	100%	100%
North City 2005 Pty Ltd	Australia	100%	100%
North City (1981) Pty Ltd	Australia	100%	100%
North City Unit Trust	Australia	100%	100%
Northside Nissan (1986) Pty Ltd	Australia	100%	100%
Northside Autos 2005 Pty Ltd	Australia	100%	100%
Northside Nissan Unit Trust	Australia	100%	100%
Nuford Ford Pty Ltd	Australia	100%	100%
Kingspoint Pty Ltd	Australia	100%	100%
New Dealership Unit Trust	Australia	100%	100%
Melville Autos 2005 Pty Ltd	Australia	100%	100%
Melville Autos Pty Ltd	Australia	100%	100%

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2016	Equity Holding 2015
Automotive (continued)			
Melville Autos Unit Trust	Australia	100%	100%
Osborne Park Autos Pty Ltd	Australia	100%	100%
Janetto Holdings Pty Ltd	Australia	100%	100%
Osborne Park Unit Trust	Australia	100%	100%
Perth Auto Alliance Pty Ltd	Australia	100%	100%
Skipper Trucks Pty Ltd	Australia	100%	100%
Geraldine Nominees Pty Ltd	Australia	100%	100%
Belmont Unit Trust	Australia	100%	100%
Southside Autos 2005 Pty Ltd	Australia	100%	100%
Southside Autos (1981) Pty Ltd	Australia	100%	100%
Southside Unit Trust	Australia	100%	100%
Total Autos 2005 Pty Ltd	Australia	100%	100%
Total Autos (1990) Pty Ltd	Australia	100%	100%
Total Autos Unit Trust No. 2	Australia	100%	100%
WA Trucks Pty Ltd	Australia	100%	100%
Falconet Pty Ltd	Australia	100%	100%
Truck Unit Trust	Australia	100%	100%
AHG 1 Pty Ltd	Australia	100%	100%
Ferntree Gully Autos Pty Ltd	Australia	80%	80%
ACM Autos Pty Ltd	Australia	80%	80%
ACM Liverpool Pty Ltd	Australia	100%	100%
Automotive Holdings Group (NSW) Pty Ltd	Australia	100%	100%
Castle Hill Autos No. 1 Pty Ltd	Australia	100%	100%
Highland Autos Pty Ltd	Australia	80%	80%
Highland Kackell Pty Ltd	Australia	100%	100%
MCM Autos Pty Ltd	Australia	80%	80%
MCM Sutherland Pty Ltd	Australia	100%	100%
Automotive Holdings Group (Qld) Pty Ltd	Australia	100%	100%
Southeast Automotive Group Pty Ltd	Australia	100%	100%
Southern Automotive Group Pty Ltd	Australia	100%	100%
Southwest Automotive Group Pty Ltd	Australia	100%	100%
Zupp Holdings Pty Ltd	Australia	100%	100%
Zupps Aspley Pty Ltd	Australia	100%	100%
Zupps Gold Coast Pty Ltd	Australia	100%	100%
Zupps Mt Gravatt Pty Ltd	Australia	100%	100%
Zupps Southside Pty Ltd	Australia	100%	100%
Mornington Auto Group (2012) Pty Ltd	Australia	100%	100%
Melbourne City Autos (2012) Pty Ltd	Australia	100%	100%
Automotive Holdings Group (Victoria) Pty Ltd	Australia	100%	100%
CFD (2012) Pty Ltd	Australia	100%	100%
Newcastle Commercial Vehicles Pty Ltd	Australia	100%	100%

28. Related party disclosures (continued)

SUBSIDIARIES (continued)

Name Of Entity	Country of Incorporation	Equity Holding 2016	Equity Holding 2015
Automotive (continued)			
AHG Automotive Mining and Industrial Solutions 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	70.1%	60.1%
360 Financial Services Australia Pty Ltd	Australia	100%	100%
360 Insurance Services Pty Ltd	Australia	100%	100%
OPM (2012) Pty Ltd	Australia	100%	100%
PT (2013) Pty Ltd	Australia	80%	80%
Novated Direct Pty Ltd	Australia	100%	100%
Rent Two Buy Pty Ltd	Australia	100%	100%
Drive A While Pty Ltd	Australia	100%	100%
AHG Newcastle Pty Ltd	Australia	100%	100%
NSW Vehicle Wholesale Pty Ltd	Australia	100%	100%
Maitland City Motor Group Pty Ltd	Australia	80%	80%
Maitland City Motor Group Holdings Pty Ltd	Australia	100%	100%
Sabalan Pty Ltd	Australia	80%	80%
Sabalan Holdings Pty Ltd	Australia	80%	80%
Bradstreet Motors Pty Ltd	Australia	80%	80%
Bradstreet Motors Holdings Pty Ltd	Australia	80%	80%
Cardiff Car City Pty Ltd	Australia	80%	100%
Cardiff Car City Holdings Pty Ltd	Australia	80%	100%
Widevalley Pty Ltd	Australia	100%	100%
HM (2015) Pty Ltd	Australia	80%	100%
HM (2015) Holdings Pty Ltd	Australia	80%	100%
AHG WA (2015) Pty Ltd	Australia	100%	100%
AHG Coatings Pty Ltd	Australia	100%	-
AHG Trade Parts Pty Ltd	Australia	100%	-
City Auto (2016) Holdings Pty Ltd	Australia	100%	-
City Auto (2016) Pty Ltd	Australia	100%	-
Doncaster Auto (2016) Pty Ltd	Australia	100%	-
Ferntree Gully Autos Holdings Pty Ltd	Australia	100%	-
Knox Auto (2016) Pty Ltd	Australia	100%	-
Laverton Auto (2016) Pty Ltd	Australia	100%	-
Matchacar Pty Ltd	Australia	100%	-
Penrith Auto (2016) Pty Ltd	Australia	100%	-

The consolidated financial statements incorporate the assets, liabilities and results of the above subsidiaries in accordance with the accounting policy described in note 38(c). All controlled entities are either directly controlled by AHG or wholly-owned within the consolidated entity, have ordinary class shares and are incorporated in Australia or New Zealand. The Deed of Cross Guarantee (refer note 34) relieves wholly-owned entities from lodging financial reports under Class Order 98/1418 (as amended) issued by ASIC.

28. Related party disclosures (continued)

ULTIMATE PARENT

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

KEY MANAGEMENT PERSONNEL COMPENSATION

	2016 $'000	2015 $'000
Short-term employee benefits	6,405	6,896
Long-term employee benefits	112	(5)
Share-based payments	259	942
Termination benefits	298	-
Post-employment benefits	276	272
	7,350	8,105

Refer to note 29 for further details on share-based payments scheme with key management personnel.

TRANSACTIONS WITH RELATED PARTIES

During the year to 30 June 2016 there were $Nil (2015: $Nil) transactions between entities within the wholly-owned Group and related parties.

TRANSACTIONS OF DIRECTORS AND DIRECTOR RELATED ENTITIES CONCERNING SHARES

Transactions relating to ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

	2016 $'000	2015 $'000
Amounts recognised as distributions to shareholders		
Dividends paid	833	767

OTHER TRANSACTIONS OF DIRECTORS AND DIRECTOR RELATED ENTITIES

Subsidiaries may, from time to time, sell motor vehicles, parts and servicing of motor vehicles for use to Directors of entities in the Consolidated Entity or their Director-related entities on terms and conditions consistent with a normal employee relationship.

Detailed remuneration disclosures in relation to key management personnel are provided in the Directors' Report under the heading 'Remuneration Report'.

GUARANTEE BY EXECUTIVE DIRECTORS

Vehicle registration requirements in Queensland require a personal guarantee and indemnity be granted by the directors of the relevant operating company. The nature of the obligation is to indemnify the State of Queensland against any loss and damage it may suffer as a result of AHG subsidiaries' failure to comply with relevant vehicle licensing requirements connected to AHG's automotive business. This personal obligation (provided by the executive directors) is indemnified by 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.

28. 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.

29. Share-based payment plans

AHG PERFORMANCE RIGHTS PLAN

The AHG Performance Rights Plan (Plan), approved by Shareholders on 29 November 2007, awards eligible senior executives of the Company, as determined by the Board from time to time, with rights to acquire shares in the Company (Rights). The vesting of these Rights will be subject to certain specific performance criteria. Summary of the terms of the Plan are as follows:

Type of Plan

Awards under the Plan will be structured as Rights to acquire ordinary shares in the Company for nil consideration, provided specified performance criteria decided by the Board are met within defined time restrictions.

The Plan rules allow participation by any executive director of the Company and other senior executives of the Company deemed to be eligible by the Board. Awards under the Plan will be expressed as a number of Rights to acquire a certain number of ordinary shares in the Company (generally one share for every Right).

Purchase Price

Plan participants will not be required to pay any amount in respect of the award of the Rights or on acquisition of the shares pursuant to the exercise of Rights.

Number of Rights to be Issued

The Board will determine the number of Rights to be granted to each participant through an assessment of market remuneration practice, performance against budget and in line with the Company's executive remuneration strategy. The number of Rights to be awarded to eligible executives is based on the fair value of a LTI Performance Right as at 1 July in the relevant financial year as independently calculated. The Board will call on recommendations from the Remuneration and Nomination Committee.

29. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

Vesting

Subject to certain performance criteria being satisfied (see below) Rights will vest on 30 September each year (after the finalisation of the Company's yearly audited financial statements) during the applicable performance period. In the normal course, the exact number of Rights that will vest will be determined by reference to whether the performance criteria have been achieved.

The Board has retained discretion under the Plan to permit variations to the terms on which Rights are issued (including to permit early vesting of the Rights) in some limited circumstances, particularly where a "cessation event" or "change of control" event occurs. "Cessation events" include (among other things) the death, retirement or redundancy of a participant. "Control" has the meaning given to it in section 50AA of the *Corporations Act 2001*.

Performance Criteria

Performance criteria will be designed to align the performance of senior executives with the interests of shareholders. While performance hurdles will be determined by the Board at its discretion, TSR and EPS have been used as measures of performance for senior and operational executives.

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

The issue of FY2013 Performance Rights under a Long Term Incentive Scheme ("LTI") to AHG's Managing Director, Bronte Howson, was approved by shareholders at the Group's AGM on 16 November 2012. The issue of FY2014 Performance Rights under a Long Term Incentive Scheme ("LTI") to AHG's Managing Director, Bronte Howson, and selected senior and operational executives was approved by shareholders at the Group's AGM on 15 November 2013. The issue of FY2015 Performance Rights under a Long Term Incentive Scheme ("LTI") to AHG's Managing Director, Bronte Howson, and selected senior and operational executives was approved by shareholders at the Group's AGM on 14 November 2014. The issue of FY2016 Performance Rights under a Long Term Incentive Scheme ("LTI") to AHG's Managing Director, Bronte Howson, and selected senior and operational executives was approved by shareholders at the Group's AGM on 20 November 2015. These Performance Rights have been issued in accordance with AHG's existing Performance Rights Plan.

LTI

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

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

29. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

Company's TSR relative to Peer Group (refer Remuneration Report for details)	Vesting outcome of TSR portion of grant
< 50th percentile	Nil
At 50th percentile	25% vesting
> 50th percentile but ≤ 75th percentile	Progressive / pro-rata from 25% to 100%
≥ 75th percentile	100% vesting

Compound annual EPS growth performance (off prior year baseline Operating EPS)	Vesting outcome of EPS portion of grant
< 7 % pa	Nil
At 7% pa	25% vesting
7% pa up to 10% pa	Progressive / pro-rata from 25% to 100%
At or above 10% pa	100% vesting

Cap

The aggregate number of shares subject to outstanding Rights (that is, Rights that have not yet been exercised and that have not lapsed) that have been awarded under all of the Company's equity incentive plans will not exceed 5% of the issued share capital.

LTI Issue Value – FY2014

Vesting of the Managing Director's, senior executives' and operational executives' FY2014 Performance Rights (as approved by shareholders at the 2013 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2016. Those Rights that do vest will be issued during the year ended 30 June 2017. The value of the Managing Director's, senior executives' and operational executives' LTI for 2014 is $1.567 million. The amount is represented by 572,006 Performance Rights at an issue value of $2.7389 per Right. The issue value was calculated by independent consultants PwC using a Black-Scholes option price model and is based around AHG's share price at 1 July 2013. This and other model inputs to the valuation methodology are disclosed below.

LTI Issue Value – FY2015

Vesting of the Managing Director's, senior executives' and operational executives' FY2015 Performance Rights (as approved by shareholders at the 2014 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2017. Those Rights that do vest will be issued during the year ended 30 June 2018. The value of the Managing Director's, senior executives' and operational executives' LTI for 2015 is $1.717 million. The amount is represented by 564,693 Performance Rights at an issue value of $3.04 per Right. The issue value was calculated by independent consultants PwC using a Black-Scholes option price model and is based around AHG's share price at 1 July 2014. This and other model inputs to the valuation methodology are disclosed below.

LTI Issue Value – FY2016

Vesting of the Managing Director's, senior executives' and operational executives' FY2016 Performance Rights (as approved by shareholders at the 2015 AGM) is based on achievement of performance criteria measured across three financial years to 30 June 2018. Those Rights that do vest will be issued during the year ended 30 June 2019. The value of the Managing Director's, senior executives' and operational executives' LTI for 2016 is $1.717 million. The amount is represented by 472,911 Performance Rights at an issue value of $3.63 per Right. The issue value was calculated by independent consultants PwC using a Black-Scholes option price model and is based around AHG's share price at 1 July 2015. This and other model inputs to the valuation methodology are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share-based payment plans (continued)

AHG PERFORMANCE RIGHTS PLAN (continued)

Accounting Fair Value of FY2016 Performance Rights granted

1. TSR component

The assessed fair value at grant date of the LTI is $2.24 per share (2015: $1.94). The fair value at grant date is independently determined using a Monte Carlo simulation model that takes into account the issue price, the vesting term of the shares, the impact of dilution, the share price at grant date, the expected volatility, the expected dividend yield and the risk free interest rate.

2. EPS component

The assessed fair value at grant date of the LTI is $3.71 per share (2015: $3.41). The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the vesting term of the share, the impact of dilution, the share price at grant date and the expected dividend yield.

Rights are granted for no consideration and vest 50:50 based on i) AHG's TSR ranking within a peer group of 14 selected companies over a three year period; and ii) AHG's EPS growth rate.

The model inputs for the LTI granted during the 2016, 2015 and 2014 included:

	FY2016	FY2015	FY2014
Performance assessment start date:	**1 July 2015**	1 July 2014	1 July 2013
Issue value (1 July, calculated by PwC):	**$3.63**	$3.04	$2.7389
Grant date (AGM):	**20 November 2015**	14 November 2014	15 November 2013
Expiry date:	**30 June 2018**	30 June 2017	30 June 2016
Share price at grant date (AGM):	**$4.23**	$3.92	$3.75
Expected price volatility of AHG's shares:	**25%**	30%	30%
Expected dividend yield:	**5.20%**	5.36%	7.50%
Risk-free interest rate:	**2.14%**	2.62%	3.00%

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 $1,410,295 (2015: $1,208,030) related to the Performance Rights. The maximum grant-date-assessed value of the 2015 LTI is $1,406,910 (2015: $1,510,554) over three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AHG PERFORMANCE RIGHTS PLAN (continued)

Deferred Performance Rights								
	Year Granted	No. Granted	Grant date value per share	Vested %	Vested number	Forfeited %	Financial years in which shares may vest	Maximum value yet to vest
Bronte Howson	2013	336,700	$2.12	71%	238,355	29%	2016	-
	2014	243,407	$2.45	-	-	-	2017	-
	2015	219,298	$2.68	-	-	-	2018	$195,249
	2016	183,655	$2.98	-	-	-	2019	$364,249
Philip Mirams	2014	73,022	$2.45	-	-	-	2017	-
	2015	65,789	$2.68	-	-	-	2018	$58,662
	2016	55,096	$2.98	-	-	-	2019	$109,275
David Rowland	2014	36,511	$2.45	-	-	-	2017	-
	2015	32,895	$2.68	-	-	-	2018	$29,331
	2016	27,548	$2.98	-	-	-	2019	$54,637
Gus Kininmont	2014	18,256	$2.45	-	-	-	2017	-
	2015	16,447	$2.68	-	-	-	2018	$14,666
	2016	13,774	$2.98	-	-	-	2019	$27,319
Eugene Kavanagh	2014	18,256	$2.45	-	-	-	2017	-
	2015	16,447	$2.68	-	-	-	2018	$14,666
	2016	13,774	$2.98	-	-	-	2019	$27,319
Martin Wandmaker	2015	16,447	$2.68	-	-	-	2018	$14,666
	2016	13,774	$2.98	-	-	-	2019	$27,319

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 certain senior executives the opportunity to salary sacrifice their fees, salary, commission or bonus to purchase AHG shares up to a maximum of $50,000 at a value to be determined.

The Group has formed a trust to administer the Group's share-based payment plans and employee schemes. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

Shares will be issued by the trust to eligible participants in the plans and schemes. Shares held by the trust and not yet issued to employees at the end of the reporting period are disclosed as treasury shares and deducted from contributed equity (note 17).

30. Joint operations

A Group subsidiary has entered into a joint operation called Vehicle Parts (WA) Pty Ltd for the distribution of Subaru Parts within Western Australia. The Company has a 50% (2015: 50%) participating interest in this joint operation and is entitled to 50% of its profit (refer note 28 for further details).

This interest is not material to the AHG consolidated financial position or performance. There are no capital expenditure commitments and no contingent liabilities associated with this operation.

31. Parent entity information

The following details information related to the parent entity, Automotive Holdings Group Limited, at 30 June 2016. The information presented is in line with the Group's accounting policies as presented throughout this report.

	2016 $'000	2015 $'000
Current assets	548,470	463,386
Non current assets	330,871	333,455
Total assets	**879,341**	796,841
Current liabilities	21,843	3,804
Non-current liabilities	285,610	212,108
Total liabilities	**307,453**	215,912
Contributed equity	541,531	541,531
Reserves		
- Cash flow hedge reserve	(1,417)	(587)
Retained profits	31,773	39,985
Total equity	**571,887**	580,929
Profit for the year	51,942	62,229
Other comprehensive income/(loss) for the year	(958)	(299)
Total comprehensive income for the year	**50,984**	61,930

Profit for the year is net of impairment to investments in subsidiary entities of $Nil (2015: $3.0 million).

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 2016 no controlled entity was in default in respect of any arrangement guaranteed by the parent entity and all amounts owed have been brought to account as liabilities in the financial statements.

Cross guarantees have been given by AHG and controlled entities as described in note 34. Where appropriate the parent entity has recognised impairment adjustments equivalent to the deficiency of net assets of controlled entities. No contingent liabilities exist in respect of joint operations (note 30). Capital commitments of the parent in relation to property, plant and equipment are the same as those consolidated capital commitments disclosed in note 33. Contingent liabilities of the parent are disclosed in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Parent entity information (continued)

Accounting Policy

The financial information for the parent entity, Automotive Holdings Group Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investment in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of Automotive Holdings Group Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss and other comprehensive income rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidated legislation

Automotive Holdings Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Automotive Holdings Group Limited and the controlled entities in the tax consolidated group continue to account for their own income tax expense, current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer.

In addition to its own income tax expense, current and deferred tax amounts, Automotive Holdings Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding arrangement with the tax consolidated entities are recognised as accounts receivable from or payable to other entities in the Group.

32. Company details

AHG's registered office and principal place of business is 21 Old Aberdeen Place, West Perth, WA 6005.

33. Commitments

CAPITAL COMMITMENTS

	2016 $'000	2015 $'000
Property, plant and equipment	44,373	45,160

FINANCE LEASE COMMITMENTS

	2016 $'000	2015 $'000
Within one year	12,761	7,761
Later than one year but not later than five years	7,422	17,478
Total lease payments	20,183	25,239
Future finance charges	(1,215)	(2,134)
Lease liability	18,968	23,105
Representing lease liabilities:		
Current	11,864	6,564
Non-current	7,104	16,541
	18,968	23,105

HIRE PURCHASE COMMITMENTS

	2016 $'000	2015 $'000
Within one year	24,569	19,182
Later than one year but not later than five years	65,549	57,002
Later than five years	165	-
Total lease payments	90,283	76,184
Future finance charges	(7,840)	(7,901)
HP liability	82,443	68,283
Representing HP liabilities:		
Current	20,928	15,601
Non-current	61,515	52,682
	82,443	68,283

OPERATING LEASE COMMITMENTS

	2016 $'000	2015 $'000
Within one year	147,547	137,303
Later than one year but not later than five years	435,796	405,016
Later than five years	638,062	634,626
	1,221,405	1,176,945

REMUNERATION COMMITMENTS

	2016 $'000	2015 $'000
Within one year	1,692	1,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Contingencies

A liability exists for after sales service and finance rebates but the amount cannot be quantified. In the opinion of the directors the amount is not material to the financial statements.

Unsecured guarantees, indemnities and undertakings have been given by AHG in the normal course of business in respect of banking and financial trade arrangements entered into by its controlled entities. The total of these guarantees is $27,465,000 (2015: $29,684,000). At 30 June 2016 no controlled entity was in default in respect of any arrangement guaranteed by AHG.

At 30 June 2016, 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 2016, is below their expected selling price.

DEED OF CROSS GUARANTEE

Unless separately detailed below, Automotive Holdings Group Limited (the parent entity) has entered into a Deed of Cross Guarantee with each of its eligible wholly-owned Australian subsidiaries (the Closed Group), under which each member of the Closed Group guarantees the debts of other members of the Closed Group. By entering into this Deed of Cross Guarantee it allows the Group to take advantage of Class Order 98/1418 relief from accounting requirements for wholly-owned subsidiaries.

There are no material differences in the Statement of Profit or Loss and Other Comprehensive Income or Statement of Financial Performance between the amounts shown for the consolidated group and amounts for the members of the Closed Group.

Refer to the table at note 28 (subsidiaries) which details the Group's corporate structure, including those entities that are wholly-owned, but also those entities that are not, who are eligible to form part of the Extended Closed Group where they are controlled by AHG.

Since 30 June 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Events after the reporting date

(a) On 4 July 2016 AHG announced that it had completed the acquisition of the Lance Dixon group of dealerships at Doncaster, Melbourne, representing the Jaguar, Land Rover, Fiat, Abarth and Alfa Romeo franchises.

(b) On 25 July 2016 AHG announced that it had agreed to acquire the Mercedes-Benz Commercial Vehicles dealership in Laverton, Victoria from Mercedes-Benz Australia/Pacific Pty Ltd. The acquisition involves a nominal amount for goodwill plus new inventory. Settlement occurred on 1 September.

(c) On 27 July 2016 AHG announced that it had completed the acquisition of the City Mazda dealership at South Melbourne.

(d) On 11 August 2016 AHG announced that Mr Bronte Howson, AHG's Managing Director, was to retire from that position as of 31 December 2016. It was announced that Mr John McConnell had been appointed as a successor to Mr Howson, commencing as Chief Executive Officer on 29 August 2016 and as Managing Director on 1 January 2017.

(e) On 19 August 2016 AHG announced that it had agreed to acquire the Audi Centre Newcastle and Newcastle Skoda dealerships in Newcastle, New South Wales. Settlement is expected in September.

(f) On 19 August 2016 AHG announced that it had acquired 29.9% of 360 Finance Pty Ltd, taking its ownership to 100%.

(g) On 19 August 2016 AHG announced it had raised $90.0 million through the issue of 19,911,505 shares at $4.52 to Institutional investors by way of a Share Placement.

(h) On 16 September 2016 AHG announced it had raised $23.4 million through the issue of 5,170,072 shares at $4.52 to Retail investors by way of a Share Purchase Plan.

(i) On 16 September 2016 AHG announced it was monitoring the outcome of possible regulatory change affecting the payment of commissions paid by insurers and financiers to automotive dealerships.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

36. Auditor's remuneration

	2016 $	2015 $
During the year the following services were paid or payable to the auditor of the parent entity, its related practices and non related audit firms:		
Audit Services		
Fees paid or payable to BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**688,952**	689,119
Fees paid or payable to affiliated offices of BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**104,500**	103,080
	793,452	792,199
Taxation Services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	**736,620**	665,852
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	**23,435**	11,544
Total of Non-Audit Services provided to the Group	**760,055**	677,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. Economic dependency

The Group is dependent on various vehicle manufacturers for the supply of new vehicles and replacement parts and motorcycles for sale.

Various subsidiaries have dealer agreements with manufacturers. The dealer agreements are franchise agreements for the purpose of the Franchising Code of Conduct which confers on the parties certain rights and obligations in respect of termination, assignment and mediation that override any conflicting provisions in the dealer agreements.

Dealership agreements usually run for a fixed term, typically between 3 and 5 years, often with no automatic right of renewal. There is a risk that these arrangements may not be renewed which would have a detrimental effect on the future financial performance of the Group. The manufacturers and distributors usually include a termination clause which provides them with the ability to terminate the agreements on short notice. If a franchise is terminated, it would have a detrimental effect on the future financial performance of the Group.

38. Summary of significant accounting policies

CONTENTS TO THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all financial years unless otherwise stated. The financial statements are for the consolidated entity consisting of Automotive Holdings Group Limited, its subsidiaries and joint ventures.

The parent entity, Automotive Holdings Group Limited, is a listed public company, incorporated and domiciled in Australia. The financial report is presented in Australian currency.

38. Summary of significant accounting policies (continued)

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 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 22nd September 2016.

Historical cost convention

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

(a) Compliance with IFRS

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

(b) New Accounting Standards and Interpretations

New and amended accounting standards

The Group has applied and early adopted the following standards and amendments for the first time for their annual reporting period commencing 1 July 2015:

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

None of the new Standards and amendments to Standards that are mandatory or early adopted for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Additionally, they did not significantly affect the Group's accounting policies or any of the disclosures.

Early adoption

There are no standards available for early adoption that have been early adopted in the current financial year.

Accounting standards issued not yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2016 and have not been adopted in preparing the financial report for the year ended 30 June 2016. In all cases the entity intends to apply these standards applicable from the period first commencing after the effective date as indicated over:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014)	Financial Instruments	**Classification and measurement** AASB 9 amends the classification and measurement of financial assets: • Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). • Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL. • All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments. The entity has financial assets classified as available-for-sale. When AASB 9 is first adopted, the entity will reclassify these into the fair value through profit or loss category. On 1 July 2018, the cumulative fair value changes in the available-for-sale reserve will be reclassified into retained earnings and subsequent fair value changes will be recognised in profit or loss. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time will be recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.
		Impairment The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses. A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months. For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.		The entity has both long term and short term trade receivables. When this standard is adopted, the entity's loss allowance on trade receivable will increase. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014) - cont	Financial Instruments	**Hedge accounting** Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting.		The entity currently applies hedge accounting. It is expected that the application of the new amendments will not have an impact on the entity's financial statements.
AASB 15 (issued December 2014)	Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*.	Annual reporting periods beginning on or after 1 January 2018	The Group has embarked upon an impact study in relation to AASB 15 and determined that whilst it is expected to involve a change in the timing to which revenue is recognised and refinements to the Group's systems and processes, it is not likely to have a material impact on the financial statements.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	This standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative Project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. The amendments also clarify that companies should use professional judgment in determining where and in what order in formation is to be presented in the financial disclosures.	Annual reporting periods commencing on or after 1 January 2016	There will be no significant impact on the Group's results on the adoption of this standard. The Group is currently reviewing financial report structures and disclosures.
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for leases. **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.	Annual reporting periods commencing on or after 1 July 2019	The Group expects to have significant operating leases outstanding at the date of initial application, 1 July 2019, which will require right-of-use assets to be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Automotive Holdings Group Limited, the ultimate parent entity, as at 30 June 2016 and the results of all controlled entities for the year then ended. Automotive Holdings Group Limited and its controlled entities together are referred to in these financial statements as the Group or Consolidated Entity. Subsidiaries are all those entities where the Group is exposed to, or has the rights to variable returns from its involvement with the entity and the ability to affect those returns through its power the direct the activities of the entities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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. Automotive Holdings Group 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 statement of financial position.

Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(c) Principles of Consolidation (continued)

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.

Share Trust

The Group has formed a trust to administer the Group's employee share scheme. The trust is consolidated as the substance of the relationship is that the trust is controlled by the Group. Shares held by the trust are disclosed as treasury shares and deducted from contributed equity.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(e) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount assessed as its value-in-use or, for assets held for sale, its fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and are not larger than an operating segment.

For the purpose of assessing value-in-use, the estimated future cash flows of a cash generating unit are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

For the purpose of assessing fair value less costs to sell, the estimated future net consideration to be received on sale is used.

(f) Foreign Currency Translation

Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(f) Foreign Currency Translation (continued)

Transactions and balances

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

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

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate of the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as other comprehensive income (foreign currency translation reserve).

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. On disposal of a foreign entity the cumulative exchange difference recognised in the foreign currency translation reserve relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(g) Investments and Other Financial Assets

The Group classifies its investments or other financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments or other financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the carrying value of the asset is adjusted accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Summary of significant accounting policies (continued)

(h) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Assumptions used are based on observable market prices and rates at reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(i) Rounding of Amounts

The Company is of a kind referred to in Corporation Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(j) Non-Current Assets (or Disposal Groups) Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial performance. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial performance.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical areas of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising; the statement of profit or loss and other comprehensive income; statement of financial position; statement of cash flows; statement of changes in equity; and accompanying notes, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The directors have been given declarations by the Managing Director and Chief Financial Officer required by section 295A.

At the date of this declaration there are reasonable grounds to believe that the companies which are parties to the Deed of Cross Guarantee (see note 34 to the annual accounts) will, as the Consolidated Entity will, be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the Deed of Cross Guarantee.

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

David C Griffiths
Chairman
Perth, 22 September 2016

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 2016

The Managing Director 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 2016:

1. The financial records of the company/disclosing entity have been properly maintained in accordance with section 286 of the *Corporations Act 2001*.
2. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the financial position as at 30 June 2016 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:

B Howson **P Mirams**

Perth, 22 September 2016

INDEPENDENT AUDITOR'S REPORT

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Automotive Holdings Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Automotive Holdings Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 38, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Automotive Holdings Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Automotive Holdings Group Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 38.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 48 to 64 in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Automotive Holdings Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien
Director

Perth, 22 September 2016

SHAREHOLDER AND OPTIONHOLDER INFORMATION

The shareholder information set out below was applicable at 16 September 2016.

A. Distribution of equity securities

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

	No. of Shareholders
1 - 1,000	1,821
1,001 - 5,000	4,360
5,001 - 10,000	1,785
10,001 - 100,000	1,488
100,001 and over	110
Total	**9,564**

The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 16 September 2016 was 441 holders holding 5,144 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	64,870,058	19.56
JP Morgan Nominees Australia Limited	51,634,808	15.57
HSBC Custody Nominees (Australia) Limited	28,524,251	8.60
National Nominees Limited	18,302,108	5.52
Auto Management Pty Ltd <<Branchi Family Account>>	14,602,003	4.40
Citicorp Nominees Pty Limited	14,553,783	4.39
AC McGrath & Co Pty Ltd	6,801,063	2.05
BNP Paribas Noms Pty Ltd <<DRP>>	6,797,303	2.05
Argo Investments Limited	5,543,484	1.67
Pulo Rd Pty Ltd << Pulo Rd Super Fund>>	4,514,966	1.36
Mr Damon Stuart Wheatley	3,723,799	1.12
Mrs Michelle Victoria Harris	3,489,362	1.05
Milton Corporation Limited	3,376,366	1.02
Croystone Nominees Pty Ltd <<BBK Unit Account>>	3,000,000	0.90
RBC Investor Services Australia Nominees Pty Limited <<BKCUST A/C>>	2,239,902	0.68
Jove Pty Ltd	2,200,884	0.66
Australian Executor Trustees Ltd <<No 1 Account>>	2,126,710	0.64
AMP Life Limited	1,726,708	0.52
BNP Paribas Nominees Pty Ltd <<Agency Lending DRP>>	1,657,773	0.50
RBC Investor Services Australia Nominees Pty Limited <<BKCUST A/C>>	1,491,000	0.45

SHAREHOLDER AND OPTIONHOLDER INFORMATION

C. Substantial holders

	Ordinary Shares	
	Number Held	% of Issued Shares
AP Eagers Limited and its associated entities*	64,870,058	19.56

** 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 Limited.*

D. Voting Rights

The voting rights attaching to the Ordinary shares are set out below:

- On a show of hands, each member has 1 vote;
- On a poll, each member has 1 vote for each share the member holds;
- The vote may be exercised in person or by proxy, body corporate, representative or attorney;
- If a share is held jointly and more than 1 member votes in respect of that share, only the vote of the member whose name appears first in the register counts.

Artist's impression of AHG's East Coast corporate office under construction at Hoxton Park, west of Sydney.

CORPORATE DIRECTORY

REGISTERED OFFICE AND HEAD OFFICE

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

Tel: +61 8 9422 7676
Fax: +61 8 9422 7686
Email: info@ahg.com.au
Web: ahg.com.au
Investor Relations Web Site: ahgir.com.au

EXECUTIVE DIRECTOR

Bronte Howson *(Managing Director)*

NON EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

David Rowland

SHARE REGISTRY

Link Market Services Limited
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AUTOMOTIVE HOLDINGS GROUP