Annual Report 2011

AHG
Automotive Holdings Group

Contents

Group Financial Highlights

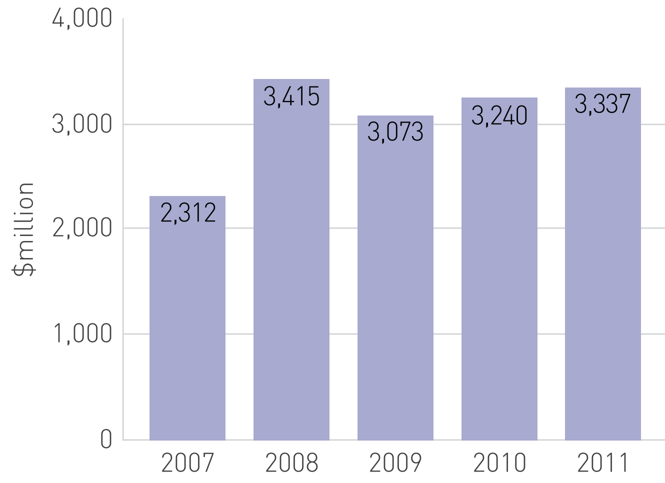
A solid result in the face of challenging market conditions, including new vehicle supply disruptions related to the Japanese tsunami and the Queensland floods.

Group Operating Results Summary[1]

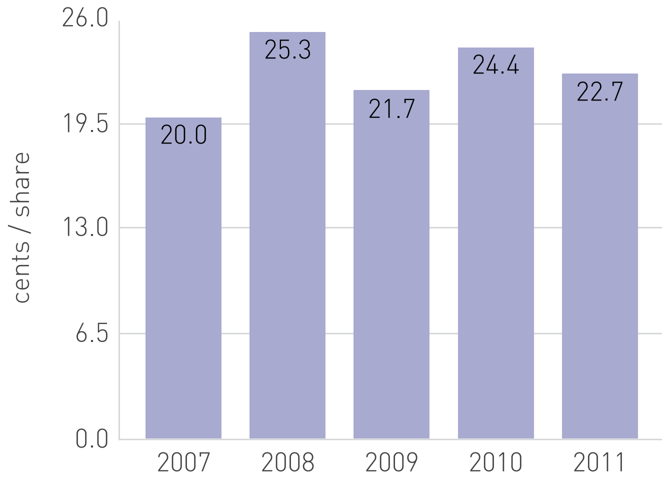
	Consolidated		
	2010[1] $'000	2011[1] $'000	PCP %
Revenue	3,240.0	3,336.8	3.0%
EBITDA	116.0	123.7	6.7%
EBITDA Margin	3.6%	3.7%	
EBIT	99.1	104.2	5.1%
NPBT	79.5	77.1	(3.0%)
NPAT attributable to shareholders	55.1	52.4	(4.9%)
EPS	24.4	22.7	(6.6%)
Interest Cover	5.0	3.83	

- Record operating[1] EBITDA affirms the robustness of our diversified business model, and provides a solid cash flow basis to maintain shareholder dividends on an expanded equity base.
- Statutory NPAT was $31.2 million after an impairment adjustment of $19.9 million and acquisition-related costs of $1.3 million (net of tax). Of the total impairment, $13.2 million related to the Queensland parts distribution operation and $6.7 million to four of the Group's 17 Queensland dealerships.
- Harris and Covs acquisitions on 1 July 2011 significantly increase the scale of the Logistics division and present exciting opportunities to drive efficiencies and earnings growth.

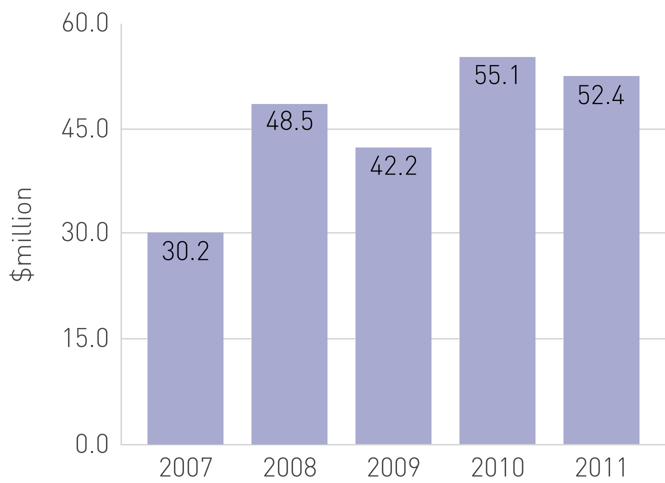
Revenue



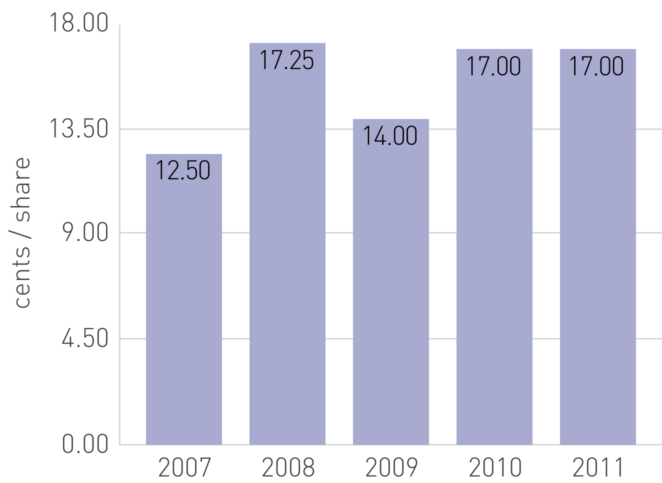
Operating EPS[1]



Operating NPAT – Attributable to Shareholders[1]



Dividends



[1]Pages 2 and 3 -- operating results exclude non-recurring items (2011: acquisition-related costs of $1.3 million (net of tax) and impairment of $19.9 million; 2010: profit from sale of investments of $5.2 million)

Chairman's Message

On behalf of the Board of Directors, I am pleased to present the 2011 Annual Report for Automotive Holdings Group.

AHG delivered a solid Operating result[1] for the year ended 30 June 2011 in a challenging market which experienced supply disruptions as a result of the Japanese tsunami and the impact of the Queensland floods.

Group revenue for the year was $3.34 billion, a 3.0% increase on the previous corresponding period (pcp), while Operating[1] earnings before interest, tax, depreciation and amortisation (EBITDA) was $123.7 million – a record result and a 6.7% increase on the pcp. Operating[1] EBITDA margin increased to 3.71% (3.57% pcp). This top line growth was offset by rising interest expenses which lead to an Operating[1] net profit after tax from continuing operations of $52.4 million (95.1% of pcp).

Statutory net profit after tax was $31.2 million ($60.3 million pcp) after an impairment adjustment of $19.9 million for our Queensland operations and acquisition-related costs of $1.3 million (net of tax).

Shareholder returns

Operating[1] Earnings per share were 22.7 cents (24.4 cents pcp). The Directors have declared an unchanged final dividend of 10 cents, bringing the full year fully franked payout to 17 cents (17 cents pcp). The dividend was paid on the expanded share base following the capital raising in May 2011 and resulted in a payout ratio of 80% of net profit (excluding impairment and acquisition-related transaction costs).

The Board took the view that the Company was in a position to maintain the dividend payment on the recently expanded share base, however this elevated payout ratio is seen as a one-off and the Board expects future dividends to stay within the usual policy of distributing between 65% and 75% of earnings to shareholders.

For more detailed financial highlights please read the review by our Managing Director, Bronte Howson, and the Financial Report pages.

Corporate

Highlights of the 2011 financial year included record profits from our Automotive operations in Western Australia, New South Wales and New Zealand, as well as record revenue in Logistics. The main area of under performance was in the Queensland automotive division, which was affected by the floods and operational issues impacting that State.

The 2011 year was a very active period of expansion across the Company which set the base for future growth.

During the year AHG purchased a strategic site in Sydney's Castle Hill area, which is being developed into a multi-dealership hub. The first dealership franchise, Castle Hill Hyundai, began operating from the site in May 2011 and a second franchise has been confirmed with Holden to commence in the first quarter of 2012.

Further land was acquired in Liverpool to consolidate some of the company's administration and logistics operations in NSW plus create the opportunity for developing automotive dealerships in the future.

The Company's policy of not having substantial long-term land holdings remains. However, it will continue to purchase and develop land which enhances the Group's business portfolio, particularly in the area of high quality automotive franchises and logistics businesses, and which can be developed according to AHG's specifications. As the dealerships and logistics businesses mature they will create enduring value for shareholders with the properties then on-sold to investors generating capital to support future growth.

The purchase of Ferntree Gully Toyota in Victoria and the opening of the new Castle Hill Hyundai dealership bring the total number of dealership franchises within the Group to 111.

The Company also entered into a new business venture with News Limited and other leading automotive dealers to create a new car sales website under the Carsguide brand.

Rand opened new cold storage facilities in Brisbane and Melbourne in the 2011 financial year and experienced strong demand for the new capacity. The success of these expansions has encouraged the Company to move forward with building new facilities in Perth and Adelaide.

Rand and AMCAP continued on their growth paths during the year with the acquisition of Harris Refrigerated Transport in South Australia and Coventry's automotive parts business in Western Australia, both completed on 1 July 2011.

The acquisitions represent a significant opportunity for revenue growth as well as the synergies announced to the market at the time of acquisitions. Management and the Board have recognised that realising these opportunities will require careful planning and execution of the integration process. Robust integration plans have been developed and are being implemented with the assistance of external advisors. Both exercises are currently on target.

The acquisitions were funded by the placement and a shareholder purchase plan that issued 34 million shares and raised $83 million (before transaction costs).

The Company expects to use the balance of the funds raised to acquire new businesses and will continue to assess automotive and logistics business opportunities in accordance with our acquisition criteria.

Notwithstanding the current uncertainty in the market, we are confident of continuing to deliver profitable growth in 2012. The benefits from recent acquisitions and expansions will start coming through into operating results as the year progresses with the full benefits coming through in the 2013 financial year.

Board and management

The result for the financial year was achieved in a challenging economic climate. Our Managing Director, Bronte Howson, and the executive management team have worked hard to drive operational performance, while focusing on the strategic direction of the Group. Our senior management and all of our 4,400 employees are to be commended for their efforts.

I have received considerable support and advice from my Board colleagues and I thank them for their hard work during the year. In particular, their support following my appointment as Chairman in November 2010 was greatly appreciated.

In February 2011 we announced a new Deputy Chairman with Board member Michael Smith appointed in the role.

Mr Greg Wall has taken up a full time executive position and retired from the Board in October 2011. Greg has been a director of the Company since 2005 and has made a valuable contribution to the Company. We wish Greg well in his new position and thank him for his contribution. We are advanced in the search for a new board member.

I would also like to acknowledge former Chairman Bob Branchi, whose involvement with the company spanned more than five decades. Bob retired from the Board in November 2010. The Board and staff across the business have benefited from Bob's experience and insights, and we thank him for his tremendous contribution over the years.

We thank shareholders for your continued support and assure you that as a Board we are committed to driving shareholder value going forward.

We are confident in the Group's future and I look forward to providing an update on the current financial year at the Annual General Meeting in November.

David Griffiths
Chairman

[1]Operating results exclude non-recurring items (2011: acquisition-related costs of $1.3 million (net of tax) and impairment of $19.9 million; 2010: profit from sale of investments of $5.2 million)

Managing
Director's Review

The 2011 financial year was a period of significant growth and expansion for AHG.

During the year AHG initiated strategic acquisitions for its Automotive and Logistics divisions, and opened new cold storage and transport facilities in Melbourne and Brisbane.

The Company also completed an equity placement in May, successfully raising $83 million (before transaction costs), strengthening its balance sheet and positioning the business to pursue further growth opportunities.

Financial highlights

The Group reported a record Operating[1] earnings before interest, tax, depreciation and amortisation (EBITDA) of $123.7 million for the year ending 30 June 2011 – a 6.7% increase on the previous corresponding period (pcp) – while Operating[1] EBITDA margin increased to 3.71% (3.57% pcp).

Operating[1] net profit after tax (NPAT) from continuing operations was $52.4 million representing 95.1% of pcp. This was achieved on revenue of $3.34 billion – a 3.0% increase on pcp.

Statutory NPAT for the 2011 financial year was $31.2 million after an impairment adjustment of $19.9 million and acquisition-related costs of $1.3 million (net of tax).

The non-cash impairment adjustment (as required under accounting standards) was applicable to Queensland only. Of the total impairment, $13.2 million related to the Queensland parts distribution operation and $6.7 million to four of the Group's 17 Queensland dealerships.

Despite the impairment, management remains confident that the initiatives put in place to support our Queensland operations will deliver an improved result in FY2012.

Net interest expense for the year increased to $27.2 million (138.1% of pcp) reflecting an increase in market rates and higher average net debt associated with investments in Greenfield properties in NSW and the purchase of Ferntree Gully Toyota in Victoria.

Overall, this was a pleasing result given the prevailing market conditions referred to by our Chairman. In particular, the record operating[1] EBITDA affirms the robustness of our diversified business model.

Automotive

Our Automotive division had a solid year with Western Australia, New South Wales and New Zealand delivering record profits. However Queensland underperformed, in part due to the harsher economic conditions in that State.

The Automotive result included Operating[1] EBITDA of $94.7 million increasing from $88.8 million pcp – a 6.7% improvement. This was achieved on revenue of $2.925 billion representing a 2.3% increase on pcp of $2.858 billion. Operating[1] EBITDA margin also improved to 3.24% – a 4.2% increase on FY2010 (3.11%).

Operating[1] profit before tax for the division was $59.8 million ($62.9 million pcp), reflecting a 49.9% increase in net interest expense to $23.2 million ($15.5 million pcp).

The Company is always looking for value-adding acquisitions to grow our core businesses. AHG is the largest automotive retailer in Australia, however at only 5% market share, we have significant opportunity to grow further. We have the financial capacity and management capability to develop Greenfield sites and acquire more dealerships. We would particularly like to expand the automotive operations in Victoria if the right opportunities arise.

The development of our Castle Hill property in Sydney into a multi-franchise hub is progressing well. The opening of temporary facilities for Castle Hill Hyundai occurred in May 2011, and a second dealership franchise has been confirmed with Holden to commence in the first quarter of 2012.

Ultimately there will be four dealerships operating from this new hub servicing the Hills District in the Northwest of Sydney.

During the year, AHG also entered into a new business venture with News Limited and leading motor dealers to create a new car sales website under the Carsguide brand. We are excited to be involved in this landmark venture that is expected to be operational in 2012.

Logistics

Our Logistics division had a strong year delivering record revenues and Operating[1] EBITDA for the 12 months ending 30 June 2011. Revenue increased to $412.0 million (7.8% on pcp) while Operating[1] EBITDA was up 6.6% to $29.0 million ($27.2 million pcp). EBITDA margin was 7.0% (7.1% pcp).

Rand's growth story continued with the acquisition of Harris Refrigerated Transport in South Australia, completed on 1 July 2011. Harris' expertise in road transport complements Rand's existing rail capability and will allow it to expand its fresh produce, and frozen and chilled product offering.

The expansion of Rand's Melbourne and Brisbane facilities during 2011 increased its cold storage capacity by 63% to 66,200 pallets. These newly expanded operations have experienced strong take up by customers which has given us the confidence to commit to new and expanded facilities in Perth and Adelaide.

The acquisition of Coventry's automotive parts business in Western Australia was also completed on 1 July 2011, enabling AMCAP to broaden its product and customer base, benefiting from Coventry's automotive and mining parts business including its extensive branch network throughout WA.

Together the Harris and Coventry's acquisitions significantly increase the scale of the division and present exciting opportunities to drive efficiencies and earnings growth.

Rand's new Melbourne and Brisbane facilities had a positive impact on the Transport and Cold Storage segment, contributing to a 20.6% lift in revenue to $201.6 million ($167.1 million pcp). Operating[1] EBITDA for the segment of $19.8 million was up 24.5% on pcp.

The Queensland parts business was negatively impacted by changes to Mitsubishi's parts distribution strategy in Queensland. We have undertaken a detailed review of this operation and continue to explore potential opportunities to replace this revenue and profit contribution.

AMCAP and KTM continued to deliver strong performances.

Summary and outlook

Our success in FY11 is a reflection of the diversity and strength of the Group. Our multiple income streams, strong balance sheet and committed workforce are just some of the factors behind the positive outlook we have for the 2012 financial year.

In Automotive, the Castle Hill investment and developments at Hoxton Park and Sutherland provide opportunity to create long-term value and grow the business in New South Wales.

Our vehicle order bank continues to be strong which will support vehicle sales in the current financial year as supply returns to normal after the Japanese tsunami; and the industry is predicting approximately one million vehicle sales for the 2011 calendar year.

In Logistics, we have a clear focus on delivering value and earnings growth from our acquisitions with dedicated integration teams in place for both Harris and Coventry's (since rebranded as Covs).

The expansion of our cold storage facilities in FY11 provides a solid foundation for future growth in our Transport and Cold Storage segment with a 25,000 pallet increase in cold storage facilities in Western Australia and South Australia due for completion in late 2012.

We anticipate another positive result for shareholders in FY12.

Bronte Howson
Managing Director

[1]Operating results exclude non-recurring items (2011: acquisition-related costs of $1.3 million (net of tax) and impairment of $19.9 million; 2010: profit from sale of investments of $5.2 million)

About AHG

Established in 1952, Automotive Holdings Group (AHG) is Australia's leading automotive and logistics group. AHG is the largest automotive retailer in Australia and has a substantial logistics division with operations in every mainland state of Australia.

Automotive retailing

AHG has major automotive operations in Western Australia, New South Wales and Queensland; a growing presence in Victoria; and four dealership franchises in Auckland, New Zealand.

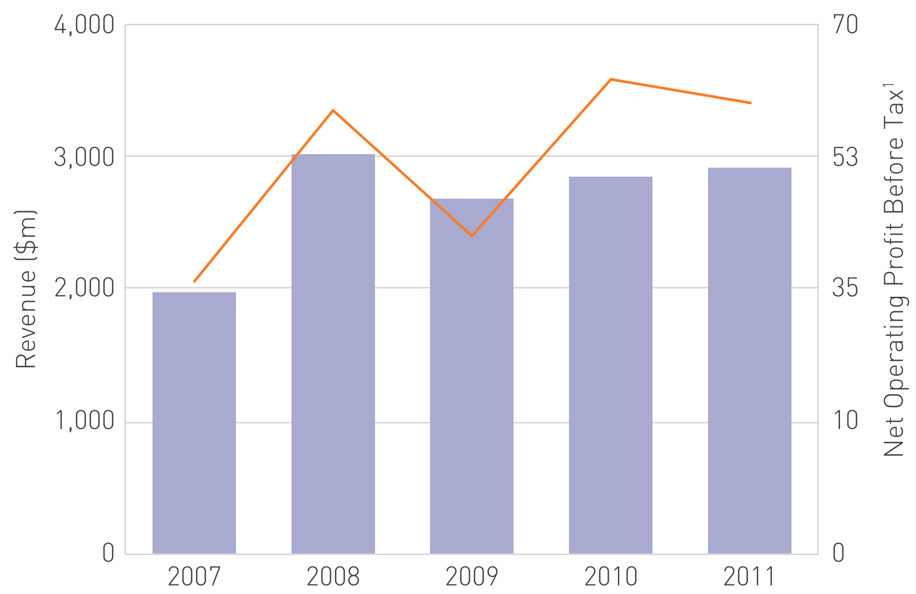
Passenger brands – Bentley, Chrysler, Citroen, Dodge, Ford, Holden, HSV, Hyundai, Jeep, Kia, Mazda, Mitsubishi, Nissan, Peugeot, Porsche, Subaru, Suzuki, Toyota and Volkswagen.

Trucks and commercial vehicles – Fuso, Higer, Hino, Iveco, Volkswagen Commercial, UD Trucks and Mercedes Benz (light commercial).

Competitive advantages

- **Scale** – AHG is Australia's largest automotive retailer by sales, profitability, market capitalisation and number of dealerships and employees. This provides financial strength, flexibility and customer benefits such as competitive pricing, financing packages and access to a wide offering of vehicle brands and related products and services.
- **Financial strength** – a strong and flexible balance sheet that allows AHG to quickly and effectively meet changes in economic conditions and consumer sentiment, and respond quickly to any downturn in activity.
- **Diversity** – AHG has 111 dealership franchises in Australia and New Zealand including 10 out of the top 11 manufacturers in Australia. AHG generates income from multiple revenue streams including from the sale of new and used vehicles, finance, insurance, aftermarket products, service and parts.
- **Successful long-standing relationships** – with key automotive manufacturers.
- **People** – the ability to attract, train and retain key employees.

Automotive Operating Results[1]



Automotive Operating Results[1]

	Consolidated		
	2010 $'000	2011[1] $'000	PCP %
Revenue	2,857.7	2,924.8	2.3%
EBITDA	88.8	94.7	6.7%
EBITDA Margin	3.1%	3.2%	
Segment Result (Net Operating Profit Before Tax[1]) (before unusual items)	62.9	59.8	(4.9%)

[1]Operating results exclude non-recurring items (2011: $6.7m impairment charge and $0.49m (net of tax) acquisition transaction costs; 2010: $5.2m (net of tax) profit from sale of investments)

Tony Salerno
General Manager
Automotive Operations
WA

Chad Davies
General Manager
Automotive Operations
NSW QLD VIC

Logistics

AHG's Logistics businesses operate throughout Australia.

Refrigerated Transport and Cold Storage

- **Rand Transport** – refrigerated transport and cold storage,
- **Harris Refrigerated Transport** – refrigerated transport.

Automotive Parts

- **AMCAP** – automotive parts and accessories distribution,
- **Covs** – automotive parts and mining supplies distribution.

Motorcycle Distribution

- **KTM** Sportmotorcycles – motorcycle importation and distribution in Australia and New Zealand.

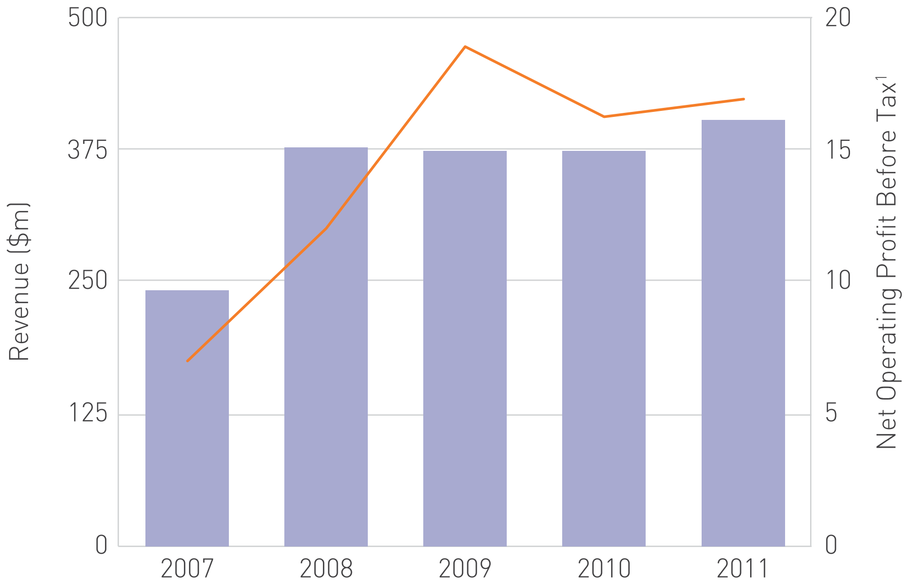
Storage and Engineering

- **VSE** – vehicle storage and engineering, and
- **GTB** (Genuine Truck Bodies) – body building services to the truck industry.

Competitive advantages

- Strong market positions in the warehousing and distribution of automotive parts, motorcycles and refrigerated products,
- Long-standing relationships with key manufacturers and customers,
- Strong sector brands in distribution and logistics,
- State-of-the-art, modern facilities, and
- Remote monitoring of refrigerated transported goods in real-time through web-based technology.

Logistics Operating Results[1]



Logistics Operating Results[1]

Logistics	Consolidated		
	2010 $'000	2011[1] $'000	PCP %
Revenue	382.3	412.0	7.8%
EBITDA	27.2	29.0	6.6%
EBITDA Margin	7.1%	7.0%	
Segment Result (Net Operating Profit Before Tax[1]) (before unusual items)	16.6	17.3	4.2%

[1]Operating results exclude non-recurring items (2011: $13.2m impairment charge and $0.87 (net of tax) acquisition transaction costs; 2010: $Nil)

David Cole
General Manager
Rand

Refrigerated Transport and Cold Storage

Rand Transport

Rand is Australia's largest provider of refrigerated interstate transport and warehousing services to the food industry, employing more than 300 people at facilities in Perth, Adelaide, Melbourne, Sydney and Brisbane. Operations include three main services – national transport, cold storage and refrigerated distribution.

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

Each year Rand transports in excess of three million pallets of product and its equipment travels more than 100 million kilometres.

Since joining AHG in 1986 Rand has experienced steady growth and in 2007 commissioned a new 24,000 pallet transport and storage facility in Homebush, Sydney.

In 2010 Rand completed the building of new refrigerated warehouse and distribution centres in Melbourne and Brisbane. Together the two operations increase Rand's storage capacity by 63 per cent to 66,000 pallets.

Additional new transport cold storage facilities in Perth and Adelaide are due for completion in late 2012.

Having depots and cold storage facilities in each state, as well as a fleet of modern equipment, provides Rand with a competitive advantage. With these assets and committed, well-trained employees Rand is able to operate around the clock and on a national scale to meet its customers' delivery needs.

Logistics Segment Operating Results[1]

	Consolidated		
	2010 $'000	2011[1] $'000	PCP %
Revenue			
Transport & Cold Storage	167.1	201.6	20.6%
Other[2]	215.1	210.4	(2.2%)
	382.3	412.0	7.8%
EBITDA			
Transport & Cold Storage	15.9	19.8	24.4%
Other[2]	11.3	9.2	(18.5%)
	27.2	29.0	6.6%

[1]Operating results exclude non-recurring items (2011: $13.2m impairment charge and $0.87 (net of tax) acquisition transaction costs; 2010: $Nil)
[2]Other segment includes AMCAP, Covs, KTM, VSE / GTB and Zupps Parts.

Harris Refrigerated Transport

Purchased by AHG in July 2011, Harris Refrigerated Transport is a national refrigerated freight business based in Adelaide connecting with Perth, Melbourne, Sydney and Brisbane. Established in 1976, it employs 290 people across six locations.

Harris has a substantial, modern vehicle fleet, including 78 prime movers, 155 refrigerated vans and 16 refrigerated rigid body vehicles. It operates in niche markets – key customers include fresh produce growers and food manufacturers.

Harris enhances Rand Transport by offering increased service capabilities for existing customers and a complementary geographic footprint and customer base.

Harris' expertise in road transport complements Rand's existing rail capacity and allows it to transport fresh produce in addition to frozen and chilled product.

Automotive Parts

AMCAP

AMCAP has been a major distributor of automotive parts in Western Australia and Australia for 44 years.

AMCAP's modern, purpose-built storage and distribution facilities include a warehouse storage area of 22,000sqm, on a site spanning 42,000sqm.

AMCAP can warehouse a range of products and meet specific client requirements as a true 3rd and 4th party logistics operation.

It provides services vital to the management of today's increasingly complex supply chain in terms of sales and marketing, data warehousing, on-line inventory management, radio frequency based 'paperless' warehousing and a quick response distribution service.

AMCAP's telephone call centre handles more than one million calls per annum from customers in addition to having 400 customers directly on-line to the AMCAP computer system for order placement and enquiry.

AMCAP has achieved significant growth over the past 30 years adding strength to its portfolio of franchises which now include Mitsubishi, Holden, HSV, Subaru, Hyundai, Kia, Ford, PPG Automotive Refinish, 3M Products, Iveco, Fuso, AMCAP Truck and Trailer Parts.

Rod Williams
General Manager
AMCAP

Jeff Leisk
General Manager
KTM Sportmotorcycles

Covs

Covs sells genuine automotive parts and a full range of aftermarket parts and accessories to the automotive, mining and industrial sectors in Western Australia.

Acquired by AHG in July 2011, Covs employs approximately 430 people and has 26 branches across Perth and country Western Australia, many of which are located close to WA mining operations.

The acquisition provides AMCAP with the ability to expand its customer base and supply a broader range of products to its existing customers.

Motorcycle Distribution

KTM

KTM is a prestigious Austrian off-road and on-road motorcycle manufacturer founded in 1934 with a rich racing heritage that has enjoyed considerable success in motor sport with multiple state, national and MX World titles. The bikes have a distinctive branding strategy that resonates well in the Australian and New Zealand markets.

Based in Welshpool, Western Australia and Auckland, New Zealand[1], AHG's KTM distribution centres service 75 dealers in Australia and New Zealand. Since being appointed in 1994 as the exclusive importer and distributor in Australia and New Zealand, the business has enjoyed significant sales growth and developed the KTM brand into a national household racing name.

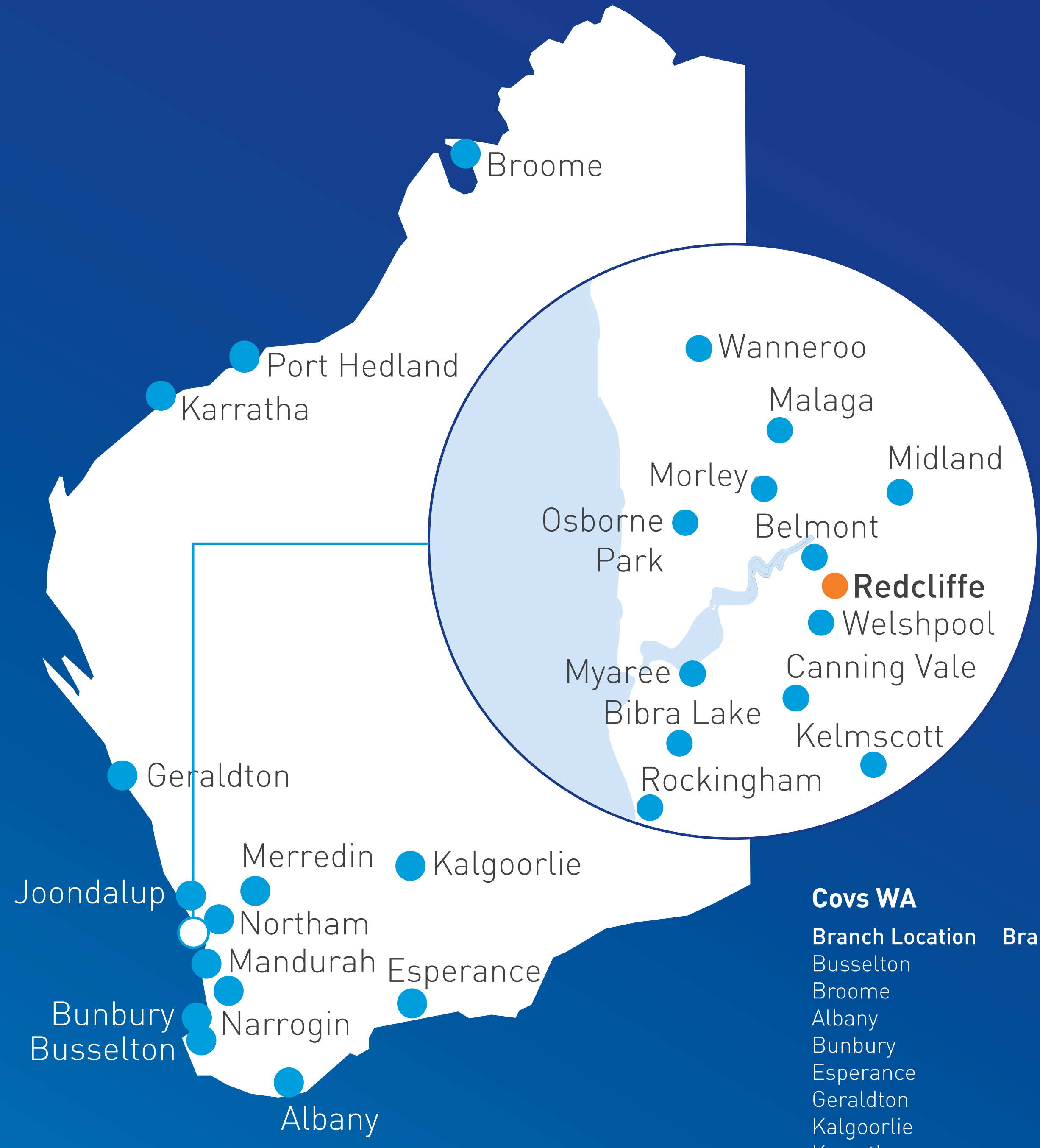
Storage and Engineering

VSE and GTB

Vehicle Storage and Engineering (VSE), located in Dandenong, Victoria, provides truck storage and distribution logistics as well as engineering services to the Australian rigid truck market. The engineering business specialises in truck modification services such as chassis modification, lazy axle and turntable accessory fitment and dual control conversions.

Genuine Truck Bodies (GTB), also located in Dandenong, provides body building services to the truck industry. Together, VSE and GTB provide a one-stop shop for vehicle modification and body building services.

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



Covs WA

Branch Location	Branch Number
Busselton	9751 1091
Broome	9192 6630
Albany	9841 2999
Bunbury	9721 4722
Esperance	9071 1322
Geraldton	9921 2388
Kalgoorlie	9021 1188
Karratha	9143 1422
Mandurah	9581 9711
Merredin	9041 1144
Narrogin	9881 1388
Northam	9622 1999
Port Hedland	9172 1066
Belmont	9479 4298
Bibra Lake	9434 6244
Canning Vale	9455 6255
Kelmscott	9390 9033
Malaga	9209 1066
Midland	9274 4411
Myaree	9330 9155
Osborne Park	9446 8888
Rockingham	9550 1000
Wanneroo	9309 8600
Welshpool	9451 3188
Morley	131268
Joondalup	9303 8600

Covs
Automotive, Mining & Industrial Supplies

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 customers and stakeholders; and deliver superior returns for our shareholders.

AHG Executive Leadership Group

From left: Jack Moroney (GM Organisational Effectiveness), Hamish Williams (Executive Director – Strategy and Planning), David Rowland (Company Secretary), Gus Kininmont (GM Finance), Ron Nuich (Chief Financial Officer), Eugene Kavanagh (Chief Information Officer), Bronte Howson (Managing Director).

1 Western Australia
- 47 dealership franchise sites
- Rand Transport
- AMCAP Distribution Centre
- Covs Automotive and Mining
- KTM – national distribution

5 Queensland
- 38 dealership franchise sites
- Zupps acquired 2007

4 New South Wales
- 19 dealership franchise sites
- McGrath-Lander acquired 2006

2 South Australia
- Harris Refrigerated Transport

6 New Zealand
- 4 dealership franchise sites acquired 2006

3 Victoria
- 3 dealership franchise sites
- VSE and GTB
- Toyota acquired 2010

Corporate Responsibility Highlights

Community involvement

AHG's philosophy is to provide sponsorship and financial assistance to organisations that represent broad cross sections of the communities in which AHG operates.

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

- **Rocky Bay** – annual AHG Golf Day raised $181,500 in 2011 and more than $1 million since 2004. Rocky Bay provides care and support for people with disabilities in Western Australia.
- **Senses Foundation** – annual AHG Golf Day raised $115,000 in 2011 and more than $1.2 million since 1998. Senses Foundation provides services and support for people who are deaf-blind in WA.
- **White Ribbon Foundation** – $42,000 was raised in 2011 from donations and in-kind support. The White Ribbon Foundation in New South Wales is committed to preventing violence against women. For the second year running, AHG NSW was platinum sponsor of the White Ribbon Gala Dinner.
- **Camp Quality** – $61,000 raised in 2011 for Camp Quality New Zealand, the charity that believes in bringing optimism and happiness to the lives of children and families affected by cancer.
- **Constable Care** – AMCAP continues to be a major corporate sponsoring partner of Constable Care and has the naming rights for the AMCAP Distribution Centre Constable Care Golf Day. The Golf Day raises important funds so Constable Care can continue to effectively communicate key life skills, citizenship and safety messages for children aged between two to 12.
- **Ronald McDonald House** – AHG donated a Kia Carnival people mover as well as a Holden Barina to Ronald McDonald House in Perth. To help raise awareness about the charity the vehicles carried Ronald McDonald House's new branding. Similarly, three semi-trailers from Rand Transport carried the new branding -- in Perth, Brisbane and one running between Melbourne and Sydney.
- **Westmead Children's Hospital** – AHG NSW donated a Mazda 2 as the main raffle prize at the Sydney Hospital's annual Emerald Ball.

People and culture

Our people are our greatest strength. Through our people we have enjoyed consistent, long-term management and seen the creation of an entrepreneurial culture.

During the year AHG has enhanced its business through its people as follows:

- Aligned elements of executive remuneration to achievement of the strategic plan
- Established performance measures for executive incentives that reflect business goals and improvements in qualitative goals such as risk management and compliance
- Worked with external consultants Ernst and Young to complete acquisition and integration documents which were highly successful in the management of the acquisition and integration of Coventrys and Harris Refrigerated Transport
- Evaluated top management succession and the development needs of reports to critical roles across the Group
- Implemented a total rewards strategy in conjunction with Mercer and developed job grade descriptors and salary bands for all roles
- Ran the first group-wide Engagement Survey with the Corporate Leadership Council which demonstrated positive results vs. the global benchmark of 175,000 responses
- Completed development of an online induction and policy compliance program and inducted all employees in AHG policies and expected standards of workplace behaviour
- Continued development and implementation of the AHG Risk and OHSE framework and audited all sites against this
- Completed system upgrades to support business growth through National Payroll implementation and OHS data tracking system
- Developed a range of employee communication vehicles including Welcome to AHG booklet, employee newsletter "Accelerate" and company intranet "The Hub".

Ronald McDonald House

Rocky Bay

Senses Foundation

White Ribbon Foundation

Occupational Health and Safety

In the 2011 financial year AHG undertook a wide range of initiatives to provide staff with a safe and inclusive work environment and to prepare for the imminent introduction of the harmonised Work Health and Safety Act 2010.

With the recent rapid growth of the AHG Group it has been an ongoing focus to build common systems to support the health and safety needs of our staff, customers and community throughout our business locations. This important strategy will allow AHG to ensure legislative compliance, protect our people and better implement safety strategies.

These strategies have included:

› Review and harmonisation of management systems to support health and safety,
› The implementation of a knowledge management platform to allow timely and accurate reporting of safety incidents and activities, and
› Employment of dedicated resources into business units to assist with the management of health, safety and workers' compensation.

The FY11 Lost Time Injury Frequency Rate (LTIFR) of 11.9 was marginally better than the automotive industry benchmark of 12.5. The recruitment of dedicated resources in Western Australia and Queensland saw a significant improvement in the second half of the financial year (LTIFR 9.9) from the first half (LTIFR 13.9). With ongoing development of safety systems it is expected that LTIFR will continue to improve.

Environment

AHG continues to maintain compliance to its Federal, State and Local Government environmental legislative requirements and continues to implement strategies to reduce our carbon footprint.

Following the release of the National Greenhouse Gas and Energy Reporting (NGERS), AHG is now required to produce energy and carbon emission reducing strategies in accordance with the Energy Efficiency Opportunities Act 2007. This Act requires the development and submission of energy and CO_2 equivalent reduction strategies that are due in December 2012.

A significant amount of effort has been placed in improving AHG's environmental credentials.

AHG continues to implement energy efficiency and saving initiatives where viable including solar panels and LED lighting in addition to water reclamation on all new dealership sites.

There were no reportable environmental incidents in FY2011.

Dealerships reach Green Stamp milestone

AHG's automotive dealerships in Western Australia achieved accreditation during FY11 under the Motor Trade Association's coveted Green Stamp program.

This initiative requires AHG dealerships to conserve energy, recycle waste products and reduce their respective carbon footprints.

It was a significant milestone for the WA automotive network and a clear demonstration of the Group's ongoing commitment to environmental sustainability.

AHG chose Green Stamp to benchmark its environmental credentials because it had been specifically designed for the industry, was widely recognised within the industry, and was backed by Motor Trade Associations.

The Group is already leveraging the rating as a promotional tool ensuring customers are aware of AHG's commitment to the environment.

AHG's Queensland dealerships are also accredited under the Green Stamp program while the Group's NSW dealerships are currently working towards accreditation.

Corporate Governance Statement

AHG's Corporate Governance is based on the belief that the creation of value is intrinsically linked with good governance practices. Strong corporate governance aids effective management and decision-making. The Company is committed to sustaining and improving corporate governance systems and reports in accordance with the 2007 Revised ASX Corporate Governance Principles and Recommendations, with a progress update on the early adoption of the 2010 Review recommendations provided in the adjacent table. These are not required to be disclosed until 30 June 2012.

The Company's position with respect to each of the relevant ASX Recommendations is described below. Unless disclosed, all the best-practice recommendations of the ASX Corporate Governance Council have been applied for the financial year ended 30 June 2011.

The Company's website contains a range of information on governance practices and policies including:

- Charter of the Board
- Charter of the Audit and Risk Management Committee
- Charter of the Remuneration and Nomination Committee
- Securities Trading – Directors
- Securities Trading – Executives
- Continuous Disclosure
- Code of Conduct for Directors and Key Officers
- Code of Conduct – The Company's Obligations to Stakeholders
- Corporate Governance Statement
- External Auditors
- Risk Assessment and Management
- Effective Shareholder Communication

The Charters and Policies, and the processes by which they are adopted in the functioning of the Board and management, provide a comprehensive corporate governance framework ("CGF") and form the core of the Company's corporate governance system. We have not summarised the Charters and Policies in this report but commented on the relevance of each to the ASX Recommendations. To view these documents please visit the Company's website, www.ahgir.com.au.

Recommendation		Comply Yes/No	Reference/ Explanation
Principle 1 – Lay Solid Foundations for Management and Oversight			
Recommendation 1.1:	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	CGF
Recommendation 1.2:	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Remuneration Report
Recommendation 1.3:	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	As above
Principle 2 – Structure the Board to Add Value			
Recommendation 2.1:	A majority of the board should be independent directors.	Yes	CGF
Recommendation 2.2:	The chair should be an independent director.	Yes	CGF
Recommendation 2.3:	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	CGF
Recommendation 2.4:	The board should establish a nomination committee.	Yes	Website
Recommendation 2.5:	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	CGF
*Recommendation 2.6:	Companies should provide the information indicated in the Guide to reporting on Principle 2.	In progress	As above
Principle 3 – Promote Ethical and Responsible Decision-Making			
Recommendation 3.1:	Companies should establish a code of conduct and disclose the code or a summary of the code as to: › the practices necessary to maintain confidence in the company's integrity; › the practices to take into account the legal obligations and the reasonable expectations of their stakeholders; and › the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
*Recommendation 3.2:	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes	Website
*Recommendation 3.3:	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	In progress	CGF
*Recommendation 3.4:	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	CGF
*Recommendation 3.5:	Companies should provide the information indicated in the Guide to reporting on Principle 3.	In progress	As above
Principle 4 – Safeguard Integrity in Financial Reporting			
Recommendation 4.1:	The board should establish an audit committee.	Yes	CGF
Recommendation 4.2:	Structure of the audit committee.	Yes	CGF
Recommendation 4.3:	The audit committee should have a formal charter.	Yes	Website
Recommendation 4.4:	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	As above

*Page 23 -- Recommendation 2.6 complied with relating to 2007 Review. Recommendation 2.6 and Recommendation 3.3 are in the process of being updated and will be updated prior to 30 June 2012 when required to be reported on. All other 2010 Review recommendations are being complied with.

Recommendation	Comply Yes/No	Reference/ Explanation
Principle 5 – Make Timely and Balanced Disclosure		
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclosure of those policies or a summary of those policies.	Yes	Website
Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	As above
Principle 6 – Respect the Rights of Shareholders		
Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Yes	Website
Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	As above
Principle 7 – Recognise and Manage Risk		
Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website / CGF
Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website / CGF
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Annual Financial Report
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	As above
Principle 8 – Remunerate Fairly and Responsibly		
Recommendation 8.1: The board should establish a remuneration committee.	Yes	Website / CGF
Recommendation 8.2: The remuneration committee should be structured so that it › consists of a majority of independent directors, › is chaired by an independent chair, and › has at least three members.	Yes	Annual Financial Report
Recommendation 8.3: Companies should clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.	Yes	Remuneration Report
Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	As above

Responsibilities of the Board

The relationship between the Board and senior management is critical to the Company's long term success. The Board is responsible for the performance of the Company in both the short and the longer term and seeks to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed. To fulfil this role, the Board carried out its responsibilities according to the following mandate:

- the Chairman shall be a non executive director;
- at least half of the directors shall be non executive directors; and
- the Board shall comprise directors with a broad mix of business expertise and experience.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

The responsibilities of the Board as a whole, the Chairman and individual directors, and the functions delegated to the senior executives are set out in the Company's Board Charter.

To ensure that non executive directors clearly understand corporate expectations of them, formal letters of appointment are provided to them together with a directors' manual which contains various Company policies. To ensure that executive directors clearly understand the corporate expectations of them, service contracts and formal job descriptions are provided to them.

Board Performance

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairman and the performance of its committees by way of a series of questionnaires. The results are collated and discussed at a Board meeting and any action plans are documented together with specific performance goals which are agreed for the coming year. Further, the Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. A Board review will be conducted in 2012.

Board Structure

The Board currently comprises seven directors, five non executive and two executive. Of the seven directors, five are deemed to be independent based on the specific principles adopted below. Details of their skills, experience, expertise, qualifications, term of office, independent status together with the members of each committee and their attendance at each committee meeting are set out in the Directors' Report. In determining the criteria for the independence of directors, AHG follows the definition as prescribed in the ASX best practice guidelines.

The independent non executive directors are:

› David Griffiths (Chair)
› Michael Smith (Deputy Chair)
› John Groppoli
› Peter Stancliffe
› Greg Wall

Mr Robert Branchi (former Chairman) was a non-executive director of the Company. However, he retired on 19 November 2010.

The executive directors are:

› Bronte Howson (Managing Director)
› Hamish Williams

AHG is now compliant with recommendation 2.2 following the appointment of David Griffiths as the Chairman. Prior to David Griffiths' appointment, the now retired Chairman, Mr Robert Branchi, was not an independent director. The Board believed that Mr Branchi was the most appropriate person to chair the meetings given his intimate knowledge of the Company and industry, having been involved with the Company for more than 25 years in an executive capacity.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following non executive independent directors:

› Greg Wall (Chair)
› David Griffiths
› Michael Smith

Details of these Directors' qualification and attendance at Audit and Risk Management Committee meetings are set out in the Directors' Report. Information on the procedures for the selection and appointment of the external auditor and the rotation of external audit engagement partners is available on the Company's investor relations website.

Risk Assessment and Management

The Board, through the Audit and Risk Management Committee, is responsible for providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the Committee, management and the internal audit function. A Risk Assessment and Management Policy can be found on the AHG website.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Company's Codes of Conduct is required at all times. The Company's practices are outlined in the Risk Assessment and Management policy which is available on the Company's investor relations website.

Remuneration and Nomination Committee

A Remuneration and Nomination Committee has been established and the specific responsibilities are set out in the Committee's charter, which is available on the Company's website. The Remuneration and Nomination Committee consists of a minimum of three non executive directors and members are appointed by the Board.

The current composition consists of the following:

› David Griffiths (Chair)
› Michael Smith
› Greg Wall
› John Groppoli

The Chair of the Remuneration and Nomination Committee, Mr David Griffiths is an independent director. The former Chair, Mr Branchi, who retired in November 2010, was not an independent director. However, for the reasons set out above, the Board believed that Mr Branchi was the most appropriate person to chair the meetings.

Detailed disclosure of the Directors' attendance at the Remuneration and Nomination Committee meetings and remuneration policies are set out in the Directors' Report. Details of the Company's Remuneration policies and procedures, the remuneration of the directors and executives, the components of the remuneration package and share plan details are set out in the Remuneration Report which forms part of the Directors' Report.

Code of Conduct

A Code of Conduct is in place to promote ethical and responsible practices and standards for directors and key officers of the Company to discharge their responsibilities. This Code reflects the directors' and key officers' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity. A copy of this Code of Conduct is available on the Company's investor relations website.

Executive Performance

Senior executives participate in an annual formal review process which assesses individual performance against predetermined objectives aligned with the Group's executive reward framework. Annual incentives awarded are based on the outcome of this review process, as conducted by the Remuneration and Nomination Committee and approved by the Board. The annual performance reviews for the 2011 financial year have been undertaken in accordance with the process described above.

General Employees

The Company has many policies in place including ones covering recruitment and selection, induction, relocation, conflicts of interest, harassment, discrimination and equal employment opportunities, performance management, grievance, fitness for work, leave, travel and training. These policies are subject to continual review and improvement.

Independent Decision Making

The non executive directors meet without management and the executive directors to discuss various matters. These meetings are informal and ad hoc as required.

To facilitate independent judgement in decision-making, each director has the right to seek independent professional advice at the Company's expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

Conflicts of Interest

Entities connected with Mr Branchi, who retired as Chairman and non executive director in November 2010, had business dealings with the Company during the year, as described in note 27 to the financial statements. Mr Branchi declared his interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. Where the Board considers appropriate, Directors with conflicts of interest do not receive any papers from the Group pertaining to those dealings and must excuse themselves from any discussion on the matters.

Diversity

AHG is in the process of setting measurable objectives which will aim to improve diversity within the Group companies. Once clearly identifiable objectives are defined, AHG will report on the progress of each objective in its Annual Report.

AHG's core business is in the automotive and logistics industries, which traditionally do not attract women in senior roles. As a result the available pool of experienced candidates is limited. However, AHG is a significant employer of women with females representing 25% of its workforce. AHG's goal is to promote greater participation by women in more senior roles through internal development processes.

There are currently no women on the Board or in the Executive Leadership Group, although AHG believes it will improve in this area over time through the implementation and monitoring of the measurable objectives guided by the Diversity Policy.

Continuous Disclosure

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. A copy of the Continuous Disclosure Policy is located on the Company's investor relations website.

Effective Communication

The Company places considerable importance on effective communications with shareholders. The Board has an established Code of Conduct in relation to its obligations to stakeholders to guide compliance with legal and other obligations to stakeholders and a policy on Effective Shareholder Communication which are available on the Company's investor relations website.

Whistleblower Protection

The Board of Automotive Holdings Group Limited is committed to best practice in corporate governance, compliance and ethical behaviour generally.

The Whistleblower Protection Policy seeks to protect individuals who, in good faith, report conduct which they reasonably believe to be improper. The policy applies to all employees.

The purpose of this policy is to provide a framework for associates, officers, contractors and agents to independently bring to the attention of management conduct which is corrupt, illegal or unethical.

Annual Financial Report Contents

Directors' Report

Your 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 2011.

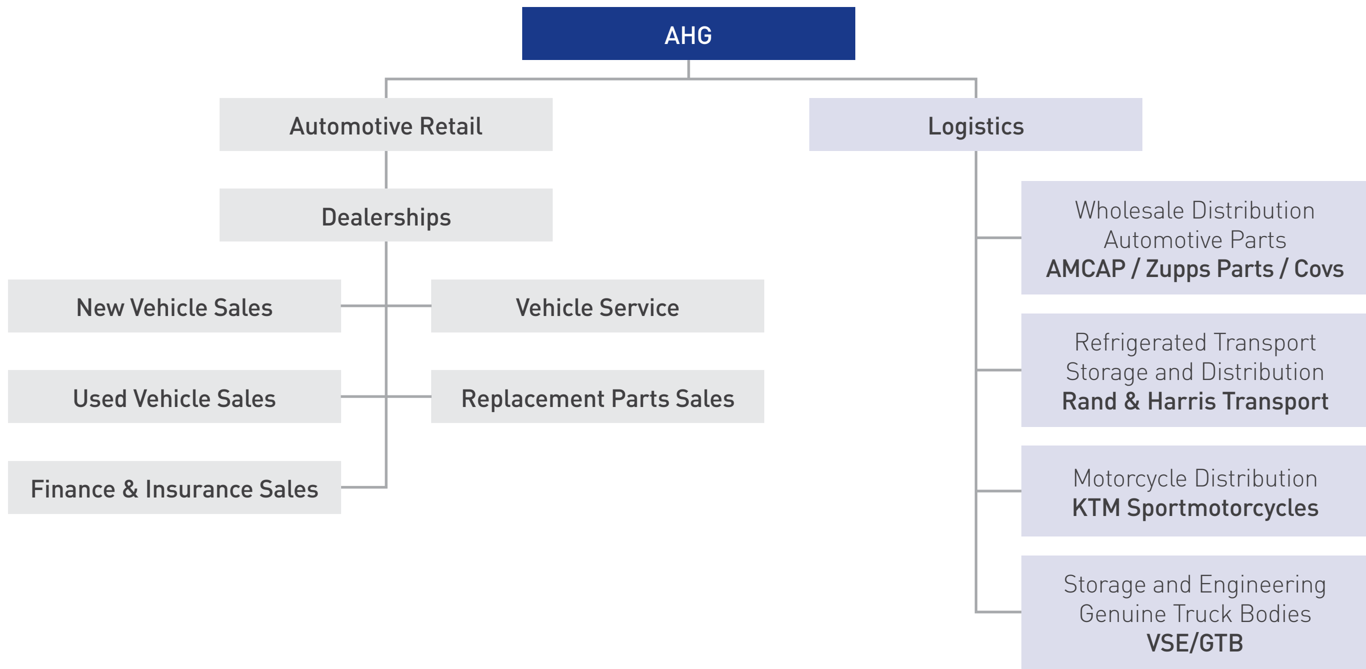
Directors

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

David Charles Griffiths	Non Executive Chairman (Deputy Chairman to 19 November 2010)
Giovanni (John) Groppoli	Non Executive Director
Bronte McGregor Howson	Managing Director
Michael John Smith	Non Executive Deputy Chairman (Director to 6 February 2011)
Peter William Stancliffe	Non Executive Director
Gregory Joseph Wall	Non Executive Director
Hamish Calder Williams	Executive Director

Robert John Branchi was the Non Executive Chairman until his resignation on 19 November 2010.

Principal Activities



Dividends

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

	Parent	
Dividends on ordinary shares:	2011 $'000	2010 $'000
Final dividend for the year ended 30 June 2010 of 10 cents per fully paid share on 1 October 2010 (30 June 2009 of 10 cents per fully paid share on 2 October 2009)	22,639	22,639
Interim dividend for the year ended 30 June 2011 of 7 cents per fully paid share on 1 April 2011 (30 June 2010 of 7 cents per fully paid share on 6 April 2010)	15,854	15,854
	38,493	38,493

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 10 cents per share, based on tax paid at 30%. The aggregate amount of dividend to be paid on 30 September 2011 out of the retained profits at 30 June 2011, but not recognised as a liability at year end, will be $26.068 million.

Review of Operations

Net profit after tax attributable to members from continuing operations for the year ended 30 June 2011 was $31.2 million (2010: $60.3 million). Net profit after tax excluding unusual items and professional fees associated with acquisition-related activities (detailed below) attributable to members for the year ended 30 June 2011 was $52.4 million (2010: $55.1 million).

The current year result includes the following unusual item:

In accordance with the requirements of AASB 136 *Impairment of Assets*, the Group has undertaken an assessment for impairment of its assets on cash generating unit basis. This has resulted in an impairment adjustment of $19.854 million applicable to operations all located in Queensland. $13.175 million related to the Parts Distribution operation and $6.679 million to four of the Group's seventeen Automotive Retail dealerships in Queensland.

In addition to the above unusual item, the Group incurred professional costs of $1.358 million (after tax) during the current year in relation to acquisition-related activities. These activities included the business acquisitions of Ferntree Gully, Covs and Harris Transport and due diligence on other prospective opportunities that did not materialise into agreements during the financial year.

The prior year result included the following unusual item:

› $5.215 million profit (after tax) on the full disposal of the Group's investment in carsales.com.au shares.

Group revenues from continuing operations were $3.337 billion (2010: $3.240 billion), representing a 3.0% increase over the previous year's revenue.

The **Automotive Retail division** contributed revenues of $2.925 billion (2010: $2.858 billion) and an operating EBITDA result (before impairment and professional fees linked to acquisition-related activities) of $94.7 million (2010: $88.8 million) representing growth rates of 2.3% and 6.7% respectively. Operating profit before tax was $59.8 million (2010: $62.9 million), a decrease of 4.9%. Higher interest costs arising from business and Greenfield land acquisitions as well as capital reinvested to support ongoing dealership redevelopments, together with higher average interest rates and net debt balances in 2011 compared to 2010, contributed principally to this profit movement.

The **Logistics division** contributed revenues of $0.412 billion (2010: $0.382 billion) and an operating EBITDA result (before impairment and professional fees linked to acquisition-related activities) of $29.0 million (2010: $27.2 million) representing growth rates of 7.8% and 6.6% respectively. Operating Profit before tax, impairment and professional fees linked to acquisition-related activity was $17.3 million (2010: $16.6 million), an increase of 4.2%.

Consolidated Revenue and Results

Key Financial Data Year Ending 30 June 2011	Statutory Result	Unusual Item(s)	Professional fees associated with acquisition-related activities	Operating Result (excluding unusual items & professional fees)
$'000				
Total revenue	3,336,782	-	-	3,336,782
EBITDA	101,923	(19,854)	(1,940)	123,717
EBITDA margin %	3.1%			3.7%
Depreciation & amortisation	(19,468)	-	-	(19,468)
EBIT	82,455	(19,854)	(1,940)	104,249
Interest (Net)	(27,185)	-	-	(27,185)
Profit before tax	55,269	(19,854)	(1,940)	77,063
Tax Expense	(22,117)	-	582	(22,699)
Profit after tax	33,153	(19,854)	(1,358)	54,365
Non controlling interest	(1,935)	-	-	(1,935)
Net profit after tax attributable to shareholders	31,217	(19,854)	(1,358)	52,429
Basic EPS (cents per share)	13.54			22.75

Significant Changes in State of Affairs

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

1. An increase in contributed equity of $80,480,000 (from $302,106,000 to $382,586,000) for the year comprises:

Ordinary Shares

		No. of Shares	Issue Price	$'000
01/07/09	Opening Balance at 1 July 2009	220,252,328		294,711
08/07/09	Share Purchase Plan	6,238,745	$1.20	7,486
	Less: transaction costs arising on share issue			(91)
30/06/10	Balance at 30 June 2010	226,491,073		302,106
19/05/11	Institutional Placement	33,958,136	$2.44	82,858
	Less: transaction costs arising on share issue			(2,565)
	Deferred Tax Credit recognised directly in equity			
30/06/11	Balance at 30 June 2011	**260,449,209**		**383,585**

Treasury Shares

		No. of Shares	Issue Price	$'000
01/07/10	Balance at 1 July 2010	-		-
23/12/10	AHG Employee Share Plan Trust Acquisition	(420,000)	$2.38	(1,000)
30/06/11	Balance at 30 June 2011	**(420,000)**		**(1,000)**

Total Contributed Equity

		No. of Shares	Issue Price	$'000
30/06/11	**Net Balance at 30 June 2011**	**260,029,209**		**382,586**

2. Profit for the full year includes the following items that are unusual because of their nature, size or incidence:

		Consolidated	
		2011 $'000	2010 $'000
Gains	(a)		
Proceeds on sale of investment	(a)	-	7,904
Less: costs on sale of investment		-	(454)
Less: applicable tax expense		-	(2,235)
		-	5,215
Expenses			
Impairment of intangibles	(b)	19,854	-
		19,854	-

(a) Disposal of Listed Shares

During the year ended 30 June 2010 the Group fully disposed of its interest in carsales.com Limited shares. Proceeds received totalled $7,904,000 and together with the original cost of the investment and associated transaction costs of $454,000, resulted in a gain on disposal of $7,450,000 (pre-tax).

(b) Impairment of Intangibles

In accordance with the requirements of AASB 136 *Impairment of Assets*, the Group continues to undertake an ongoing process of assessing for impairment, its assets, on cash generating unit basis.

The accounts to 30 June 2011 include an impairment charge of $19.854 million (2010: $Nil) applicable to the carrying value of intangible assets related to the Group's automotive and logistics divisions in Queensland. Refer to comments in Review of Operations above.

Matters Subsequent to the End of the Year

(a) On 1 July 2011 the Group completed the business asset acquisitions of Harris Refrigerated Transport and Covs parts distribution for enterprise values of $32.0 million (gross of lease liabilities assumed) and $30.3 million respectively.

(b) On 1 July 2011 AHG issued 233,972 shares at $2.44 under the Share Purchase Plan that allowed investors to subscribe for shares at the same issue price as the institutional equity placement completed in May 2011.

(c) On 15 July 2011 AHG paid $2.25 million for its 7.5% share of the foundation equity in the Carsguide.com venture.

(d) On 21 September 2011, the Company received notice that a former executive intends to commence a legal claim relating to the cessation of his employment. The Company considers that its exposure is not material and that all relevant employee entitlements have been paid. If the legal claim is commenced, it will be defended.

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

(a) The Group's operations in future financial years, or
(b) The result of those operations in future financial years, or
(c) The Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Other than the developments mentioned elsewhere in this report the Group continues to examine a range of organic and acquisition growth opportunities in the normal course of business. The Group's automotive growth strategy will be developed within the parameters of manufacturers' retail distribution strategies.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group is subject to environmental regulation in respect of its service centre operations and the design of new facilities as set out below. The Group holds environmental licences for its service centres. These licences arise under the requirements of various State Government regulations.

Management continues to work with local regulatory authorities to achieve, where practical, best practice environmental management so as to minimise risk to the environment, reduce waste and ensure compliance with regulatory requirements.

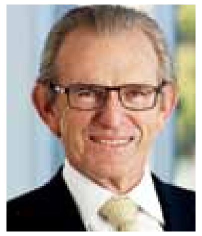
The Group's current initiatives include obtaining 'green stamp accreditation' and installing water reclaiming and recycle systems at new dealerships with a view to installing these on all sites in the future.

Greenhouse Gas and Energy Data Reporting Requirements

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

NGERS requires the Group to report its annual greenhouse gas emissions and energy use. The Group has registered with the Greenhouse and Energy Reporting Office, Department of Climate Change. An NGERS compliance plan has been adopted by the Board which identifies the members of the corporate group, identifies the relevant facilities and their boundaries and provides guidance on the measuring and gathering of information and how to report such information. The Group has implemented systems and processes for the collection and calculation of the data required and will submit its annual report to the Greenhouse and Energy data officers by the reporting deadline of 31 October 2011, for the financial year ended 30 June 2011.

Information on Directors



David Charles Griffiths
B Econ (Honours) UWA, Master of Economics ANU, Hon.DEc UWA, FAICD. Chairman, Non-Executive (Independent)

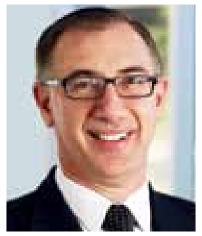
Experience and expertise
Mr Griffiths was appointed as a non-executive director on 27 February 2007, Deputy Chairman on 3 April 2008 and Chairman on 19 November 2010. Mr Griffiths has held a range of senior financial executive positions and has extensive experience in equity capital markets, mergers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

Other current directorships
(of listed entities)
› Northern Iron Limited
› ThinkSmart Limited

Former directorships in the last 3 years
› Antaria Limited
› Great Southern Limited

Interest in shares
68,647 ordinary shares in AHG

Special responsibilities
› Chairman of the Board of Directors
› Chairman of the Remuneration and Nomination Committee
› Member of the Audit & Risk Management Committee



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 known as Norton Rose) from 1987 to 2004 where he specialised in franchising, legal compliance 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 Milners Pty Ltd, a leading Australian brand marketing group specialising in premium homeware products, and Aviva Optical, an importer and national distributor of optical products and accessories.

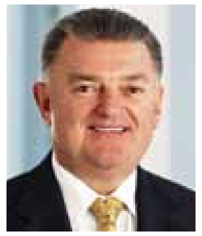
Mr Groppoli is a director of public unlisted entities Retravision (WA) Limited and Electcom Limited which manage and service the Retravision, Westcoast Hi Fi and Fridge & Washer City retail brands in WA, SA and NT.

Other current directorships
(of listed entities)
› None

Former directorships in the last 3 years
› None

Interest in shares
41,600 ordinary shares in AHG

Special responsibilities
Member of the Remuneration and Nomination Committee



Bronte McGregor Howson
MAICD, Executive Director

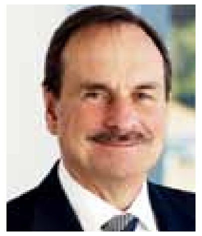
Experience and expertise
Mr Howson has over 30 years experience in the automotive industry. He was appointed as Chief Executive Officer in January 2000 with his title being changed to Managing Director in 2007. Mr Howson successfully ran his own automotive parts business which he sold to AHG in 1988 when at the time accepting a position within the Group as General Manager of AMCAP Distribution and Logistics Centre. Mr Howson has extensive experience in importing and distribution of automotive products, coupled with strong local, national and overseas experience.

Other current directorships
(of listed entities)
› None

Former directorships in the last 3 years
› None

Interest in shares
5,580,418 ordinary shares in AHG

Special responsibilities
› Managing Director



Michael John Smith
FAICD FAIM CMC, Deputy Chairman Non Executive (Independent)

Experience and expertise
Mr Smith was appointed as a non-executive director on 6 May 2010 and deputy chairman on 7 February 2011. Mr Smith operates a strategy consultancy firm Black House, which consults to a number of leading Australian companies. In addition to this he chairs Synergy, WA's largest energy retailer, iiNet Ltd, Australia's second largest internet service provider and Perth International Arts Festival. He is also a director of 7-Eleven Stores Pty Ltd and Vice President of the Australian Institute of Company Directors WA.

Other current directorships
(of listed entities)
› iiNet Limited

Former directorships in the last 3 years
› None

Interest in shares
21,175 ordinary shares in AHG

Special responsibilities
› Member of the Audit & Risk Management Committee
› Member of the Remuneration & Nomination Committee

Peter William 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. In addition to his listed company directorships he is a director of Harris Scarfe Pty Ltd.

Other current directorships
(of listed entities)
› Hills Industries Limited
› Korvest Limited

Former directorships in the last 3 years
› None

Interest in shares
34,225 ordinary shares in AHG

Special responsibilities
› None

Gregory Joseph Wall
MA, FAICD, F Fin, Non-Executive Director (Independent)

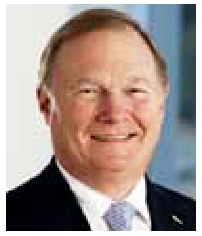
Experience and expertise
Mr Wall was appointed to the Board on 1 August 2005. He has over 30 years experience in banking and finance and was Chief Executive, StateWest Credit Society Ltd for 10 years, and Managing Director of Home Building Society Limited following StateWest's merger with Home Building Society Limited. Mr Wall held the position of Managing Director of Home Building Society Limited until its merger with Bank of Queensland in 2007. Mr Wall was recently appointed CEO of the motoring industry cooperative Capricorn Society, and retired from the Board of AHG in October 2011. Mr Wall is Chairman of Freo Group Ltd (unlisted) and a director of a number of other unlisted entities with the most significant being Gold Estates Ltd, Ear Science Institute of Australia and the Western Australian Football Commission.

Other current directorships
(of listed entities)
› None

Former directorships in the last 3 years
› None

Interest in shares
32,500 ordinary shares in AHG

Special responsibilities
› Chairman of the Audit & Risk Management Committee
› Member of the Remuneration and Nomination Committee



Hamish Calder Williams
FCA, MAICD, Executive Director

Experience and expertise
Mr Williams joined AHG as Chief Financial Officer in 1993. He was appointed Finance Director in 1996 and in that position was responsible for all corporate finance, taxation, audit and accounting matters in relation to AHG, including the treasury function. In 2009 Mr Williams took on the role of Executive Director – Strategy and Planning, reflecting the Board's decision to add to its senior management capabilities in undertaking strategic projects, corporate planning and continuous improvements programs.

Other current directorships
(of listed entities)
› None

Former directorships in the last 3 years
› None

Interest in shares
129,520 ordinary shares in AHG

Special responsibilities
› Strategic projects, corporate planning and continuous improvement programs
› Appointed Company Secretary from 3 June 2011 post resignation of Susan Symmons. Resigned as Company Secretary on 8 August 2011 with the appointment of David Rowland

Robert John Branchi MAICD
FCPA. Chairman, Non-Executive
Mr Branchi resigned as a director on 19 November 2010.

Experience and expertise
Mr Branchi has more than 54 years broad experience and knowledge in the motor industry and was a Director of AHG for over 25 years. Prior to being appointed Chairman, Mr Branchi was the Group's Managing Director.

Other current directorships
(of listed entities)

Former directorships in the last 3 years
› None

Special responsibilities
Chairman of the Board of Directors
› Chairman of the Remuneration & Nomination Committee
› Member of the Audit & Risk Management Committee

Company Secretary

David Rowland
B.Juris LLB MAICD

Experience and expertise
Mr Rowland was appointed as Company Secretary of AHG on 8 August 2011. He has extensive legal experience with leading law firms Allens Arthur Robinson and Blake Dawson in Melbourne and Sydney. As a corporate lawyer he advised a number of Australia's leading companies, specialising in mergers and acquisitions and corporate finance.

Prior to joining AHG, David gained ten years of listed company experience as General Counsel and Company Secretary of three ASX listed companies, most recently PMP Limited and The MAC Services Group Limited.

Those roles involved direct responsibility for all legal, company secretarial, risk and investor relations matters and involvement in a wide range of corporate transactions and capital markets activities.

Susan Dianna Symmons
B Comm, ACIS.

Ms Symmons was appointed Company Secretary on 27 June 2006 and resigned on 3 June 2011. Prior to joining AHG, Ms Symmons spent five years as Company Secretary of Evans & Tate Limited where she was responsible for all legal, company secretarial and investor relations matters and was involved in a range of projects involving capital raisings, acquisitions and divestment transactions. Prior to working with Evans & Tate, Ms Symmons spent 12 years at Heytesbury Pty Ltd, the last three of those years as Company Secretary.

Board of Directors
From left: Michael Smith, John Groppoli , David Griffiths, Bronte Howson, Peter Stancliffe, Hamish Williams, David Rowland, (absent Gregory Wall).

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 2011 and the number of meetings attended by each director are as follows:

	Full meetings of Directors		Audit & Risk Management		Remuneration & Nomination	
	A	B	A	B	A	B
RJ Branchi (retired 19/11/10)	9	9	3	3	2	2
BM Howson	16	16	n/a	n/a	n/a	n/a
G Groppoli	16	14	n/a	n/a	4	4
D Griffiths	16	16	6	6	4	3
MJ Smith	16	16	4	4	2	2
PW Stancliffe	16	15	n/a	n/a	n/a	n/a
GJ Wall	16	15	6	6	4	4
HC Williams	16	16	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 a casual basis to discuss significant matters.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of the Company, Messrs Stancliffe and Groppoli will retire by rotation. Being eligible, Messrs Stancliffe and Groppoli will offer themselves for re-election at the next Annual General Meeting.

Remuneration Report (Audited)

This remuneration report sets out remuneration information for AHG's non-executive directors, executive directors, other key management personnel and the five highest remunerated executives of the Group and of the Company.

Directors and executives disclosed in this report

Name	Position
Non-executive and executive directors – refer pages 36 to 38 above.	
Other key management personnel:	
E Kavanagh	Chief Information Officer
G Kininmont	GM Finance
CB Marwick	Chief Operating Officer (employment ceased 1 July 2011)
JB Moroney	GM Organisational Effectiveness
RM Nuich	Chief Financial Officer
SD Symmons	Company Secretary (resigned 3 June 2011)

There were no other persons among the 5 highest remunerated Group and/or company executives in addition to those disclosed above. Refer to Section D of the Remuneration Report for further details on the identification of key Group and/or company executives.

Changes since the end of the reporting period

CB Marwick ceased to be employed by the Group on 1 July 2011

D Rowland appointed Company Secretary on 8 August 2011

Role of the Remuneration & Nomination Committee

The Remuneration & 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.

Remuneration Report format

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Service agreements
C. Share based compensation
D. Details of remuneration
E. Additional information

A. Principles used to determine the nature and amount of remuneration

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 conforms to market practice for delivery of reward. The Board ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. This included consultation with and the receipt of advice from external remuneration consultants.

Alignment to shareholders' interests:

- economic profit as a core component of plan design;
- sustained growth in shareholder wealth, consisting of dividends and growth in share price and delivering constant return on assets as well as focusing the executive on key non financial drivers of value; and
- attract and retain high calibre executives.

Alignment to participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The Group currently has in place short term incentives for certain senior executives, the details of which are provided below. When considering such incentives, the Board ensures that executive reward satisfies the criteria listed above for good reward governance practices.

The remuneration framework provides a mix of fixed and variable pay and a blend of short term and long term incentives. Those executives whose performance is linked to the operations of the Group are more likely to have a higher proportion of "at risk" rewards. A long term incentive is currently in place for the Managing Director and Executive Director – Strategy & Planning, details of which are provided below.

Non-Executive Directors' Remuneration

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

Non-executive directors do not receive share options however a salary sacrifice plan (AHG Executive Share Plan) has been finalised for directors and senior executives. Shareholder approval was obtained for this plan at the 2007 Annual General Meeting however, to date, it has not been utilised. If the Group elects to make the AHG Executive Share Plan operable it will enable directors and senior executives to sacrifice a portion of their directors' fees, salary, bonus or commission, as the case may be, in exchange for shares in the Company.

The Constitution provides that the directors' remuneration (excluding the salary of an Executive Officer or Managing Director) must not exceed the maximum aggregate sum determined by the Company in a general meeting. Total remuneration for non-executive directors last voted upon by shareholders in a general meeting in 2010 is not to exceed $750,000, in aggregate, per annum. This maximum sum cannot be increased without members' approval by ordinary resolution at a general meeting. While there is no current intention to increase the number of non-executive directors, this maximum aggregate sum provides the Board with flexibility to make such appointment should a candidate with skills that will enhance the Company's performance and support the growth strategy of the Company be identified.

The following fees (including superannuation) apply:

	From 1 July 2010 to 30 June 2011	From 1 July 2011
Chairman	$170,000	$170,000
Deputy Chairman	$127,000	$127,000
Other non-executive directors	$87,200	$87,200
Audit & Risk Management Committee Chairman	$14,500	$14,500
Audit & Risk Management Committee Member	$7,265	$7,265
Remuneration & Nomination Committee Chairman	$7,265	$7,265
Remuneration & Nomination Committee Member	$3,630	$3,630

Payment of Expenses

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

Payment for Extra Services

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

Executive Director Remuneration

Executive director remuneration and reward framework consists of the following components:

› Base pay and benefits;
› Performance-based incentives; and
› Other remuneration such as superannuation.

The combination of these comprises the executive director's total remuneration. The Remuneration & Nomination Committee considers the level of incentives to be paid each year.

Base Pay

Executive directors are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role from time to time. Base pay for executive directors is reviewed annually to help to ensure the executive's pay is competitive to the market, however an increase is not guaranteed.

Benefits

Executive directors may receive benefits such as motor vehicles and life insurance.

Short Term Incentives (STI)

The executive directors are entitled to STI that are payable on the fulfilment of certain financial and non-financial criteria. STI are most commonly in the form of cash and are paid by 30 September each year. Using a profit target ensures variable reward is available when value has been created for shareholders and when profit is consistent with the business plan.

The amount attributable to each executive director's STI is dependent on the accountabilities of their role and their impact on the organisation's performance. The maximum target STI is 114% (2010: 125%) of base pay for the Managing Director and 32% (2010: 35%) of base pay for the Executive Director – Strategy & Planning.

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

For the year ended 30 June 2011 financial STI criteria were based on achievement of budget and earnings per share based on normalised growth for the Managing Director and achievement of budget for the Executive Director – Strategy & Planning. Non financial measures included key strategic measures linked to drivers of performance in future reporting periods. These criteria vary with each executive's role and are established on an annual basis. The assessment of whether the above criteria are met is at the discretion of the Board.

Long Term Incentives (LTI)

Executive directors are eligible to participate in the AHG Performance Rights Plan, whereby rights to acquire shares in the Company (Rights) may be awarded to eligible senior executives of the Company as determined by the Board from time to time. The vesting of these Rights will be subject to meeting certain specified performance criteria.

No Rights were issued for the years ended 30 June 2011 or 2010. However a total of 206,993 Rights were issued in 2007 with 155,410 of those Rights vesting in the prior financial year following performance criteria being met for the period 1 July 2007 to 30 June 2010. The balance of Rights (51,583) lapsed.

The Managing Director is a recipient of a long term incentive plan. Subject to achieving certain criteria the Managing Director will receive Ordinary Shares within 30 days following the release of the Group's financial results for the year ended 30 June 2012.

Details of the executive directors' short and long term incentives are set out below. Specific details relating to the terms and conditions of employment for each executive director are also set out below.

Effect of Cessation of Office

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

The Company may contract with any director to secure payment of the lump sum to the director, his or her legal personal representatives or dependants or any of them, unless prohibited by the *Corporations Act 2001* or the ASX Listing Rules.

Payment of Superannuation Contributions

The Company pays the directors' superannuation contributions of an amount at least necessary to meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

Financial Benefit

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

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

Details of Remuneration

Details of the nature and amount of each major element of the remuneration of directors and key employees for the year ended 30 June 2011 are set out in section D, *Details of Remuneration*.

B. Service Agreements

Non-Executive Directors

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

Executive Directors

Remuneration and other terms of employment for the executive directors are formalised in an Executive Service Agreement. The agreements for the executive directors provide for performance related cash bonuses and other benefits. Specific details relating to the terms and conditions of employment for the year ended 30 June 2011, which are reviewed annually by the Remuneration & Nomination Committee, for each executive director are as follows:

Bronte McGregor Howson

- Continuing term employment;
- Total base remuneration of $1,123,000 per annum for the year ended 30 June 2011 (inclusive of superannuation and benefits but exclusive of bonuses);
- Entitlement to a short term bonus of $1,025,000 upon the achievement of financial criteria related to stepped percentage achievement of budget and earnings per share and $200,000 upon the achievement of non-financial criteria related to organisational structure, strategy, risk management and operational analysis in the year ended 30 June 2011;
- Entitlement to a long term employee share scheme whereby the Managing Director will receive a maximum of 843,882 Ordinary Shares within 30 days following the release of the Group's financial results for the year ended 30 June 2012. The number of shares to be allocated will be based on cumulative Total Shareholder Return (TSR) for the period 1 July 2009 to 30 June 2012. The maximum number of shares issued is calculated at the Volume Weighted Average Price for AHG shares for a period of 30 days prior to 1 July 2010, which is $2 million divided by $2.37;

  Cumulative TSR is defined as total shareholder return (including dividends) for the period 1 July 2009 to 30 June 2012 as compared to a reference group comprising of the ASX 300 excluding resource companies and financial institutions. At the 50th percentile the director will receive 421,941 Ordinary Shares. For every 1% above the 50th percentile the director will receive an additional 16,878 Ordinary Shares;

  For the purpose of calculating the Cumulative TSR, the share price to be used will be the Volume Weighted Average Price for AHE shares traded on the ASX for a period of 30 days prior to 1 July 2010 and 30 days after the release to the Australian Stock Exchange of the financial results of the Group for the financial year to 30 June 2012. The LTI is payable in shares to be acquired on market;
- The executive director may terminate on 6 months notice;
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence; and
- If employment ceases for any reason, the executive director will be required to resign as director.

Hamish Calder Williams

- Continuing term employment;
- Total base remuneration of $625,000 per annum (inclusive of superannuation and benefits but exclusive of bonuses);
- Entitlement to short term bonus of $100,000 upon the achievement of financial criteria and $100,000 upon the achievement of non-financial criteria related to strategy, operational savings and business opportunities for the year ended 30 June 2011. The financial criteria are based on performance metrics linked to the Group's budget.
- Director can terminate the contract on 6 months notice;
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence; and
- If employment ceases for any reason, the executive director will be required to resign as director.

Other Key Employees

Other than the executive directors dealt with above, the following persons are considered key management personnel:

- Eugene Kavanagh
- Gus Brian Kininmont
- Christopher Bevan Marwick (ceased employment 1 July 2011)
- John (Jack) Bernard Moroney
- Ronald Michael Nuich
- Susan Dianna Symmons (resigned 3 June 2011)
- David Rowland (appointed 8 August 2011)

Remuneration and other terms of employment for the key management personnel are formalised in either a Service Agreement or a Letter of Agreement and may provide for performance related cash bonuses and other benefits.

The terms of key management personnel employment may include:

- standard leave entitlements;
- continuing term employment;
- life insurance;
- rights of summary dismissal are preserved;
- the total remuneration of each key employee is subject to annual review, although an increase is not guaranteed; and
- termination provisions of 1-6 months.

Specific details relating to the terms and conditions of employment for key management personnel are set out below:

Eugene Kavanagh, Chief Information Officer

- Continuing term employment;
- Total remuneration of $275,084 per annum for the year ended 30 June 2011 (inclusive of superannuation, benefits and motor vehicle but exclusive of bonus);
- Entitlement to additional bonus payment of $35,000 based on achievement of KPIs related to IT strategy and execution;
- Executive can terminate employment on 1 month notice; and
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence.

Gus Brian Kininmont, GM Finance

- Continuing term employment;
- Total remuneration of $307,416 per annum for the year ended 30 June 2011 (inclusive of superannuation, benefits and motor vehicle but exclusive of bonuses);
- Entitlement to additional bonus payment of up to $150,000 based on achievement of Finance and Insurance profit for the Group;
- Executive can terminate employment on 1 month notice; and
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence.

John (Jack) Bernard Moroney, GM Organisational Effectiveness

- Continuing term employment;
- Total remuneration of $269,801 per annum for the year ended 30 June 2011 (inclusive of superannuation, benefits and motor vehicle allowance but exclusive of bonuses);
- Entitlement to additional bonus payment of $50,000 based on achievement of KPIs related to HR strategy, remuneration, talent management, leadership development and succession planning;
- Executive can terminate employment on 1 month notice; and
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence.

Christopher Bevan Marwick, Chief Operating Officer

- Continuing term employment (ceased employment on 1 July 2011);
- Total remuneration of $550,000 per annum for the year ended 30 June 2011 (inclusive of superannuation, benefits and motor vehicles but exclusive of bonuses);
- Entitlement to commission of up to $220,000 calculated on a percentage of state automotive operations profits;
- An additional bonus of up to $240,000 based on the achievement of individual state automotive budgets;
- Entitlement to a short term bonus of $200,000 upon achievement of non financial criteria related to operational performance metrics and associated industry relationships;
- Executive can terminate employment on 6 months' notice; and
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence.

Ronald Michael Nuich, Chief Financial Officer

- Continuing term employment;
- Total remuneration of $350,000 per annum for the year ended 30 June 2011 (inclusive of superannuation, benefits and motor vehicles but exclusive of bonuses);
- Entitlement to additional bonus payment of $100,000 based on achievement of KPIs related to quality, timely and accurate reporting processes and systems;
- Executive can terminate employment on 3 months' notice; and
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence.

Susan Dianna Symmons, Company Secretary

- Continuing term employment;
- Base salary of $265,000 per annum for the year ended 30 June 2011 (inclusive of superannuation and motor vehicle allowance);
- Entitlement to additional bonus payment of $40,000 based on achievement of KPIs related to timely reporting, compliance and corporate governance matters;
- Executive can terminate employment on 3 months' notice; and
- Company may terminate employment without compensation (excluding statutory entitlements) under certain conditions including disobeying a lawful direction, conduct which brings the Company into disrepute, serious misconduct, breach of confidentiality, being found guilty or being convicted by a court of a serious criminal offence.

C. Share Based Compensation

(i) 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 5 day volume weighted average share price. The Board will call on recommendations from the Remuneration & Nomination Committee.

Vesting

Subject to certain performance criteria being satisfied (see below) Rights will vest on 30 September each year (after the finalisation of the Company's yearly audited financial statements) during the applicable performance period.

In the normal course, the exact number of Rights that will vest will be determined by reference to whether the performance criteria have been achieved. No Rights were issued during the year however Rights from previous years have been linked to TSR for executive directors and performance against budget for eligible operations executives.

Rights linked to Total TSR that remain unvested when the performance criteria are first tested will be carried forward for re-testing on 30 September in the two following performance periods, after which they will immediately lapse. Rights linked to performance against budget lapse immediately if the performance criteria are not met for that particular year.

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 has been used as a measure of performance for executive directors and achievement to budget for operations executives.

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

As mentioned above, no Rights were issued for the years ended 30 June 2011 or 2010. However a total of 206,993 Rights were issued in 2007 with 155,410 of those Rights vesting in the prior financial year following performance criteria being met for the period 1 July 2007 to 30 June 2010. The balance of Rights (51,583) lapsed.

TSR Schedule

The percentage of TSR Rights that will be exercisable will be calculated by reference to the Company's TSR as follows:

Company's TSR relative to Reference Group comprising of the ASX 300 companies (*excluding resources and financial institutions*)	Percentage of Rights that are exercisable
< 51st percentile	0%
≥ 51st percentile but ≤ 75th percentile	50% (plus a pro rata increase of 2% for each higher percentile ranking up to the 75th percentile)
≥ 75th percentile	100%

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.

(ii) AHG Tax Exempt Share Plan

AHG has also introduced a tax exempt share plan that provides eligible employees with more than 3 years service with an opportunity to share in the growth in value of AHG shares and to encourage them to improve the performance of the Group and its return to shareholders by the issue of $1,000 of shares which are purchased by the employee by way of salary sacrifice.

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

(iii) 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.

Management of the Plans

The Plans are administered by the Board or a committee to whom the Board has delegated the responsibility for administering the Plans. The Company has appointed CPU Share Plans Pty Ltd to act as trustee of the Plan ("Trustee"). The Trustee will, at the direction of the Board (or Board committee), acquire the Company's shares either by way of on-market acquisition or by subscription, and the shares will be held on trust for participants under the Plans.

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

D. Details of Remuneration

Details of the remuneration of directors, senior managers (as defined in Section 9, *Corporations Act 2001*) and key management personnel (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

Senior managers and key management personnel of the Group are the executive directors of AHG and the following executives:

E Kavanagh	Chief Information Officer
GB Kininmont	GM Finance
CB Marwick	Chief Operating Officer – Automotive (ceased employment 1 July 2011)
JB Moroney	GM Organisational Effectiveness
RM Nuich	Chief Financial Officer
SD Symmons	Company Secretary (resigned 3 June 2011)

For clarity, Dealer Principals/General Managers of the individual business units of the Group are not deemed to be senior managers or key management personnel because they do not have authority and responsibility for planning, directing or controlling the activities of the consolidated Group as a whole.

The following table provides the details of remuneration for all directors of the Company and the key management personnel of the Group with authority and the nature and amount of the elements of their remuneration for the year ended 30 June 2011:

	Short-term and long-term employment benefits							Share Based Payments			Post Employment Benefits	Total
	Cash Salary and fees	Commission / Bonus Paid during the year	Less, Commission / Bonus accrued from June 2010	Commission / Bonus Accrued for June 2011	Other Non Monetary Benefits	Termination/ Severance Benefits	Other LTI Benefits	Share Plan Benefits Vested (2010)	Share Plan Benefits (Accrued) (2011)	Share Plan Benefits Vested (2011)	Super-annuation	
	$	$	$	$	$	$	$	$	$	$	$	$
Non-Executive Directors												
Robert John Branchi	43,054	-	-	-	56,838	-	-	-	-	-	20,833	120,725
Peter William Stancliffe	73,333	-	-	-	-	-	-	-	-	-	6,667	80,000
Giovanni Groppoli	83,331	-	-	-	-	-	-	-	-	-	7,500	90,831
David Charles Griffiths	147,386	-	-	-	-	-	-	-	-	-	13,265	160,651
Michael John Smith	100,688	-	-	-	-	-	-	-	-	-	9,062	109,750
Gregory Joseph Wall	96,662	-	-	-	-	-	-	-	-	-	8,700	105,362
	544,454	-	-	-	56,838	-	-	-	-	-	66,026	667,318
Executive Directors												
Bronte McGregor Howson	1,011,853	1,250,000	(1,250,000)	705,000	64,005	-	-	7,580	793,249	-	47,000	2,628,688
Hamish Calder Williams	538,066	200,000	(200,000)	200,000	43,934	-	33,333	948	-	-	43,000	859,281
	1,549,919	1,450,000	(1,450,000)	905,000	107,939	-	33,333	8,528	793,249	-	90,000	3,487,969
Total Directors	2,094,373	1,450,000	(1,450,000)	905,000	164,777	-	33,333	8,528	793,249	-	156,026	4,155,287
Key Executives												
Eugene Kavanagh	217,801	25,000	(25,000)	35,000	30,084	-	-	-	-	-	27,199	310,084
John Bernard Moroney	211,319	50,000	(50,000)	50,000	-	-	-	-	-	-	58,482	319,801
Gus Brian Kininmont	273,803	31,250	(31,250)	126,500	18,414	-	-	-	-	-	15,199	433,916
Christopher Bevan Marwick[1]	476,885	480,539	(357,108)	96,569	39,266	810,630	-	-	-	-	27,300	1,574,081
Ronald Michael Nuich	306,584	75,000	(75,000)	80,000	18,416	-	-	-	-	-	25,000	430,000
Susan Dianna Symmons[2]	227,536	40,000	(40,000)	-	-	-	-	-	-	-	24,299	251,835
Total Key Executives	1,713,928	701,789	(578,358)	388,069	106,179	810,630	-	-	-	-	177,479	3,319,716
Total	3,808,301	2,151,789	(2,028,358)	1,293,069	270,956	810,630	33,333	8,528	793,249	-	333,505	7,475,003

1 Employment ceased 1 July 2011. 54% of termination/severance benefit related to statutory obligations and accumulated employee entitlements
2 Resigned 3 June 2011

Comparative details for the year ended 30 June 2010 are as follows:

	Short-term and long-term employment benefits							Share Based Payments			Post Employment Benefits	Total
	Cash Salary and fees	Commission / Bonus Paid during the year	Less, Commission / Bonus accrued from June 2009	Commission / Bonus Accrued for June 2010	Other Non Monetary Benefits	Termination/ Severance Benefits	Other LTI Benefits	Share Plan Benefits Vested (2009)	Share Plan Benefits (Accrued) (2010)	Share Plan Benefits Vested (2011)	Super-annuation	
	$	$	$	$	$	$	$	$	$	$	$	$
Non-Executive Directors												
Robert John Branchi	62,270	-	-	-	26,808	-	-	-	-	-	50,000	139,078
Peter William Stancliffe	72,706	-	-	-	-	-	-	-	-	-	6,544	79,250
Giovanni Groppoli	75,735	-	-	-	-	-	-	-	-	-	6,816	82,551
David Charles Griffiths	108,763	-	-	-	-	-	-	-	-	-	9,789	118,552
Michael John Smith	11,252	-	-	-	-	-	-	-	-	-	1,013	12,265
Gregory Joseph Wall	87,853	-	-	-	-	-	-	-	-	-	7,907	95,760
	418,579	-	-	-	26,808	-	-	-	-	-	82,068	527,455
Executive Directors												
Bronte McGregor Howson	873,141	726,388	(726,388)	1,250,000	79,859	-	-	-	455,696	310,820	47,000	3,016,517
Hamish Calder Williams	493,565	200,000	(200,000)	200,000	43,435	-	-	-	-	38,854	43,000	818,854
	1,366,706	926,388	(926,388)	1,450,000	123,294	-	-	-	455,696	349,674	90,000	3,835,370
Total Directors	1,785,285	926,388	(926,388)	1,450,000	150,102	-	-	-	455,696	349,674	172,068	4,362,825
Key Executives												
Eugene Kavanagh	198,000	-	-	25,000	24,072	-	-	-	-	-	26,461	273,533
John Bernard Moroney	191,000	17,582	(17,582)	50,000	-	-	-	-	-	-	47,000	288,000
Gus Brian Kininmont[1]	109,154	-	-	31,250	-	-	-	-	-	-	7,231	147,635
Christopher Bevan Marwick	475,000	291,282	(101,460)	357,108	69,771	-	-	-	-	-	23,500	1,115,201
Ronald Michael Nuich	280,700	31,250	(31,250)	75,000	19,300	-	-	-	-	-	25,000	400,000
Susan Dianna Symmons	215,360	25,000	(25,000)	40,000	-	-	-	-	-	-	24,640	280,000
Total Key Executives	1,469,214	365,114	(175,292)	578,358	113,143	-	-	-	-	-	153,832	2,504,369
Total	3,254,499	1,291,502	(1,101,680)	2,028,358	263,245	-	-	-	455,696	349,674	325,900	6,867,194

1 Appointed 27 January 2010

As discussed above, no Rights were issued under the AHG Performance Rights Plan for the years ended 30 June 2011 or 2010. Share rights issued in 2007 to the Managing Director and Executive Director – Strategy & Planning vested in the year ended 30 June 2010. These share rights did not meet the performance criteria in previous years and had been recalculated in accordance with the terms of the AHG Performance Rights Plan for the year ended 30 June 2010. Following is a summary of the cost of shares as at 30 June 2011:

AHG Performance Rights Plan		BM Howson		HC Williams		Total	
		2011 Share Rights	2010 Share Rights	2011 Share Rights	2010 Share Rights	2011 Share Rights	2010 Share Rights
Number of shares	Price	-	138,142	-	17,268	-	155,410
		$	$	$	$	$	$
Shares purchased to 30 June 2010	$2.25	-	206,992	-	25,875	-	232,867
Shares to be purchased at 30 June 2010	$2.25	-	103,828	-	12,979	-	116,807
Change in value between 30 June 2010 and when shares received by executives		7,580	-	948	-	8,528	-
Total		7,580	310,820	948	38,854	8,528	349,674

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2011	2010	2011	2010	2011	2010
Non-Executive Directors						
Robert John Branchi	100.0%	100.0%	Nil	Nil	Nil	Nil
Peter William Stancliffe	100.0%	100.0%	Nil	Nil	Nil	Nil
Giovanni Groppoli	100.0%	100.0%	Nil	Nil	Nil	Nil
David Charles Griffiths	100.0%	100.0%	Nil	Nil	Nil	Nil
Michael John Smith	100.0%	100.0%	Nil	Nil	Nil	Nil
Gregory Joseph Wall	100.0%	100.0%	Nil	Nil	Nil	Nil
Executive Directors						
Bronte McGregor Howson	42.7%	33.2%	26.8%	41.4%	30.5%	25.4%
Hamish Calder Williams	72.7%	70.8%	23.3%	24.4%	4.0%	4.7%
Key Executives						
Eugene Kavanagh	88.7%	90.9%	11.3%	9.1%	Nil	Nil
John Bernard Moroney	84.4%	82.6%	15.6%	17.4%	Nil	Nil
Gus Brian Kininmont	70.8%	78.8%	29.2%	21.2%	Nil	Nil
Christopher Bevan Marwick[1]	86.0%	50.5%	14.0%	49.5%	Nil	Nil
Ronald Michael Nuich	81.4%	81.3%	18.6%	18.7%	Nil	Nil
Susan Dianna Symmons[2]	100.0%	85.7%	Nil	14.3%	Nil	Nil

1 Employment ceased 1 July 2011
2 Resigned 3 June 2011

E. Additional Information

Performance of AHG

The following graphs illustrate the link between the Company's performance, shareholder wealth and key management personnel LTI. Distributions to shareholders (dividends) for each year since 2006 are detailed below.

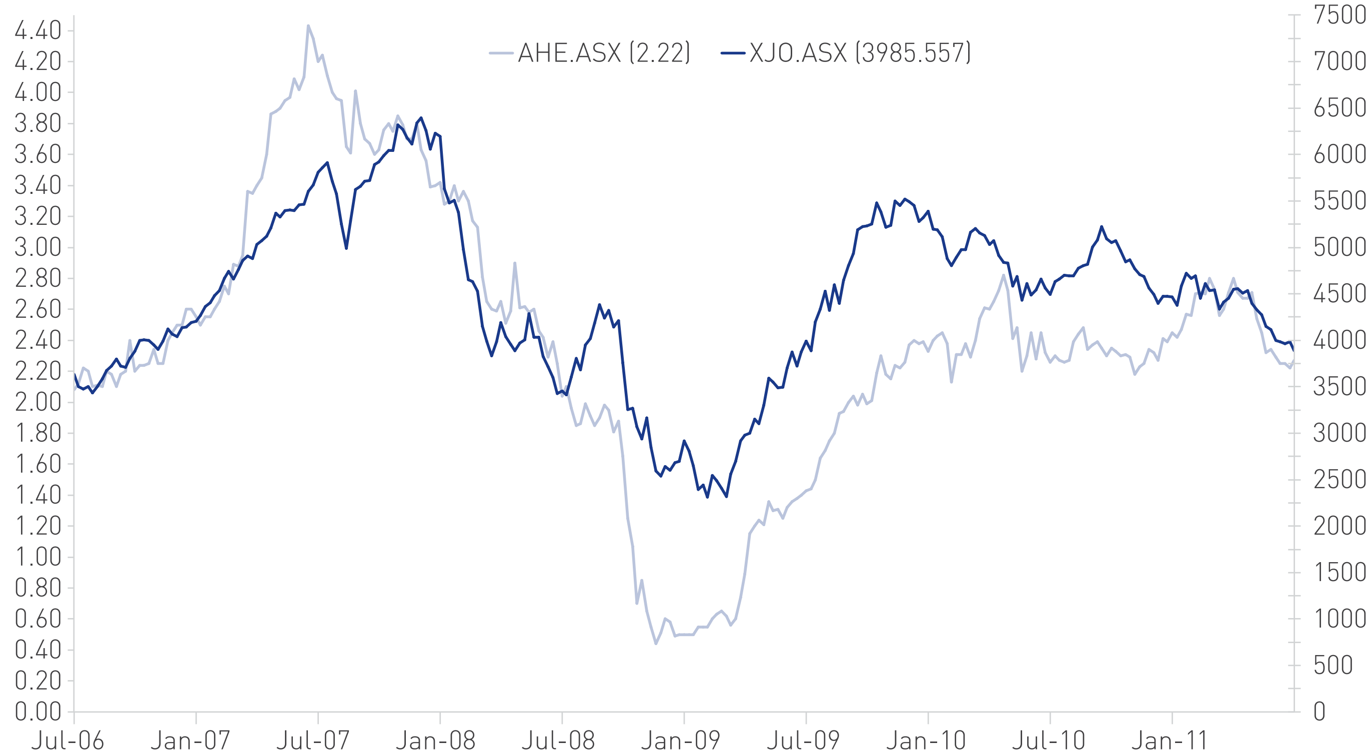
No AHG Performance Rights were issued to executives for the years ended 30 June 2011 or 2010 however a portion of Rights issued for the year ended 30 June 2008 vested in 2010 following re-testing against the TSR criteria.

There were no LTIs awarded in 2006.

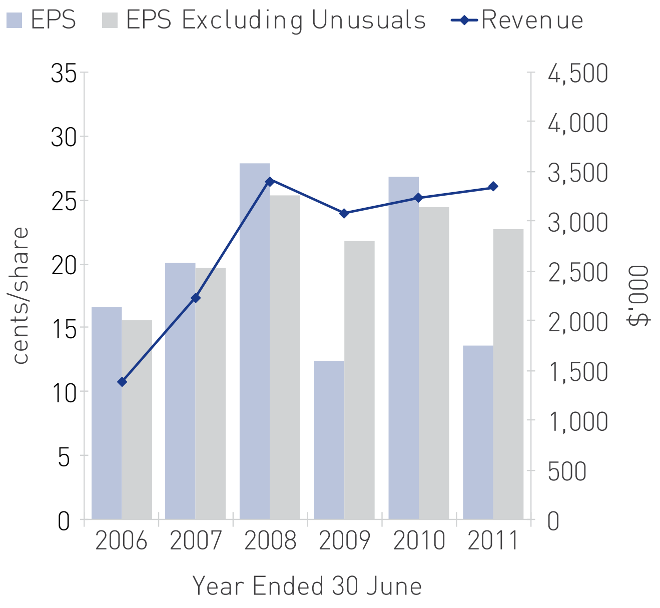
1. Dividends:

	2005	2006	2007	2008	2009	2010	2011
Interim Dividend (cents)	-	4.00	5.00	7.25	4.00	7.00	7.00
Final Dividend (cents)	5.00	6.00	7.50	10.00	10.00	10.00	10.00
Total Dividend (cents)	5.00	10.00	12.50	17.25	14.00	17.00	17.00

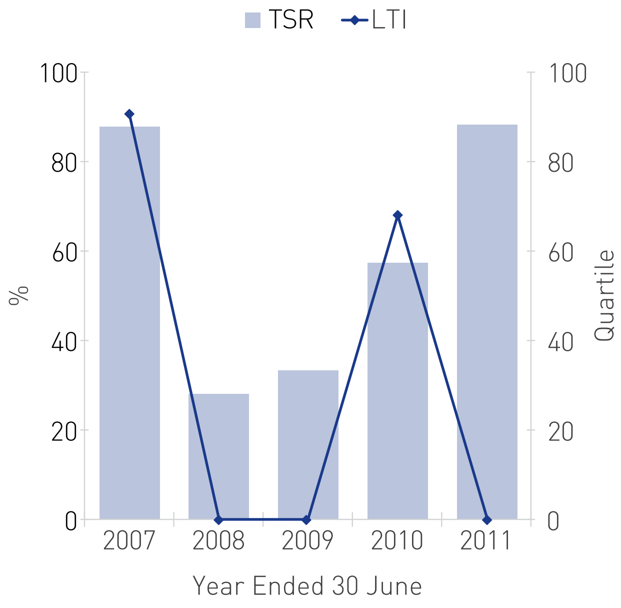
2. ASX 300 Retailing Index to AHE share price from 1 July 2006



3. Revenue and EPS Growth



4.% LTI Paid and TSR - AHG



This is the end of the audited remuneration report.

Insurance of Directors and Officers

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

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

- Access to Board papers whilst the director is a director of the Company and for 7 years after that person ceases to be a director of the Company;
- Subject to certain provisions, indemnification against any liability incurred by that director in their capacity as a director of the Company or of a subsidiary of the Company; and
- The Company obtaining a contract insuring a director against certain liabilities.

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

Proceedings on Behalf of the Company

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

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

Non Audit Services

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

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

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

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

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2011:

	Consolidated	
Dividends on ordinary shares:	2011 $'000	2010 $'000
Final dividend for the year ended 30 June 2010 of 10 cents per fully paid share on 1 October 2010 (30 June 2009 of 10 cents per fully paid share on 2 October 2009)	22,639	22,639
Interim dividend for the year ended 30 June 2011 of 7 cents per fully paid share on 1 April 2011 (30 June 2010 of 7 cents per fully paid share on 6 April 2010)	15,854	15,854
	38,493	38,493

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 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

Rounding of Amounts

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

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

David C Griffiths
Chairman

Perth, 22 September 2011

Auditor's Independence Declaration

BDO

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

22 September 2011

Automotive Holdings Group Limited
The Board of Directors
21 Old Aberdeen Place
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD McVEIGH TO THE DIRECTORS OF AUTOMOTIVE HOLDINGS GROUP LIMITED

As lead auditor of Automotive Holdings Group Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	Consolidated 2011 $'000	2010 $'000
Revenue from continuing operations	6	3,336,782	3,239,977
Other Income	6	148	7,904
Raw materials and inventory expense		(2,661,912)	(2,608,541)
Employee benefits expense	7	(331,715)	(312,439)
Depreciation and amortisation expense	7	(19,468)	(16,844)
Finance costs	7	(32,750)	(24,116)
Advertising and promotion		(28,935)	(28,304)
Occupancy costs		(72,225)	(63,253)
Vehicle preparation and service		(27,106)	(26,168)
Supplies and outside services		(27,997)	(26,028)
Motor vehicle expense		(8,627)	(8,223)
Equipment rental	7	(6,825)	(7,205)
Professional services		(4,596)	(4,129)
Other expense		(39,650)	(35,138)
Loss on sale of assets	7	-	(123)
Cost of sale of investments	7	-	(454)
Impairment of intangible assets	7	(19,854)	-
Profit before income tax		55,269	86,914
Income tax expense	8	(22,117)	(24,854)
Profit from continuing operations		33,153	62,060
Profit for the year before other comprehensive income		33,153	62,060
Other Comprehensive Income			
Available-for-sale financial assets	23	(127)	(1,403)
Unrealised changes in the fair value of cash flow hedges	23	(41)	-
Exchange differences on translation of foreign operations	23	(161)	31
Total comprehensive income for the year (net of tax)		32,824	60,688
Profit attributable to:			
Owners of Automotive Holdings Group Limited	23	31,217	60,338
Non-controlling interest		1,935	1,722
		33,153	62,060
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		30,890	58,965
Non-controlling interest		1,934	1,723
		32,824	60,688
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	13.5	26.7
Diluted earnings per share	10	13.5	26.7
Earnings per share is calculated on a weighted average number of shares of:		230,491,621	226,371,426

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2011

	Notes	Consolidated 2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	11	104,996	76,778
Trade and other receivables	12	172,466	158,562
Inventories	13	443,827	449,885
Other current assets	14	16,493	9,659
TOTAL CURRENT ASSETS		737,782	694,884
NON CURRENT ASSETS			
Available-for-sale financial assets	15	-	233
Property, plant and equipment	16	175,909	116,750
Intangible assets	17	189,797	198,574
Deferred tax assets	8	18,979	16,877
TOTAL NON CURRENT ASSETS		384,685	332,434
TOTAL ASSETS		1,122,467	1,027,318
CURRENT LIABILITIES			
Trade and other payables	18	143,383	137,080
Interest-bearing loans and borrowings	21	369,258	358,825
Income tax payable		7,927	13,987
Provisions	19	31,347	29,155
TOTAL CURRENT LIABILITIES		551,915	539,047
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings	21	106,868	98,283
Deferred tax liabilities	8	285	206
Provisions	20	10,649	10,172
TOTAL NON CURRENT LIABILITIES		117,802	108,661
TOTAL LIABILITIES		669,717	647,708
NET ASSETS		452,750	379,610
EQUITY			
Contributed equity	22	382,586	302,106
Reserves	23	(563)	(235)
Retained profits	23	67,716	74,992
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		449,739	376,863
Non-controlling interest	24	3,012	2,747
TOTAL EQUITY		452,750	379,610

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

Statement of Changes in Equity

For the year ended 30 June 2011

Consolidated	Notes	Contributed Equity	Asset Revaluation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2009		294,711	1,530	-	(393)	53,147	348,994	1,305	350,299
Profit for the year (after tax)		-	-	-	-	60,338	60,338	1,722	62,060
Changes in fair value of available -for-sale financial assets	23	-	(1,964)	-	-	-	(1,964)	-	(1,964)
Exchange differences on translation of foreign operations	23	-	-	-	31	-	31	1	32
Income tax relating to components of other comprehensive income	23	-	561	-	-	-	561	-	561
Total comprehensive income for the year		-	(1,403)	-	31	60,338	58,966	1,723	60,689
Transactions with owners in their capacity as equity holders:									
Contributions of equity, net of transaction costs	22	7,395	-	-	-	-	7,395	500	7,895
Dividends provided for or paid	9	-	-	-	-	(38,493)	(38,493)	(780)	(39,273)
		7,395	-	-	-	(38,493)	(31,098)	(280)	(31,377)
At 30 June 2010		302,106	127	-	(362)	74,992	376,863	2,748	379,610

	Notes	Contributed Equity	Asset Revaluation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2010		302,106	127	-	(362)	74,992	376,863	2,748	379,610
Profit for the year (after tax)		-	-	-	-	31,217	31,217	1,935	33,153
Changes in fair value of available -for-sale financial assets	23	-	(181)		-	-	(181)	-	(181)
Changes in fair value of cash flow hedges	23	-	-	(59)	-	-	(59)	-	(59)
Exchange differences on translation of foreign operations	23	-	-	-	(160)	-	(160)	(1)	(161)
Income tax relating to components of other comprehensive income	23	-	54	18	-	-	72	-	72
Total comprehensive income for the year		-	(127)	(41)	(160)	31,217	30,889	1,934	32,824
Transactions with owners in their capacity as equity holders:									
Contributions of equity, net of transaction costs	22	80,480	-	-	-	-	80,480	200	80,680
Dividends provided for or paid	9	-	-	-	-	(38,493)	(38,493)	(1,870)	(40,363)
		80,480	-	-	-	(38,493)	41,987	(1,670)	40,316
At 30 June 2011		382,586	-	(41)	(522)	67,716	449,739	3,012	452,750

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

Statement of Cash Flows

For the year ended 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		3,328,549	3,221,502
Payments to suppliers and employees (inclusive of GST)		(3,205,873)	(3,180,492)
Interest paid and costs of finance		(32,750)	(24,116)
Interest received		5,080	4,096
Income tax paid		(28,554)	(21,123)
Net cash inflow / (outflow) from operating activities	25	66,452	(133)
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired	31	(12,516)	-
Deposits on purchases of businesses		(1,500)	-
Payment for property plant and equipment		(68,164)	(18,818)
Dividends and distributions received		-	168
Proceeds of sale of property, plant and equipment		3,278	3,830
Proceeds of sale of investments		-	7,866
Net cash (outflow) from investing activities		(78,902)	(6,954)
Cash flows from financing activities			
Net proceeds from / (repayment of) borrowings		738	50,761
Proceeds from issue of shares, net of transaction costs	22	80,292	7,395
Dividends paid to members	9	(38,493)	(38,493)
Dividends paid to non-controlling interest		(1,870)	(780)
Net cash inflow from financing activities		40,667	18,884
Net increase in cash and cash equivalents		28,218	11,796
Cash and cash equivalents at the beginning of the year		76,778	64,982
Cash and cash equivalents at the end of the year	11	104,996	76,778

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 $12,982,613 (2010: $16,335,000) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

Notes to the Consolidated Financial Statements

30 June 2011

Contents to the Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

Contents to the summary of significant accounting policies

Basis of Preparation

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

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

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

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 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

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and Australian Accounting Interpretations as of 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The adoption of these standards did not have an impact on the current period or any prior period and is not likely to affect future periods.

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 years ended 30 June 2011 and have not been adopted in preparing the financial report for the year ended 30 June 2011. In all cases the entity intends to apply these standards applicable from the period first commencing after the effective date as indicated below:

Accounting standard reference	Accounting standard title	Nature of change	Application date	Impact on initial application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made a full assessment of the impact of these amendments. However, the entity does not have any financial liabilities measured at fair value through profit or loss. It is therefore expected there will be no impact on the financial statements when these amendments to AASB 9 are first adopted.
AASB 124 (issued December 2009)	Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
AASB 1053 & AASB 2010-2 (issued June 2010)	Application of Tiers of Australian Accounting Standards & Amendments to Australian Accounting Standards arising from the Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements Entities classified as Tier 2 entities in AASB 1053 Application of Tiers of Australian Accounting Standards that currently apply full IFRSs as adopted in Australia are able to adopt the Reduced Disclosure Requirements.	Annual reporting periods commencing on or after 1 July 2013	The entity is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. These two standards will therefore have no impact on the financial statements of the entity.
AASB 1054 (issued May 2011)	Australian Additional Disclosures	Moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. Removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories).	Annual reporting periods commencing on or after 1 July 2011	When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.
AASB 2010-4 (issued June 2010)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13)	Not urgent but necessary changes to IFRSs as a result of IASB's 2009 annual improvements project.	Periods commencing on or after 1 January 2011.	The amendment will reduce the level of disclosure on the statement of changes in equity report.
AASB 2010-6 (issued November 2010)	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	Additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them.	Annual reporting periods commencing on or after 1 July 2011	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The entity does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.

Accounting standard reference	Accounting standard title	Nature of change	Application date	Impact on initial application
AASB 10 (issued Sept 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: Power over investee (whether or not power used in practice) Exposure, or rights, to variable returns from investee Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities that have not already been consolidated since their incorporation.
		Introduces the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.		The entity has no such interests of less than 50% ownership interest in other entities. It is therefore expected there will be no impact on the financial statements when this amendment is first adopted.
		Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in possibly fewer instances of control.		The entity has no such interests of less than 50% ownership interest in other entities. It is therefore expected there will be no impact on the financial statements when this amendment is first adopted
		Additional guidance included to determine when decision making authority over an entity has been delegated by a principal to an agent. Factors to consider include: › Scope of decision making authority › Rights held by other parties, e.g. kick-out rights › Remuneration and whether commensurate with services provided Decision maker's exposure to variability of returns from other interests held in the investee.		
AASB 11 (issued Sept 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current methodologies used and those required by IFRS 11.
AASB 12 (issued Sept 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

Accounting standard reference	Accounting standard title	Nature of change	Application date	Impact on initial application
AASB 13 (issued Sept 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by IFRS 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time on 1 July 2012, additional disclosures will be required about fair values.
AASB 2011-9 (issued Sept 2011)	Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes as follows: 1. statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' 1. statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on amounts recognised for transactions and balances for 30 June 2014 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future and those that cannot subsequently be reclassified.
ED 202R	Leases	The exposure draft proposes that lessees and lessors apply a right-of-use model in accounting for all leases	The AASB has released ED202R for comment by 12 November 2010	The entity has not yet made an assessment of the impact of this proposal

(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 2011 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 over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The effects of all transactions between entities in the Group are eliminated in full.

Non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Non-controlling interests are allocated their share of net profit or loss after tax in the statement of 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.

Jointly controlled operations

The proportionate interests in the assets and liabilities of jointly controlled operations have been incorporated in the consolidated statement of financial position under the appropriate headings. The share of the income and expenses is recognised in the consolidated statement of comprehensive income under the appropriate headings. Details of jointly controlled operations are set out in note 26.

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 of the relationship is that the trust is controlled by the Group.

Shares held by the trust are disclosed as treasury shares and deducted from contributed equity.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. It is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risk and rewards are considered to have passed to the buyer upon the delivery of goods to the customer.

Rendering of services

Revenue from the rendering of a service is recognised in the period in which the service is provided.

Commissions

Commissions are recognised in the period in which the related sale of goods or rendering of service is recognised.

Interest income

Interest income is recognised as interest accrues using the effective interest rate method. The effective interest rate method uses the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(f) Income Tax – refer note 8

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

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

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

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

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

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

Tax consolidation legislation:

Automotive Holdings Group Limited 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.

(g) Business Combinations

The purchase method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of the acquisition. Costs directly attributable to the acquisition are expensed as incurred. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows are generated (cash generating units).

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.

(i) Segment Reporting – refer note 5

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

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

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

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 transport and cold storage operations from within the existing Logistics Division.

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

(j) Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

› assets and liabilities for each statement of financial position presented are translated at the closing rate of the reporting date;
› income and expenses for each statement of 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 a separate component of equity (foreign currency translation reserve).

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 profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(k) Cash and Cash Equivalents – refer note 11

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.

(l) Banking Transactions

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

(m) Trade Receivables – refer note 12

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

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

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

(n) Inventories – refer note 13

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 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 on the basis of specific identification.

Parts and associated products are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost.

Work in progress is stated at cost. Cost includes labour incurred to date and consumables utilised during the service. Costs are assigned to individual customers on the basis of specific identification.

(o) New Motor Vehicle Stock and Related Bailment

Motor vehicles secured under bailment plans are provided to the Group under bailment agreements between the floor-plan loan providers and entities within the Group. The Group obtains title to the vehicles immediately prior to sale. The floor-plan providers treat the vehicles from a practical point of view as forming part of the Group's trading stock. Both the inventory value and the corresponding floor-plan obligation have been included in the financial statements although ownership of such inventory rests with the floor-plan financiers.

(p) Investments and Other Financial Assets

The Group classifies its investments or other financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments or other financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Available-For-Sale Financial Assets – refer note 15

Available for sale financial assets, comprising principally marketable equity securities, 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 equity 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 profit or loss 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.

Loans and receivables – refer note 12

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.

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

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the carrying value of the asset may be adjusted accordingly.

(q) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Assumptions used are based on observable market prices and rates at reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(r) Property, Plant and Equipment - refer note 16

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

Category	Life
Buildings	40 years
Plant & equipment	2½ – 20 years
Motor vehicles	4 - 8 years
Computer software	5 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 comprehensive income.

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

(s) Leased Assets – refer note 16

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 32). 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 32). Operating lease assets are not capitalised and rental payments are charged against profit in the period in which they are incurred.

(t) Intangibles – refer note 17

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 to which the goodwill relates.

Franchise rights

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

(u) Trade and Other Payables – refer note 18

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

(v) Interest Bearing Loans and Borrowings – refer note 21

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 profit or loss 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.

(w) Finance Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. These costs include:

- interest on bank overdrafts, short and long-term borrowings;
- interest on new vehicle bailment arrangements; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings

(x) Provisions – refer notes 19 and 20

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

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

(y) Employee Benefits – refer notes 19 and 20

Wages, salaries and annual leave

The provision for employee entitlements, salaries (including non-monetary benefits) and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities 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.

Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised as current and is measured at the amount of long service leave to which employee are currently entitled.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the non-current liability for employee entitlements and 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 30.

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

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

(z) Contributed Equity – refer note 22

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.

(aa) Dividends – refer note 9

Dividends declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at reporting date are subsequently paid out of retained earnings.

(bb) Earnings per Share – refer note 10

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.

Diluted earnings per share

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

(cc) Rounding of Amounts

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

(dd) Financial Guarantee Contracts – refer note 21

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.

(ee) Derivatives and Hedging Instruments

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

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

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

Movements in the hedging reserve in shareholders' equity are show in note 23.

(i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the fixed rate borrowings attributable to the interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

(ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and quality as cash flow hedges in recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss 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 profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in profit or loss 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 profit or loss 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ff) Parent Entity Financial Information – refer note 4

The financial information for the parent entity, AHG Limited, disclosed in note 4 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investment in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of AHG Limited. Dividends received from associates are recognised in the parent entity's profit or loss, 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 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. Further information on tax funding and tax sharing arrangements can be found in Note 8.

2. Significant accounting judgements, estimates and assumptions

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

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

Demonstrator vehicle write-down to net realisable value

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

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.

Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least at each reporting date under the criteria set out in AASB 136 Impairment of Assets. This requires an estimation of the recoverable amount of the cash generating units, to which the intangible is allocated, using a value-in-use discounted cash flow methodology. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives, including sensitivity analysis, are discussed in note 17.

Warranties

The Group uses a third party in the majority of circumstances to determine the level of provision required for mechanical warranties. Where the Group does not use a third party, judgements have been made in respect of the expected performance of the vehicles delivered, number of customers who will use the warranty and how often, and the cost of fulfilling the performance of the mechanical warranty. The related carrying amounts are disclosed in note 20.

3. Financial risk management objectives and policies

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

Risk exposure and responses

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

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

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

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

Under the Group's Treasury Policy, a Treasury Committee has been established comprising of the Executive Director – Strategy and Planning, 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:

	Consolidated	
	2011 $'000	2010 $'000
Financial Assets		
Cash and cash equivalents	104,996	76,778
Trade and other receivables	172,466	158,562
Available-for-sale financial assets	-	233
	277,462	235,573
Financial Liabilities at amortised cost		
Trade and other payables	143,383	137,080
Interest-bearing loans and borrowings	476,127	457,107
	619,509	594,188

The carrying amount of assets pledged as security against current and non-current borrowings are reflected in note 21. Refer to note 37 for details of derivative financial instruments included in Trade and other receivables and Trade and other payables.

Market risk

Interest rate risk

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

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

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

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

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

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

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 $30.0 million (2010: $Nil) at 30 June 2011, at a weighted average interest rate of 5.0%.

During 2010 and 2011, the Group's borrowings were principally denominated in Australian dollars. The following table reflects the net debt position subject to variable interest rate risk.

Consolidated 2011		$'000	+ 50Bps		+ 100Bps	
	Weighted Average Interest Rate [1]	Carrying Amount	Profit (after tax)	Equity (after tax)	Profit (after tax)	Equity (after tax)
Financial Assets						
Cash and cash equivalents	4.09%	104,996	367	367	735	735
Financial Liabilities						
Vehicle borrowings	6.89%	(357,134)	(1,250)	(1,250)	(2,500)	(2,500)
Other borrowings	4.95%	(40,616)	(142)	(142)	(284)	(284)
Total Increase / (Decrease)		(292,754)	(1,025)	(1,025)	(2,049)	(2,049)

Consolidated 2010		$'000	+ 50Bps		+ 100Bps	
	Weighted Average Interest Rate [1]	Carrying Amount	Profit (after tax)	Equity (after tax)	Profit (after tax)	Equity (after tax)
Financial Assets						
Cash and cash equivalents	4.47%	76,778	269	269	537	537
Financial Liabilities						
Vehicle borrowings	6.91%	(349,941)	(1,225)	(1,225)	(2,450)	(2,450)
Other borrowings	4.91%	(62,480)	(219)	(219)	(437)	(437)
Total Increase / (Decrease)		(335,642)	(1,175)	(1,175)	(2,349)	(2,349)

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 2011 reflects a sensitivity analysis on an interest rate movement up of 50 and 100 basis points (bps to relevant floating borrowing balances as at reporting date); there is significant volatility in the current market regarding expectations of likely interest rate movements and the above tables equally reflect the impact for both interest rate increases and decreases on the Group's financial performance. The above table for the year ended 30 June 2010 reflects a sensitivity analysis on an interest rate movement up of 50 and 100 basis points (bps to relevant floating borrowing balances as at reporting date (bps).

Foreign currency risk

In relation to operational activities, the Group has minimal exposure to foreign currency risk during the current and previous financial years and it is considered to be immaterial in relation to the impact on the financial performance of the Group as a whole.

However, the Group will be exposed to foreign exchange risk arising from the currency exposures centred on the purchase of inventory from July 2011 and, accordingly, had entered into forward exchange contracts to buy EUR15.0 million as of 30 June 2011 (2010: $Nil).

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 subsidiary in managing their foreign exchange risk exposure through the use of forward exchange contracts such as detailed above.

Price risk

The Group is not exposed to equity price risk as it no longer holds any available-for-sale financial assets.

The Group has previously held shares in carsales.com Limited. During the year ended 30 June 2010 the Group disposed in full of its interest in these securities.

During the year ended 30 June 2010, in accordance with the applicable accounting standard, the Group recognised an upward fair value adjustment applicable to the AHG Performance Rights Plan shares of $62,000 (net of tax) against the revaluation reserve.

Credit risk

Credit risk is managed at both the business unit and Group level. Credit risk arises predominately 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.

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

Maximum Credit Risk	Consolidated	
	2011 $'000	2010 $'000
Deposits	5,364	5,869
Vehicle debtors	51,244	47,356
Parts and service debtors	76,254	71,183
Factory receivables	23,655	22,934
Finance and insurance receivables	11,948	13,006
Allowance for impairment of trade receivables	(2,275)	(2,686)
Total trade receivables	166,190	157,662

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

Credit Quality of Total Trade Receivables	Consolidated	
	2011 $'000	2010 $'000
Counterparties with external credit ratings		
AA	8,633	6,311
A	1,780	8,822
BBB	6,712	5,210
BB	7,579	1,036
B	2,848	6,184
	27,552	27,564
Counterparties without external credit ratings		
Group 1	38,748	54,978
Group 2	88,144	59,322
Group 3	14,022	18,484
	140,914	132,784
Total trade receivables	168,465	160,348
Cash and cash equivalents		
AA	104,996	76,778
	104,996	76,778

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.

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 2011	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car VIL borrowings	48,829	49,245	-	-	-	49,245
New car floor-plan *	308,305	310,928	-	-	-	310,928
Trade payables	73,049	72,415	35	598	1	73,049
Other payables and accruals	70,334	69,646	495	192	1	70,334
Finance lease liabilities	27,055	9,437	4,756	10,304	8,891	33,387
Hire purchase liabilities	20,153	5,761	6,672	11,109	532	24,074
External loans	71,785	4,242	73,670	380	551	78,842
	619,509	521,673	85,628	22,583	9,977	639,860

	Gross Contractual Liability Cash Flow Outgoings ($'000)					
Consolidated 2010	Carrying Amount	1 - 12 months	1 - 2 years	2 - 5 years	5 + years	Total Gross Cash flow
Used car VIL borrowings	45,317	45,713	-	-	-	45,713
New car floor-plan *	304,624	307,280	-	-	-	307,280
Trade payables	81,221	80,372	16	47	786	81,221
Other payables and accruals	55,859	55,365	190	254	49	55,859
Finance lease liabilities	25,813	6,911	10,313	2,505	13,613	33,342
Hire purchase liabilities	17,124	4,285	5,001	10,134	1,368	20,788
External loans	64,230	3,984	61,122	3,080	2,372	70,558
	594,188	503,910	76,643	16,020	18,189	614,761

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

4. Parent entity information

The following details information related to the parent entity, Automotive Holdings Group Limited, at 30 June 2011. The information presented is in line with the Group's accounting policies as presented in Note 1.

	Parent	
	2011 $'000	2010 $'000
Current assets	231,546	136,175
Non current assets	255,834	268,845
Total assets	487,380	405,021
Current liabilities	21,624	28,289
Non-current liabilities	70,653	57,575
Total Liabilities	92,277	85,864
Contributed equity	383,585	302,106
Reserves	(41)	127
Retained profits	11,559	16,924
Total Equity	395,103	319,157
Profit for the year	33,128	57,565
Other comprehensive (loss) / income for the year	(168)	(1,403)
Total comprehensive income for the year	32,959	56,162

Profit for the year is net of impairment to investments in subsidiary entities of $19.854 million, arising from the intangible impairment charge in the consolidated financial statements.

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 2011 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 33. 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 venture interests (note 26). Capital commitments of the parent in relation to property, plant and equipment are the same as those consolidated capital commitments disclosed in note 32.

5. Operating segments

The Board has determined that AHG's operating segments be divided between a single reportable automotive segment and two reportable logistics segments comprising of AHG's transport and cold storage operations and the balance of all of its other logistical operations. 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 111 dealerships franchise sites operating within the geographical areas of Australia and New Zealand.

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

Transport and Cold Storage

It was determined that AHG's transport and cold storage operations be disclosed as a separate reportable segment given the unique characteristics attendant to these operations, vis-à-vis the Group's other logistical operations, as well as the proportion of AHG's profit generated by them.

Other Logistics

The Other logistical operations segment comprises AHG's automotive parts warehousing and distribution businesses, motorcycle distribution and vehicle storage and engineering.

Segment Reporting June 2011	Automotive Retail $'000	Transport and Cold Storage $'000	Other Logistics $'000	Logistics $'000	Consolidated $'000
Gross revenue	2,987,970	201,621	246,538	448,159	3,436,129
Less: intercompany sales	(68,210)	(235)	(36,467)	(36,702)	(104,912)
Segment revenue	**2,919,760**	**201,386**	**210,071**	**411,458**	**3,331,217**
Interest earned	5,062	165	337	502	5,564
Total revenue					**3,336,782**
EBITDA	**94,046**	**19,787**	**7,944**	**27,731**	**121,777**
Depreciation and amortisation	(11,794)	(6,009)	(1,665)	(7,674)	(19,468)
EBIT	**82,251**	**13,778**	**6,280**	**20,057**	**102,309**
Interest expense (net)	(23,165)	(2,364)	(1,657)	(4,020)	(27,185)
Segment result before unusual items					**75,123**
Impairment of Intangibles					(19,854)
Profit before tax					**55,269**
Income tax expense					(22,117)
Reportable segment profit after tax					**33,153**
Total revenue	**2,924,822**	**201,551**	**210,409**	**411,960**	**3,336,782**
EBITDA before unusual and acquisition-related professional fees	**94,742**	**19,787**	**9,188**	**28,975**	**123,717**
EBIT before unusual and acquisition-related professional fees	**82,948**	**13,778**	**7,523**	**21,301**	**104,249**
Segment result before unusual and acquisition-related professional fees	**59,783**	**11,414**	**5,867**	**17,281**	**77,063**
Acquisition-related professional fees	(696)		(1,244)	(1,244)	(1,940)
Segment result before unusual items	**59,086**	**11,414**	**4,623**	**16,037**	**75,123**
Unusual items - Impairment of Intangibles	(6,679)	-	(13,175)	(13,175)	(19,854)
Reportable segment result after unusual items	**52,407**	**11,414**	**(8,552)**	**2,862**	**55,269**
Segment assets	955,780	79,076	87,611	166,687	1,122,467
Total consolidated assets					**1,122,467**
Segment liabilities	531,887	66,321	71,509	137,830	669,717
Total consolidated liabilities					**669,717**
Acquisition of property, plant, equipment, intangibles and other non current segment assets	86,319	8,517	1,031	9,548	95,867

Segment Reporting June 2010	Automotive Retail $'000	Transport and Cold Storage $'000	Other Logistics $'000	Logistics $'000	Consolidated $'000
Gross revenue	2,941,675	167,006	254,264	421,270	3,362,945
Less: intercompany sales	(87,812)	-	(39,252)	(39,252)	(127,064)
Segment revenue	2,853,863	167,006	215,012	382,018	3,235,881
Interest earned	**3,845**	**118**	**134**	**251**	**4,096**
Total revenue	2,857,707	167,123	215,146	382,269	3,239,977
Sale of investments					**7,904**
Total revenue and other income					**3,247,880**
EBITDA	**88,803**	**15,909**	**11,277**	**27,185**	**115,989**
Depreciation and amortisation	(10,466)	(4,606)	(1,773)	(6,379)	(16,844)
EBIT	**78,337**	**11,303**	**9,504**	**20,807**	**99,144**
Interest expense (net)	(15,456)	(1,993)	(2,230)	(4,224)	(19,680)
Segment result before unusual items					**79,464**
Sale of investments					7,449
Profit before tax					**86,914**
Income tax expense (net)					(22,619)
Income tax expense on unusual items					(2,235)
Reportable segment profit after tax					**62,060**
Detailed Segment Trading Analysis					
Segment revenue after allocation of interest	2,857,707	167,123	215,146	382,269	3,239,977
Sale of investments	7,904	-	-	-	7,904
Total segment revenue and other income	**2,865,611**	**167,123**	**215,146**	**382,269**	**3,247,880**
Segment result after allocation of interest	**62,881**	**9,310**	**7,273**	**16,583**	**79,464**
Unusual items					
Profit on sale of investments					7,449
Reportable segment profit after unusual items before tax	**70,330**	**9,310**	**7,273**	**16,583**	**86,914**
Segment assets	861,981	63,548	101,789	165,338	1,027,318
Total consolidated assets					**1,027,318**
Segment liabilities	518,925	57,976	70,807	128,783	647,708
Total consolidated liabilities					**647,708**
Acquisition of property, plant, equipment, intangibles and other non current segment assets	20,374	12,855	2,050	14,905	35,279

6. Revenue and other income

	Consolidated	
	2011 $'000	2010 $'000
Sales revenue		
Sale of goods	2,914,473	2,878,538
Rendering of services	401,723	345,743
	3,316,195	3,224,281
Other revenue		
Interest	5,564	4,096
Dividends	-	168
Other revenue	15,022	11,432
	20,586	15,696
Total Revenue	3,336,782	3,239,977

	Consolidated	
	2011 $'000	2010 $'000
Other Income		
Net gain on disposal of property, plant and equipment	148	-
Proceeds on sale of investment [1]	-	7,904
	148	7,904

1 During the year ended 30 June 2010 the Group fully disposed of its interest in carsales.com Limited shares.

7. Expenses

	Consolidated	
	2011 $'000	2010 $'000
Depreciation		
Vehicles, plant, furniture and equipment	12,581	10,028
Buildings	369	148
	12,951	10,176
Amortisation		
Capitalised leased assets	3,980	4,509
Leasehold improvements	2,538	2,160
	6,517	6,668
Finance costs *(for financial liabilities not at fair value through profit and loss)*		
Interest paid - other	5,473	2,471
Interest paid - finance leases	1,990	2,241
Interest paid - hire purchase	1,605	1,005
Interest paid - floor plan	23,682	18,059
Borrowing costs	-	340
	32,750	24,116
Lease payments		
Rental expenses relating to property operating leases	57,900	50,925
Rental expenses relating to equipment operating leases	6,825	7,205
	64,725	58,130
Employee benefits expense		
Wages, salaries and employee benefits	310,631	292,407
Superannuation	21,084	20,032
	331,715	312,439
Other expenses		
Bad debts written off	494	558
Net loss on sale of plant and equipment	-	123
	494	681
Unusual items		
Cost of sale of investment[1]	-	454
Impairment of intangibles	19,854	-
	19,854	454

1 During the year ended 30 June 2010 the Group fully disposed of its interest in carsales.com Limited shares. Cost of the investment and associated transaction costs were $454,000.

8. Income tax

Income tax expense

	Consolidated	
	2011 $'000	2010 $'000
Current tax	23,650	28,537
Deferred tax	(797)	(3,430)
Adjustment for current tax of prior periods	(736)	(253)
	22,117	24,854
Income tax expense is attributable to:		
Profit from continuing operations	22,117	24,854
	22,117	24,854
Deferred income tax expense included in income tax expense comprises:		
(Increase) / Decrease in deferred tax assets	(876)	(1,068)
Increase / (Decrease) in deferred tax liabilities	79	(2,362)
	(797)	(3,430)

Amounts charged or credited directly to equity

	Consolidated	
	2011 $'000	2010 $'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		
Current tax - credited directly to equity	(154)	-
Net deferred tax - credited directly to equity	(996)	(573)
	(1,150)	(573)

Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2011 $'000	2010 $'000
Profit from continuing operations before income tax expense	55,269	86,914
Corporate tax at the rate of 30% (2010: 30%)	16,581	26,074
Non deductible expenses	471	466
Investment allowance	-	(1,110)
Non-deductible diminution of investment and impairment of intangibles	5,956	-
Reversal of previously unrecognised deferred tax losses	-	(356)
Non assessable dividends	-	(72)
Tax offset for franking credits	-	22
Other	(155)	83
Income tax expense	22,853	25,107
Adjustments in respect of current income tax of previous years	(736)	(253)
Income tax expense	22,117	24,854

Recognised deferred tax assets and liabilities

Deferred tax asset

	Consolidated	
	2011 $'000	2010 $'000
Opening balance 1 July	16,877	15,766
Acquisition of subsidiary	75	-
Adjustments in respect of deferred income tax of prior years	(43)	469
Credited to income	918	599
Credited to equity	1,150	43
Closing balance 30 June	18,979	16,877
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Doubtful debts	673	795
Finance leases	199	185
Inventory	294	463
Property, plant & equipment	1,468	1,362
Fringe benefits tax	142	(3)
Accrued expenses	2,866	2,282
Provisions:		
Employee benefits	9,731	8,878
Warranties	2,129	2,298
Other provisions	671	246
Amounts recognised directly in the statement of financial position		
Share issue expenses	788	369
Cash flow hedges	18	-
Deferred tax assets	18,979	16,877
Deferred tax assets expected to be recovered within 12 months	13,379	12,284
Deferred tax assets expected to be recovered after more than 12 months	5,600	4,592
	18,979	16,877

Deferred tax liability

	Consolidated	
	2011 $'000	2010 $'000
Opening balance 1 July	206	3,184
Charged against income	79	(2,362)
Charged to equity	-	(616)
Closing balance 30 June	285	206
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Prepayments	285	206
Deferred tax liability	285	206
Deferred tax liabilities expected to be recovered within 12 months	285	206
Deferred tax liabilities expected to be recovered after more than 12 months	-	-
	285	206

9. Dividends paid and proposed

Recognised amounts

	Parent	
Dividends on ordinary shares:	2011 $'000	2010 $'000
Final dividend for the year ended 30 June 2010 of 10 cents per fully paid share on 1 October 2010 (30 June 2009 of 10 cents per fully paid share on 2 October 2009)	22,639	22,639
Interim dividend for the year ended 30 June 2011 of 7 cents per fully paid share on 1 April 2011 (30 June 2010 of 7 cents per fully paid share on 6 April 2010)	15,854	15,854
	38,493	38,493

Unrecognised amounts

	Parent	
Dividends on ordinary shares:	2011 $'000	2010 $'000
Since year end, the directors have recommended the payment of a fully franked final dividend of 10 cents per share (2010: 10 cents), based on tax paid at 30%. The aggregate amount of dividends to be paid on 30 September 2011 (2010: 1 October 2010) out of the retained profits at 30 June 2011, but not recognised as a liability at year end is	26,068	22,649

Franking credit balance

	AHG Tax Consolidated Group	
	2011 $'000	2010 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	92,867	93,496

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 $11,172,136 (2010 - $9,707,000).

Tax rates

The tax rate at which paid dividends have been franked is 30% (2010: 30%). Dividends proposed will be franked at 30% (2010: 30%).

10. Earnings per share

Basic earnings per share

	Consolidated	
	2011 cents	2010 cents
Earnings per share for profit attributable to the ordinary equity holders of the Company (excluding unusual items)	22.2	24.4
Earnings per share for profit / (loss) from unusual items attributable to the ordinary equity holders of the Company	(8.6)	2.3
Total earnings per share for Profit from continuing operations attributable to the ordinary equity holders of the Company	13.5	26.7

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2011 $'000	2010 $'000
Basic Earnings Per Share		
Profit attributable to the ordinary equity holders of the Company from continuing operations excluding unusual items	51,072	55,123
Profit / (loss) attributable to the ordinary equity holders of the Company from unusual items	(19,854)	5,215
Profit attributable to the ordinary equity holders of the Company from continuing operations in calculating basic earnings per share	31,217	60,338

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

Weighted average number of shares used as the denominator

	Number	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	230,491,621	226,371,426

11. Current assets – cash and cash equivalents

	Consolidated	
	2011 $'000	2010 $'000
Cash at bank and on hand	104,455	53,497
Deposits at call	540	23,281
	104,996	76,778

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

Cash on hand is non-interest bearing. Cash at bank attracts floating interest rates between 1.40% and 5.50% (2010: 1.35% and 4.35%). The interest rates applicable to deposits at call at 30 June 2011 vary between 2.00 % and 6.62 % (2010: 4.30% and 5.50%).

The Group's exposure to interest rate risk is disclosed in Note 3.

12. Current assets – trade and other receivables

	Consolidated	
	2011 $'000	2010 $'000
Trade receivables	168,465	160,348
Allowance for impairment of receivables	(2,275)	(2,686)
Loans to related parties	1,100	900
Other receivables	5,176	-
	172,466	158,562

Impaired trade receivables

The Group has recognised a loss of $494,000 (2010: $558,000) in respect of impaired trade receivables during the year ended 30 June 2011. The loss has been included in "other expenses" in the profit for the year.

At 30 June 2011 the Group recognised $2,275,000 (2010: $2,686,000) as an allowance for impaired receivables. This amount covers the automotive and logistics businesses and is reflective of the underlying risk of non-recovery of aged receivables. It is assessed that a proportion of these receivables is expected to be recovered.

	Consolidated	
	2011 $'000	2010 $'000
Opening balance	(2,687)	(2,411)
Translation adjustment	2	-
Allowance for impaired receivables	(1,435)	(1,561)
Receivables written off during the year	494	558
Reversal of amounts provided	1,350	728
Closing balance	(2,276)	(2,687)

Past due not impaired

As at 30 June 2011, trade receivables of $31,075,000 (2010: $27,748,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Days Past Due		
1 - 30	24,582	20,625
31 - 60	3,572	3,818
61 - 90	1,524	2,015
91 +	1,397	1,290
	31,075	27,748

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 3.

13. Current assets – inventories

	Consolidated	
	2011 $'000	2010 $'000
Vehicles inventory - at cost	396,175	402,277
Write-down to net realisable value	(8,063)	(10,117)
Other inventories - at cost	59,380	61,266
Write-down to net realisable value	(3,666)	(3,540)
	443,827	449,885

Inventory recognised as an expense (cost of sales) during the year ended 30 June 2011 (including write-down of inventories to net realisable value) amounted to $2,661,912,000 (2010: $2,608,541,000).

14. Current assets – other

	Consolidated	
	2011 $'000	2010 $'000
Prepaid expenses and deposits	16,493	9,659
	16,493	9,659

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

	Consolidated	
	2011 $'000	2010 $'000
Shares in listed companies (tier1)	-	233
	-	233

Unlisted securities

Unlisted securities are traded in inactive markets. The fair value of unlisted securities held is determined based upon a third party valuation. Unlisted securities, being shares in carsales.com Limited, were fully disposed of during the year ended 30 June 2010. A reconciliation of the movement during the year is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Opening balance	-	2,468
Net valuations to revaluation reserve	-	131
Disposals	-	(2,599)
Closing balance	-	-

Listed securities (tier 1)

Listed securities are classified as tier 1. Listed securities represent shares acquired in AHG that will be transferred to senior executives under the AHG Performance Rights Plan subject to these executives meeting the relevant performance hurdles. The fair valuation of these listed shares is based on prevailing market value (closing bid price on the Australian Securities Exchange) at the reporting date. At 30 June 2010 an amount was recognised against equity which reflected a fair value adjustment applicable to the shares.

During the year ended 30 June 2010 amounts totalling $88,000 were recognised in the available-for-sale investment revaluation reserve to reflect upward fair value adjustments. During the year ended 30 June 2011 an additional purchase of $122,000 of shares was completed to meet entitlements under the AHG Performance Rights Plan. The full value of the shares was subsequently transferred to senior executives upon completion of relevant performance hurdles.

A reconciliation of the movement during the year is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Opening balance	233	145
Acquisitions	122	-
Net valuations to revaluation reserve	-	88
Disposals	(355)	-
Closing balance	-	233

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

Carrying amounts measured at cost less accumulated depreciation and amortisation

	Consolidated	
	2011 $'000	2010 $'000
Land and buildings	67,804	24,453
Accumulated depreciation	(1,080)	(712)
	66,724	23,741
Plant and equipment at cost	101,077	84,224
Accumulated depreciation	(52,442)	(42,269)
	48,636	41,954
Capitalised leased assets	38,535	35,795
Accumulated amortisation	(12,143)	(10,599)
	26,392	25,195
Leasehold improvements at cost	32,117	25,544
Accumulated amortisation	(10,164)	(7,747)
	21,954	17,798
Assets under construction	12,204	8,062
Total property, plant & equipment	175,909	116,750

Reconciliation of carrying amounts at the beginning and end of the year

Consolidated 2011	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 2010	23,741	41,954	25,195	17,798	8,062	116,750
Translation adjustment	-	(26)	-	(6)	(2)	(34)
Additions	41,449	16,202	6,403	2,867	14,226	81,147
Acquisitions through business combinations	-	643	-	-	-	643
Disposals	(2)	(3,056)	-	(71)	-	(3,129)
Transfers	1,906	5,500	(1,227)	3,903	(10,081)	(0)
Depreciation / amortisation	(369)	(12,581)	(3,980)	(2,538)	-	(19,468)
Carrying amount at 30 June 2011	**66,724**	**48,636**	**26,392**	**21,954**	**12,204**	**175,909**

Consolidated 2010	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 2009	23,852	29,704	31,095	16,404	1,368	102,423
Translation adjustment	-	(6)	-	(1)	-	(8)
Additions	41	23,481	1,035	2,591	8,132	35,279
Disposals	-	(3,972)	-	(128)	-	(4,100)
Transfers	(3)	2,776	(2,426)	1,092	(1,439)	(0)
Depreciation / amortisation	(148)	(10,028)	(4,509)	(2,160)	-	(16,844)
Carrying amount at 30 June 2010	**23,741**	**41,954**	**25,195**	**17,798**	**8,062**	**116,750**

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 $18,937,000 (2010; $19,101,000) are subject to a first mortgage from certain other loans as disclosed in note 21.

Land and buildings with a carrying amount of $47,787,000 (2010: $4,640,000) are pledged as security for non-current liabilities as disclosed in note 21.

Other property, plant & equipment with a carrying amount of $63,531,000 (2010: $53,774,000) are pledged as security for non-current liabilities as disclosed in note 21.

17. 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, Transport & Cold Storage and Other Logistics operations (note 5). A segment level summary of this intangible allocation is presented below.

	Goodwill $'000	Franchise Rights $'000	Total $'000
Consolidated 2011			
Carrying amount at 1 July 2010	72,807	125,767	198,574
Additions (note 31)	3,692	7,385	11,077
Impairment charges	(16,697)	(3,157)	(19,854)
Carrying amount at 30 June 2011	**59,803**	**129,994**	**189,797**
Consolidated 2010			
Carrying amount at 1 July 2009	72,706	125,746	198,452
Net settlement adjustments on acquisition	101	21	122
Carrying amount at 30 June 2010	72,807	125,767	198,574

	Goodwill $'000	Franchise Rights $'000	Total $'000
Consolidated 2011			
Automotive Retail	48,460	123,554	172,014
Transport and Cold Storage	5,000	-	5,000
Other Logistics	6,343	6,440	12,783
Carrying amount at 30 June 2011	**59,803**	**129,994**	**189,797**
Consolidated 2010			
Automotive Retail	48,291	119,327	167,618
Transport and Cold Storage	5,000	-	5,000
Other Logistics	19,516	6,440	25,956
Carrying amount at 30 June 2010	72,807	125,767	198,574

Impairment testing

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.

Key assumptions used for value-in-use calculations

Calculating value-in-use for each CGU, a pre-tax discount rate of 12% (2010: 12%) is applied, which represents the Group's weighted average cost of capital.

The growth rate used to project cash flows beyond the following year's approved budget period is 3% (2010: 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 9.5% to 15% (2010: 9.5% to 15%) were tested;
(ii) Breakeven analysis of value-in-use calculations based on estimated future cash flows after extrapolating an appropriate discount rate; and
(iii) Sensitivity analysis of estimated future cash flows against the pre-tax discount rate of 12% (2010: 12%) and the breakeven point.

Impact of possible changes in key assumptions

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

Impairment charge

As a result of the above impairment testing process at 30 June 2011, an amount of $19.854 million (2010: $Nil) has been brought to account in the year ended 30 June 2011 as an impairment charge. This amount is in relation to operations based in Queensland.

$13.175 million of the impairment charge arose in relation to goodwill associated with the Queensland Parts Distribution operation (which is included within the Other Logistics CGU segment) following a decision by Mitsubishi to re-align their parts distribution strategy. The remaining $6.679 million of the impairment charge arose in relation to goodwill ($2.891 million) and franchise rights ($3.789 million) associated with four of the Group's seventeen Automotive Retail dealerships in Queensland.

In addition impairment testing carried out at 31 December 2010 resulted in the reinstatement of previously impaired franchise rights of $0.631 million. This was offset by goodwill impairments across other Group cash generating units to the equivalent value. The net impact on the Group's statement of comprehensive income and statement of financial position was nil.

18. Current liabilities – trade and other payables

	Consolidated 2011 $'000	Consolidated 2010 $'000
Trade payables	73,049	81,221
Other payables and accruals	66,234	52,149
Goods and services tax	4,101	3,710
	143,383	137,080

19. Current liabilities – provisions

	Consolidated 2011 $'000	Consolidated 2010 $'000
Annual leave	14,838	13,725
Long service leave	13,685	12,593
Other	457	283
Warranties	2,366	2,554
	31,347	29,155

Movements in provisions

Please refer to note 20 for details.

20. Non-current liabilities – provisions

	Consolidated 2011 $'000	Consolidated 2010 $'000
Warranties	4,732	5,109
Long service leave	4,430	3,853
Make good provisions	1,487	1,088
Other	-	122
	10,649	10,172

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 provision relating to employee benefits, are set out below:

	Warranties	Make Good / Other
	$'000	$'000
At 1 July 2010	7,663	1,493
Additional provisions recognised	2,071	451
Payments / other sacrifices of economic benefits	(2,636)	-
At 30 June 2011	**7,098**	**1,944**
Current 2011	2,366	457
Non-current 2011	4,732	1,487
	7,098	**1,944**
Current 2010	2,554	283
Non-current 2010	5,109	1,210
	7,663	**1,493**

21. Interest-bearing loans and borrowings

Current

	Consolidated	
	2011 $'000	2010 $'000
Finance company loans	357,134	349,941
Lease liability	7,650	5,180
Hire purchase liability	4,249	2,984
Other loans	225	720
	369,258	358,825

Finance company loans

Finance company loans (floorplan facilities) are in respect of vehicles provided to the Group (note 1(o)) and are secured over these vehicle inventories. The Group has total floorplan facilities amounting to $487,810,000 (2010: $448,129,000). At 30 June 2011 $357,134,000 (2010: $349,941,000) of these facilities were used. The weighted average interest rate applicable at 30 June 2011 on these loans was 6.89% (2010: 6.91%).

$900,000 (2010: $900,000) is a working capital loan secured by registered first debenture charge with interest charged at 6.72% (2010: 7.34%). Total facilities for the working capital loan amount to $2,100,000 (2010: $1,100,000).

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Other loans

For the year ended 30 June 2011 $225,000 is the current component a franchise supported working capital loan between Auckland Automotive Collection Limited and UDC Finance Limited. Interest is charged on the loan at an average rate of 6.25%.

For the year ended 30 June 2010 $720,000 was the current component of a commercial loan in relation to redevelopment costs of franchises within Perth Auto Alliance Pty Ltd. Interest was charged on the loan at an average rate of 6.00%. During the year ended June 2011 this liability was settled.

Non-current

	Consolidated	
	2011 $'000	2010 $'000
Other loans	71,160	63,110
Lease liability	19,405	20,633
Hire purchase liability	15,904	14,140
Amounts owing to manufacturer	400	400
	106,868	98,283

Other Loans

For the year ended 30 June 2010 $4,100,000 was the non-current component of a commercial loan in relation to redevelopment costs of franchises within Perth Auto Alliance Pty Ltd. Interest was charged on the loan at an average rate of 6.00%. During the year ended 30 June 2011 this liability was settled by drawing down on another facility with the same financier.

$70,000,000 (2010: $56,675,000) 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 4.95% (2010: 4.79%) for the period of the current bills in place.

$500,000 (2010: $1,000,000) are commercial loans with a five year term. Interest is charged at a variable rate of 8.65% at 30 June 2011 (2010: 8.0% and 8.4%).

$390,390 (2010: $984,552) is a franchise supported working capital loan between Auckland Automotive Collection Limited and UDC Finance Limited. Interest is charged at an average rate of 6.25% (2010: 6.20%).

$154,448 (2010: $Nil) is a loan between Auckland Automotive Collection Limited and UDC Finance Limited for minor capital works. Interest is charged at an average rate of 6.25%.

$115,378 (2010: $350,302) is a supplier loan to fund minor capital works in fixed operations.

Lease and hire purchase liabilities

Lease and hire purchase liabilities are fully secured.

Amounts owing to manufacturer

$400,000 (2010: $400,000) is an unsecured amount owing to a manufacturer and is non-interest bearing.

Fair values

	Carrying Value		Fair Value	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Group				
Finance liabilities				
Advances	71,045	62,760	71,045	62,760
Lease liability	19,405	20,633	19,405	20,633
Hire purchase liability	15,904	14,140	15,904	14,140
Amounts owing to manufacturer	400	400	400	400
Other loans	115	350	115	350
	106,868	98,283	106,868	98,283

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in note 3.

Assets pledged as security

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

	Notes	Consolidated 2011 $'000	2010 $'000
Current			
Floating charge			
Cash and cash equivalents	11	104,996	76,778
Trade and other receivables		18,583	85,300
Inventories	13	443,827	449,885
Other current assets		13,963	9,199
Total current assets pledged as security		581,369	621,162
Non - Current			
First mortgage			
Freehold land and buildings	16	18,937	23,741
Finance lease			
Plant and equipment	16	26,392	25,195
Floating charge			
Freehold land and buildings	16	47,787	-
Plant and equipment	16	63,531	53,774
Total non-current assets pledged as security		156,647	102,710
Total assets pledged as security		738,016	723,872

Facilities

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

	Consolidated Utilised $'000	Un-utilised $'000	Total Facility $'000
Bank overdraft	-	3,000	3,000
Finance company loans	357,134	130,676	487,810
Lease & HP	47,208	13,960	61,168
Commercial loans	71,385	37,797	109,182
Amounts owing to manufacturer	400	-	400
	476,127	185,433	661,560
Contingent Liabilities (guarantees)	15,046	1,280	16,326
	491,172	186,713	677,885

22. Contributed equity

	Parent 2011 Shares	2010 Shares	Parent 2011 $'000	2010 $'000
Ordinary shares fully paid	260,449,209	226,491,073	383,585	302,106
Treasury shares	(420,000)	-	(1,000)	-
Total contributed equity	260,029,209	226,491,073	382,586	302,106

Ordinary Shares

			No. of Shares	Issue Price	$'000
01/07/09	Opening Balance at 1 July 2009		220,252,328		294,711
08/07/09	Share Purchase Plan	(a)	6,238,745	$1.20	7,486
	Less: transaction costs arising on share issue	(a)			(91)
30/06/10	Balance at 30 June 2010		226,491,073		302,106
19/05/11	Institutional Placement	(b)	33,958,136	$2.44	82,858
	Less: transaction costs arising on share issue	(b)			(2,565)
	Deferred Tax Credit recognised directly in equity				1,187
30/06/10	Balance at 30 June 2011		**260,449,209**		**383,585**

(a) Share Purchase Plan

On 8 July 2009 AHG completed a Share Purchase Plan issuing 6,238,745 shares. Existing shareholders participated in the opportunity to obtain additional shares at $1.20 per share to raise gross proceeds of $7.5 million. Transaction costs of this placement totalled $0.091 million.

(b) Institutional Placement

On 19 May 2011 AHG completed an institutional placement of 33,958,136 shares at $2.44 per share to raise gross proceeds of $82.858 million. Transaction costs of this placement totalled $2.565 million.

Treasury Shares

			No. of Shares	Issue Price	$'000
01/07/09	Opening Balance at 1 July 2010		-		-
23/12/2010	AHG Employee Share Plan Trust Acquisition	(c)	(420,000)	$2.38	(1,000)
30/06/10	Balance at 30 June 2011		**(420,000)**		**(1,000)**

(c) Treasury Shares

Treasury shares are shares in AHG Limited that are held by the AHG Employee Share Plans Trust for the purpose of issuing shares under the various AHG share-based payment plans (see note 30 for further information regarding the employee share plan).

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.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

	Consolidated	
	2011 $'000	2010 $'000
Total Borrowings	476,128	457,107
Less: cash and cash equivalents	(104,996)	(76,778)
Net Debt	371,132	380,329
Total equity	452,750	379,610
Total capital under management	823,881	759,940
Gearing ratio	45.0%	50.0%

	Consolidated	
	2011 $'000	2010 $'000
Current debt	369,258	358,825
Less: finance company loans	(357,134)	(349,941)
Current debt excluding finance company loans	12,125	8,884
Less: cash and cash equivalents	(104,996)	(76,778)
Net cash excluding finance company loans	(92,871)	(67,894)
Non Current debt	106,868	98,283
Net Debt excluding finance company loans and cash	13,997	30,389
Total Assets	1,122,467	1,027,318
Less: cash and cash equivalents	(104,996)	(76,778)
Less: finance company loans	(357,134)	(349,941)
Total Assets less finance company loans and cash	660,338	600,600
Gearing ratio	2.1%	5.1%

23. Retained earnings and reserves

Movements in retained earnings were as follows:

	Consolidated	
	2011 $'000	2010 $'000
Opening balance at 1 July	74,992	53,147
Net profit for the year attributable to members	31,217	60,338
Dividends paid to members	(38,493)	(38,493)
Closing balance at 30 June	67,716	74,992

Other reserves

Consolidated	Asset revaluation reserve	Hedge Reserve	Foreign Currency Translation	Total
	$'000	$'000	$'000	$'000
At 1 July 2009	1,530	-	(393)	1,136
Available-for-sale financial assets	(1,964)	-	-	(1,964)
Cash flow hedges	-	-	-	-
Exchange differences on translation of foreign operations	-	-	32	32
Income tax relating to components of other comprehensive income	561	-	-	561
At 30 June 2010	**127**	**-**	**(361)**	**(235)**
At 1 July 2010	127	-	(361)	(235)
Available-for-sale financial assets	(181)	-	-	(181)
Cash flow hedges	-	(59)	-	(59)
Exchange differences on translation of foreign operations	-	-	(161)	(161)
Income tax relating to components of other comprehensive income	54	18	-	72
At 30 June 2011	**-**	**(41)**	**(522)**	**(563)**

Nature and purpose of reserves

Available-for-sale investments revaluation reserve

Changes in the fair value of investments classified as available-for-sale financial assets are taken to this reserve, as described in note 1(p). Amounts are recognised in the profit and loss when the associated assets are sold or impaired.

Hedge revaluation reserve

Changes in the fair value of hedging instruments are taken to this reserve, as described in note 1(ee). Amounts are recognised in the profit and loss when the associated hedge transaction affects profit or loss.

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 1(j). The reserve is recognised in profit and loss when the net investment is disposed of.

24. Non-controlling interest

	Consolidated	
	2011 $'000	2010 $'000
Interest in:		
Share Capital	1,205	1,005
Retained Profit	1,806	1,742
Balance 30 June	3,012	2,747

25. Statement of cash flows reconciliation

	Consolidated	
	2011 $'000	2010 $'000
Profit after tax	33,153	62,060
Non Operating Activity Cash flow in profit		
- Distributions received	-	(168)
- Profit on sale of assets	(148)	-
- Loss on sale of assets	-	123
- Profit on sale of investments	-	(7,449)
Non Cash flow in profit		
- Depreciation	12,951	10,176
- Amortisation	6,517	6,668
- Impairment of intangibles	19,854	-
Changes in operating assets and liabilities		
(Increase) / decrease in trade debtors	(8,576)	(17,853)
(Increase) / decrease in inventories	9,044	(60,920)
(Increase) / decrease in prepayments	(5,319)	(764)
(Increase) / decrease in deferred tax assets	(855)	(1,112)
Increase / (decrease) in current tax payable	(5,944)	7,205
Increase / (decrease) in trade creditors	(7,005)	(13,505)
Increase / (decrease) in accruals	12,105	14,339
Increase / (decrease) in employee entitlements	2,530	3,502
Increase / (decrease) in other provisions	(1,932)	(73)
Increase / (decrease) in deferred tax liabilities	79	(2,362)
Net cash inflow / (outflow) from operating activities	66,452	(133)

Cash Flow Movements

	Consolidated	
	2011 $'000	2010 $'000
Net cash inflow from operating activities	66,452	(133)
Normalisation adjustment		
Add back: (Decrease) / Increase in inventories (offset against floor plan financing)	7,193	59,734
Normalised net cash inflow from operating activities[1]	73,645	59,601

1 Cash flow generated from operations has been adjusted above as the majority of the Group's inventory is financed by floorplan arrangements which do not result in cash movements

26. Interest in a jointly controlled operation

A Group subsidiary has entered into a jointly controlled operation called Vehicle Parts (WA) Pty Ltd for the distribution of Subaru Parts. The Company has a 50% (2010: 50%) participating interest in this jointly controlled operation and is entitled to 50% of its profit. The Company's interest in the assets employed and liabilities assumed in the jointly controlled operation are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(c) and are set out below:

	Consolidated	
	2011 $'000	2010 $'000
Share of assets employed in joint venture:		
Cash and cash equivalents	311	123
Trade and other receivables	475	716
Inventories	734	780
Deferred tax assets	13	7
	1,534	1,627
Share of liabilities assumed in joint venture:		
Trade and other payables	359	478
Income tax payable	61	69
Deferred tax liabilities	-	-
	420	547
Share of joint venture revenue, expenses and results:		
Revenue	5,894	5,721
Expenses	(5,270)	(5,148)
Profit before income tax	624	573

27. Related party disclosures

Subsidiaries

Name Of Entity	Country of Incorporation	Equity Holding 2011	Equity Holding 2010
Corporate			
AHG Services (NSW) Pty Ltd	Australia	100%	100%
AHG Services (WA) Pty Ltd	Australia	100%	100%
AHG Services (Vic) Pty Ltd	Australia	100%	100%
AHG Services (Qld) Pty Ltd	Australia	100%	100%
ACN 150 616 890 Pty Ltd	Australia	100%	100%
ACN 150 616 747 Pty Ltd	Australia	100%	100%
Logistics			
Rand Transport (1986) Pty Ltd	Australia	100%	100%
Rand Transport Pty Ltd	Australia	100%	100%
Rand Transport Unit Trust	Australia	100%	100%
Motorcycle Distributors Pty Ltd	Australia	100%	100%
Butmac Pty Ltd	Australia	100%	100%
Motorbike Unit Trust	Australia	100%	100%
Janasen Pty Ltd	Australia	100%	100%
VMS Pty Ltd	Australia	100%	100%
Vehicle Storage & Engineering Pty Ltd	Australia	100%	100%
Shemapel 2005 Pty Ltd	Australia	100%	100%
Covs Parts Pty Ltd	Australia	100%	100%
Vehicle Parts (WA) Pty Ltd	Australia	50%	50%
Zupps Parts Pty Ltd	Australia	100%	100%
Castlegate Enterprises Pty Ltd	Australia	100%	100%
AHG Management Co Pty Ltd	Australia	100%	-
AHG International Pty Ltd	Australia	100%	-
LWC Limited	New Zealand	100%	100%
LWC International Limited	New Zealand	100%	-
KTM New Zealand Limited	New Zealand	74%	74%
Automotive			
Auckland Auto Collection Limited	New Zealand	100%	100%
AHG Finance 2005 Pty Ltd	Australia	100%	100%
AHG Finance Pty Ltd	Australia	100%	100%
AHG Finance Unit Trust	Australia	100%	100%
MBSA Motors Pty Ltd	Australia	100%	100%
AHG Property Head Trust 1 Unit Trust	Australia	100%	-
ACN 132 712 111 Pty Ltd	Australia	100%	100%
AHG Property Sub Trust 1 Unit Trust	Australia	100%	-

Name Of Entity	Country of Incorporation	Equity Holding 2011	Equity Holding 2010
Automotive			
AHG Property Sub Trust 2 Unit Trust	Australia	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%
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%

Name Of Entity	Country of Incorporation	Equity Holding 2011	Equity Holding 2010
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	90%	-
ACM Autos Pty Ltd	Australia	85%	90%
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%	-
Castle Hill Autos No. 2 Pty Ltd	Australia	100%	-
Castle Hill Autos No. 3 Pty Ltd	Australia	100%	-
Highland Autos Pty Ltd	Australia	80%	80%
Highland Kackell Pty Ltd	Australia	100%	100%
MCM Autos Pty Ltd	Australia	85%	90%
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%

The consolidated financial statements incorporate the assets, liabilities and results of the above subsidiaries in accordance with the accounting policy described in note 1(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 33) relieves wholly-owned entities from lodging financial reports under Class Order 98/1418 (as amended) issued by ASIC.

Ultimate Parent

The parent entity in the wholly-owned group is Automotive Holdings Group Limited.

Transactions with related parties

During the year to 30 June 2011, entities within the wholly-owned Group paid rent on premises to:

	Consolidated	
	2011 $'000	2010 $'000
Orient Holdings Pty Ltd	212	528
Auto Management Pty Ltd	444	1,103
Expense attributable to the ordinary equity holders of AHG	656	1,630

The rental agreements are under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length. Robert John Branchi is a director of Orient Holdings Pty Ltd and Auto Management Pty Ltd, and was a director of AHG until 19 November 2010. The above transactions are for the period which he was a director of AHG.

Transactions of directors and director related entities concerning shares

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

Other transactions of directors and director related entities

Subsidiaries may, from time to time, sell motor vehicles, parts and servicing of motor vehicles for use to directors of entities in the consolidated entity or their director-related entities within a normal employee relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with directors or their director-related entities at arms length in the same circumstances.

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

28. Company details

The registered office and principal place of business of AHG is 21 Old Aberdeen Place, West Perth, Western Australia 6005.

29. Key management personnel

Key management personnel compensation

	Consolidated	
	2011 $'000	2010 $'000
Short-term employee benefits	5,496	5,736
Long-term employee benefits	33	-
Share-based payments (vested)	802	805
Termination benefits	811	-
Post-employment benefits	334	326
	7,475	6,867

Refer to note 30 for further details on share-based payments scheme with key management personnel.

Equity instrument disclosures relating to 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.

2011		Balance at start of year	Changes during the year	Balance at the end of the year
Directors	**Beneficial Owners**			
Robert John Branchi[1]	Auto Management Pty Ltd as trustee for The Branchi Family Trust	17,654,091	(17,654,091)[1]	Nil
Bronte McGregor Howson	Croystone Nominees Pty Ltd as trustee for BBK Unit Trust	5,000,000	Nil	5,000,000
	BM Howson	572,276	(111,858)	460,418
	BM & CC Howson	94,000	Nil	94,000
Hamish Calder Williams	Hamish Calder Williams	112,252	17,268	129,520
Gregory Joseph Wall	GJ Wall	32,500	Nil	32,500
Peter William Stancliffe	PW Stancliffe	34,225	Nil	34,225
Giovanni Groppoli	Magix Communications Pty Ltd	41,600	Nil	41,600
David Charles Griffiths	Mrs JM Griffiths, Miss JM Griffiths & Mr TD Griffiths atf Lake Avenue Trust	42,500	Nil	42,500
Michael John Smith	RP Smith	11,150	Nil	11,150
Other Key Management Personnel				
Eugene Kavanagh	E & M Kavanagh	2,374	Nil	2,374
Christopher Bevan Marwick	CB Marwick	914,485	Nil	914,485
John Bernard Moroney	J&H Moroney Family Holdings Pty Ltd	43,219	Nil	43,219
Ronald Michael Nuich		Nil	Nil	Nil
Susan Dianna Symmons[2]	Shucked Investments Pty Ltd	48,000	(48,000)	Nil
Gus Brian Kininmont		Nil	2,200	2,200

1 Resigned as Director on 19 November 2010, changes during the year reflect director ceasing to be key management personnel
2 Resigned as Company Secretary on 3 June 2011, changes during the year reflect employee ceasing to be key management personnel

2010		Balance at start of year	Changes during the year	Balance at the end of the year
Directors	**Beneficial Owners**			
Robert John Branchi	Auto Management Pty Ltd as trustee for The Branchi Family Trust	17,641,591	12,500[1]	17,654,091
Bronte McGregor Howson	Croystone Nominees Pty Ltd as trustee for BBK Unit Trust	5,000,000	Nil	5,000,000
	BM Howson	547,276	25,000[1]	572,276
	BM & CC Howson	94,000	Nil	94,000
Hamish Calder Williams	Hamish Calder Williams	99,752	12,500[1]	112,252
Gregory Joseph Wall	GJ Wall	20,000	12,500[1]	32,500
Peter William Stancliffe	PW Stancliffe	21,725	12,500[1]	34,225
Giovanni Groppoli	Magix Communications Pty Ltd	29,100	12,500[1]	41,600
David Charles Griffiths	Mrs JM Griffiths, Miss JM Griffiths & Mr TD Griffiths atf Lake Avenue Trust	30,000	12,500[1]	42,500
Michael John Smith[1]	RP Smith	Nil	11,150	11,150
Other Key Management Personnel				
Eugene Kavanagh	E & M Kavanagh	2,374	Nil	2,374
Christopher Bevan Marwick	CB Marwick	901,985	12,500[1]	914,485
John Bernard Moroney	J&H Moroney Family Holdings Pty Ltd	30,719	12,500[1]	43,219
Ronald Michael Nuich		Nil	Nil	Nil
Susan Dianna Symmons	Shucked Investments Pty Ltd	40,000	8,000	48,000
Gus Brian Kininmont		Nil	Nil	Nil

1 Acquired under the Share Purchase Plan July 2009

Loans to key management personnel

There were no loans to key management personnel (2010: nil).

Other transactions with key management personnel

Related party disclosures relating to key management personnel are set out in Note 27.

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Amounts recognised as distributions to shareholders		
Dividends paid	2,958	4,181
Amounts recognised as expense		
Rent of premises	656	1,630

30. 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 5 day volume weighted average share price. The Board will call on recommendations from the Remuneration & Nomination Committee.

Vesting

Subject to certain performance criteria being satisfied (see below) Rights will vest on 30 September each year (after the finalisation of the Company's yearly audited financial statements) during the applicable performance period.

In the normal course, the exact number of Rights that will vest will be determined by reference to whether the performance criteria have been achieved. No Rights were issued during the year.

Rights linked to Total TSR that remain unvested when the performance criteria are first tested will be carried forward on 30 September in the following two performance periods, after which they will immediately lapse. Rights linked to performance against budget lapse immediately if the performance criteria are not met for that particular year.

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 has been used as a measure of performance for executive directors and achievement to budget for operations executives.

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

No Rights were issued for the year ended 30 June 2011. No Rights were issued for the year ended 30 June 2010 however of the 206,993 Rights that were issued in 2007, 155,410 vested in this financial year following performance criteria being met for the period 1 July 2007 to 30 June 2010. The balance of Rights (51,583) lapsed.

TSR Schedule

The percentage of TSR Rights that will be exercisable will be calculated by reference to the Company's TSR as follows:

Company's TSR relative to Reference Group comprising of the ASX 300 companies *(excluding resources and financial institutions)*	**Percentage of Rights that are exercisable**
< 51st percentile	0%
≥ 51st percentile but ≤ 75th percentile	50% (plus a pro rata increase of 2% for each higher percentile ranking up to the 75th percentile)
≥ 75th percentile	100%

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.

AHG Tax Exempt Share Plan

AHG has also introduced a tax exempt share plan that provides eligible employees with more than 3 years service with an opportunity to share in the growth in value of AHG shares and to encourage them to improve the performance of the Group and its return to shareholders by the issue of $1,000 of shares which are purchased by the employee by way of salary sacrifice.

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

AHG Executive Share Plan

The AHG Executive Share Plan has been established but is not operational. Should the plan become operational, it will allow directors and certain senior executives the opportunity to salary sacrifice their fees, salary, commission or bonus to purchase AHG shares up to a maximum of $50,000 at a value to be determined.

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

Shares will be issued by the trust to eligible participants in the plans and schemes. Shares held by the trust and not yet issued to employees at the end of the reporting period are disclosed as treasury shares and deducted from contributed equity (note 22).

31. Business combination

On 4 November 2010 Automotive Holdings Group Limited acquired the business and assets of Graham Werner Toyota (now trading as Ferntree Gully Toyota); a Toyota dealership located 30km from the Melbourne CBD at Ferntree Gully.

The consideration paid was $12,515,727 cash. The business contributed revenues of $30.752 million and a net profit before tax of $0.226 million for the full year ended 30 June 2011. The current periods result has been adversely impacted by the supply constraints associated with the Japanese tsunami. If the acquisition had occurred on 1 July 2010, consolidated revenue and profit for the year ended 30 June 2011 would have been $3.383 billion and $33.2 million respectively.

Costs of $0.114 million directly associated with the acquisition of the business are included in professional services in the consolidated statement of comprehensive income and operating cash flows in the statement of cash flows.

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

	$'000
Purchase Consideration	
Cash paid	12,516
Total purchase consideration	12,516

	Fair Value at Acquisition Date	Acquiree's Carrying Value
	$'000	$'000
Vehicle inventories	802	830
Parts inventories	229	229
Other inventory	26	26
Other current assets	14	14
Property, plant and equipment	643	643
Deferred tax assets	102	69
	1,817	1,812
Trade and other payables	(117)	(55)
Vehicle warranties	(10)	(10)
Employee entitlements	(252)	(231)
	(378)	(296)
Net identifiable assets acquired	1,439	1,516
Add: goodwill	3,692	
Add: franchise rights	7,385	
Net assets acquired	12,516	

The goodwill is attributed to the profitability of the business and the franchise rights to the Toyota franchise acquired. The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired. They are only deductible for tax purposes upon any future sale of this business.

32. Commitments

Capital Commitments

	Consolidated	
	2011 $'000	2010 $'000
Property, plant and equipment		
Payable:		
Within one year	16,380	9,978
Later than one year but not later than 5 years	441	-
Later than five years	-	-
	16,820	9,978

Remuneration Commitments

	Consolidated	
	2011 $'000	2010 $'000
Within one year	863	1,000
Later than one year but not later than 5 years	-	-

Finance Lease Commitments

	Consolidated	
	2011 $'000	2010 $'000
Within one year	9,437	6,911
Later than one year but not later than 5 years	15,060	12,818
Later than five years	8,891	13,613
Total lease payments	33,387	33,342
Future finance charges	(6,333)	(7,528)
Lease liability	27,055	25,813
Representing lease liabilities:		
Current	7,650	5,180
Non-current	19,405	20,633
	27,055	25,813

Hire Purchase Commitments

	Consolidated	
	2011 $'000	2010 $'000
Within one year	5,761	4,285
Later than one year but not later than 5 years	17,780	15,135
Later than five years	532	1,368
Total Lease Payments	24,074	20,788
Future finance charges	(3,921)	(3,665)
HP liability	20,153	17,124
Representing HP liabilities:		
Current	4,249	2,984
Non-current	15,904	14,140
	20,153	17,124

Operating Lease Commitments

	Consolidated	
	2011 $'000	2010 $'000
Within one year	54,604	52,535
Later than one year but not later than 5 years	174,522	174,378
Later than five years	70,781	85,576
	299,907	312,488

33. 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.

At 30 June 2011, 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 2011, 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.

Please see the table at note 27 (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.

During the year ended 30 June 2010, Highland Autos Pty Ltd was removed from the Deed of Cross Guarantee by Revocation Deed (contemplated by the Deed of Cross Guarantee).

Since 30 June 2010, but before finalising these accounts, the following subsidiaries were added to the Deed of Cross Guarantee by Assumption Deed (contemplated by the Deed of Cross Guarantee):

› ACN 150 616 890 Pty Ltd;
› ACN 150 616 747 Pty Ltd;
› Covs Parts Pty Ltd;
› AHG Management Co. Pty Ltd;
› AHG International Pty Ltd;
› AHG Property Head Trust;
› AHG Property Sub Trust 1 Unit Trust;
› AHG Property Sub Trust 2 Unit Trust;
› Castle Hill Autos No. 1 Pty Ltd;
› Castle Hill Autos No. 2 Pty Ltd; and
› Castle Hill Autos No. 3 Pty Ltd.

The parent entity has determined that there is no material deficiency not disclosed elsewhere in this Report in any member of the Closed Group and therefore, there is no further liability that should be recognised in relation to these guarantees in the books of the parent.

34. Economic dependency

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

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

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

35. Events after the reporting date

Acquisition of Harris Refrigerated Transport

On 1 July 2011 Automotive Holdings Group Limited ('AHG') acquired the business assets and liabilities of Harris Refrigerated Transport Pty Ltd (including associated entities), a temperature sensitive freight logistics company, for consideration of $32,000,000. The acquisition provides logistical services throughout Australia, is complimentary in nature and activities to those undertaken by AHG's existing Rand Transport subsidiary and will provide the Group with a greater market share in this sector together with synergistic benefits through combined economies of scale.

The financial effects of this transaction have not been brought to account at 30 June 2011. The operating results, assets and liabilities will be consolidated from 1 July 2011. A deposit of $500,000 had been paid at 30 June 2011 in respect of this acquisition.

Contingent consideration, non-controlling interests and acquisition costs

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

Acquisition-related costs of $658,787 are included in professional services in the consolidated statement of comprehensive income for the year ended 30 June 2011.

Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Harris Refrigerated Transport Pty Ltd. In particular, the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables.

Acquisition of Coventry's Automotive Parts WA

On 1 July 2011 Automotive Holdings Group Limited ('AHG') acquired certain business assets and liabilities of Coventry's Automotive Parts WA, an automotive parts distributing and retailing company throughout Western Australia, for consideration of $30,251,844. The acquisition operates similar activities to those undertaken by AHG's existing parts distribution subsidiaries through other states in Australia and will provide the Group with access to new markets and suppliers as well as synergistic benefits through economies of scale in inventory holding and distribution costs.

The financial effects of this transaction have not been brought to account at 30 June 2011. The operating results, assets and liabilities will be consolidated from 1 July 2011. A deposit of $1,000,000 had been paid at 30 June 2011 in respect of this acquisition.

Contingent consideration, non-controlling interests and acquisition costs

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

Acquisition-related costs of $584,850 are included in professional services in the consolidated statement of comprehensive income for the year ended 30 June 2011.

Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Coventry's Automotive Parts WA. In particular, the fair values of the assets and liabilities have not been finalised.

Share Purchase Plan

On 1 July 2011 AHG issued 233,972 shares at $2.44 under the Share Purchase Plan that allowed investors to subscribe for shares at the same issue price as the institutional equity placement completed in May 2011.

Carsguide.com

On 15 July 2011 AHG paid $2.25 million for its 7.5% share of the foundation equity in this venture.

Contingency

On 21 September 2011, the Company received notice that a former executive intends to commence a legal claim relating to the cessation of his employment. The Company considers that its exposure is not material and that all relevant employee entitlements have been paid. If the legal claim is commenced, it will be defended.

36. Auditor's remuneration

	Consolidated	
	2011 $'000	2010 $'000
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	581,000	478,926
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*	446,850	397,789
	1,027,850	876,715
Advisory Services		
Fees paid or payable to BDO Audit (WA) Pty Ltd		
Advice and provision of support services for AHG's internal Audit function	16,304	-
Fees paid or payable to affiliated offices of BDO Audit (WA) Pty Ltd		
Provision of System Review services	-	14,637
Provision of Training to AHG management in respect of Executive Management Leadership	4,500	10,000
Provision of accounting assistance to New Zealand entities	17,892	20,105
Taxation Services		
Fees paid or payable to BDO Tax (WA) Pty Ltd	442,827	631,895
Fees paid or payable to affiliated offices of BDO Tax (WA) Pty Ltd	7,580	29,895
Total of Non-Audit Services provided to the Group	489,103	706,532

37. Derivative financial instruments

	Consolidated	
	2011 $'000	2010 $'000
Current assets		
Interest-rate swap contracts (included in Receivables note 12)	7	-
Current liabilities		
Forward foreign exchange contracts (included in Payables note 18)	66	-

(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 3).

(i) Interest rate swaps – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 4.96% (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 40% (2010: Nil%) of the variable loan principal outstanding. The fixed interest rate is 5.0% (2010: Nil%). 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 profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2011 a loss of $47,216 was reclassified into profit or loss (2010: $Nil) 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. In other to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase Euros. 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 2011 $Nil (2010: $Nil) was reclassified from other comprehensive income and included in the cost of the inventory.

(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 3.

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising; the statement of 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 and the Corporations Regulations 2001; and
   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 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 remuneration disclosures included in the directors' report (as part of the audited remuneration report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given declarations by the chief executive officer and chief financial officer required by section 295A.

At the date of this declaration there are reasonable grounds to believe that the companies which are parties to the Deed of Cross Guarantee (see note 33 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 2011

Declaration by the Chief Executive Officer and the Chief Financial Officer

The Chief Executive Officer and Chief Financial Officer declare that in their opinion the:

(a) Financial records of the Company have been properly maintained in accordance with CA 286;
(b) Financial statements and notes to the financial statements for the financial year comply with the accounting standards;
(c) Financial statements and notes to the financial statements for the financial year give a true and fair view; and
(d) Any other matters that are prescribed by the regulations in relation to the financial statements and the notes for the financial year are satisfied.

This declaration is signed by the Chief Executive Officer and Chief Financial Officer:

BM Howson **RM Nuich**

Perth
22 September 2011

Independent Auditor's Report

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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 2011, the consolidated statement of 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 is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, 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 entity'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 entity'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.

BDO

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 2011 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 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 27 of the directors' report for the year ended 30 June 2011. 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 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 22nd day of September 2011

Shareholder and Optionholder Information

The shareholder information set out below was applicable at 12 September 2011.

A. Distribution of equity securities

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

	No. of Shareholders
1 - 1000	553
1001 - 5000	941
5001 - 10000	487
10001 - 100000	729
100001 and over	99
	2,809

The number of holders holding a less than marketable parcel of ordinary shares based on the market price as at 12 September 2011 was 329 holders holding 9,046 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
PFV Pty Ltd <<Wheatley Unit Account>>	35,545,282	13.64
National Nominees Pty. Ltd.	19,430,073	7.45
JP Morgan Nominees Australia Limited	17,926,812	6.88
Auto Management Pty Ltd <<Branchi Family Account>>	17,654,091	6.77
Zero Nominees Pty. Ltd.	13,545,066	5.20
Citicorp Nominees Pty. Ltd.	13,202,805	5.06
AC McGrath & Co Pty Ltd	10,638,765	4.08
HSBC Custody Nominees (Australia) Limited	9,941,531	3.81
RBC Dexia Investor Services Australia Nominees Pty Ltd <<PIPooled Account>>	7,483,501	2.87
Jove Management Pty Ltd Wheatley Family a/c	7,027,933	2.70
Mr VC Wheatley and Ms JE Wheatley <<Pulo Road Super Fund>>	6,900,000	2.65
Jonwen Northside Pty. Ltd. <<The Zupp Asset Holding Account>>	5,620,068	2.16
Croystone Nominees Pty Ltd <<BBK Unit Account>>	5,000,000	1.92
Argo Investments Limited	4,238,629	1.63
Mr Damon Stuart Wheatley	3,723,799	1.43
Mrs Michelle Victoria Harris	3,489,362	1.34
Cogent Nominees Pty Limited smp accounts	3,472,159	1.33
Cogent Nominees Pty Limited	3,239,301	1.24
UBS Nominees Pty Ltd	3,169,559	1.22
AMP Life Limited	3,010,466	1.15

C. Substantial holders

	Ordinary Shares	
	Number Held	% of Issued Shares
P F V Pty Ltd <Wheatley Unit A/C> and associated entities	52,032,668	19.96
Auto Management Pty Ltd <<Branchi Family Account>>	17,654,091	6.77
Zero Nominees Pty. Ltd.	13,545,066	5.20

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.

Operational Contacts

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Bentley / Porsche
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CITY MOTORS
Holden / HSV
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COVS PARTS
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WANGARA VOLKSWAGEN
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LANDER TOYOTA
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MCGRATH MAZDA SUTHERLAND
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MCGRATH MITSUBISHI
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MCGRATH NISSAN SUTHERLAND
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MCGRATH PARTS AND PAINT
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MCGRATH PARTS SUTHERLAND
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MCGRATH SUBARU
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MCGRATH VOLKSWAGEN
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MCGRATH VOLKSWAGEN
SUTHERLAND
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QUEENSLAND

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ZUPPS ASPLEY MITSUBISHI
Mitsubishi / Hyundai / Suzuki
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ZUPPS BEAUDESERT
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ZUPPS BROWNS PLAINS
Holden / HSV / Suzuki / Hyundai
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ZUPPS BURLEIGH
Mitsubishi / Suzuki
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ZUPPS CAPALABA
Subaru / Mitsubishi
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ZUPPS HELENSVALE
Mitsubishi / Suzuki
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ZUPPS MT GRAVATT
HOLDEN & HSV
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ZUPPS MT GRAVATT
SUBARU & KIA
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ZUPPS MT GRAVATT
MITSUBISHI & PEUGEOT
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Managing Director

Hamish Williams
Executive Director – Strategy & Planning

Non Executive Directors
David Griffiths (Chairman)
Michael Smith (Deputy Chairman)
John Groppoli
Peter Stancliffe
Greg Wall

Company Secretary
David Rowland

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