



# AMA Group Ltd

ABN: 50 113 883 560

2011  
Annual Report

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## **AMA Group Limited** **Financial report for the year ended 30 June 2011**

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This document contains some statements which are by their very nature forward looking or predictive. Such forward looking statements are by necessity at least partly based on assumptions about the results of future operations which are planned by the Company and other factors affecting the industry in which the Company conducts its business and markets generally. Such forward looking statements are not facts but rather represent only expectations, estimates and/or forecasts about the future and thereby need to be read bearing in mind the risks and uncertainties concerning future events generally.

There are no guarantees about the subjects dealt with in forward looking statements. Indeed, actual outcomes may differ substantially from that predicted due to a range of variable factors.

# CORPORATE GOVERNANCE

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A review of the Company's 'Corporate Governance Framework' is performed on a periodic basis to ensure that it is relevant and effective in light of changing legal and regulatory requirements. The Board of Directors continues to adopt a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries.

Unless otherwise stated all Policies and Charters meet the ASX Corporate Governance Council's Best Practice Recommendations. All Charters and Policies are available from the Company or on its website at [www.amagroupltd.com](http://www.amagroupltd.com).

## Role of the Board and Management

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities are detailed in its Board Charter and cover the following broad categories:

- 1 Leadership of the organisation
- 2 Strategy formulation
- 3 Overseeing planning activities
- 4 Shareholder liaison
- 5 Monitoring, compliance and risk management
- 6 Company finances
- 7 Human resources
- 8 Health, safety and well-being of Directors, Officers and Contractors
- 9 Delegation of authority
- 10 Remuneration policy
- 11 Nomination policy

## Structure and Composition of the Board

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharging their responsibilities and duties and being of value to the Company.

The names of the Directors, their independence, qualifications and experience are stated on pages 7 and 8 along with the term of office held by each.

The Board believes that the interests of all Shareholders are best served by:

- \* Directors having the appropriate skills and experience;
- \* the Company striving to have a number of Directors being independent as defined in the ASX Corporate Governance Guidelines; and
- \* some major Shareholders being represented on the Board.

Where any Director has a material personal interest in a matter, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement is in accordance with Corporations Law and aims to ensure that the interests of Shareholders, as a whole, are pursued and that their interest or the Director's Independence is not jeopardised.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the full Board.

## Ethical and Responsible Decision-Making

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company has a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company. The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

# CORPORATE GOVERNANCE

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## **Integrity in Financial Reporting**

In accordance with the Board's policy, the CEO and CFO have made attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

The Company has a duly constituted Audit Committee currently consisting of two Non-Executive Directors, with the Committee Chairman being an Independent Non-Executive Director. The current members of the Committee, as at the date of this report, and their qualifications are detailed in the Directors' Profiles on pages 7 and 8.

The ASX Corporate Governance Council's Best Practice Recommendations are that an Audit Committee consists of at least 3 members. The company cannot comply with this due to the small number of Board members.

The Committee holds a minimum of two meetings a year. Details of attendance of the members of the Audit Committee are contained on page 9.

## **Timely and Balanced Disclosure**

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with ASX Listing Rules, the Company immediately notifies the ASX of information concerning the Company:

- 1 That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
- 2 That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

## **Rights of shareholders**

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

- 1 Communicating effectively with Shareholders through ongoing releases to the market via ASX information and General Meetings of the Company;
- 2 Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
- 3 Making it easy for Shareholders to participate in General Meetings of the Company; and
- 4 Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

Any Shareholder wishing to make inquiries of the Company is advised to contact the registered office. All public announcements made by the Company can be obtained from the ASX's website [www.asx.com.au](http://www.asx.com.au)

## **Recognise and Manage Risk**

The Audit Committee operates pursuant to a charter which provides for risk oversight and management within the Company. This is periodically reviewed and updated. Management reports risks identified to the Committee on a periodical basis.

The Chief Executive Officer and Chief Financial Officer have given a statement to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and controls based on the Company's Risk Management policies.

## **Encourage Enhanced Performance**

The performance of the Board, individual Directors and Executive Officers of the Company is monitored and evaluated by the Board. The Board is responsible for conducting evaluations on a regular basis in line with these policy guidelines.

A formal performance evaluation was conducted by the Board during the year. The evaluation has provided the board with valuable feedback for future development.

During the year, all Directors have full access to all company records and receive Financial and Operational Reports at each Board Meeting.

# CORPORATE GOVERNANCE

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All new Directors undergo an induction program.

## **Remunerate fairly and responsibly**

Profiles of the members and details of meetings of the Remuneration Committee are detailed on pages 7 to 9 of the Director's Report.

The Committee's responsibilities include but are not limited to:

- \* Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company;
- \* Approving the design of Executive & Employee incentive plans (including equity-based plans) and proposed payments or awards under such plans;
- \* Reviewing performance hurdles associated with incentive plans;
- \* Making recommendations to the Board on the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time;
- \* Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service;
- \* Succession planning for the CEO and Senior Executive Officers; and
- \* Performance assessment of the CEO and Senior Executives Officers;

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with "Best Practice" as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance, with those granted to Directors subject to Shareholder approval.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Current remuneration is disclosed in the Remuneration Report and in Note 22: Key Management Personnel Disclosures.

The Company currently has no Nomination Committee as it believes that due to the size of the Company and its current activities, this function is best served by the full Board.

## **Legitimate Interests of Stakeholders**

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its Code of Conduct.

# DIRECTORS REPORT

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The directors present their report on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of AMA Group Limited and the entities it controlled for the year ended 30 June 2011.

## Directors

The following persons were directors of AMA Group Limited during the financial year and up to the date of this report:

Duncan Fischer  
Ray Malone  
Simon Doyle

## Principal activities

AMA Group's principal activity and purpose is the management of the Company's investments in the wholesale vehicle aftercare and accessories market, including smash repair panel shops, vehicle protection equipment, brakes and transmission service workshops and the wholesale distribution of automotive and electrical accessories.

During the financial year the Company focused on building existing businesses and shareholder wealth.

## Dividends – AMA Group Limited

No dividends were paid to members during the financial year.

## Corporate Structure

AMA Group Limited is a company limited by shares that is incorporated and domiciled in Australia.

## Review of operations, likely developments & expected results of operations.

The net result for the consolidated entity after providing for income tax and minority interests amounted to a profit of \$12.039 million (2010: \$4.793 million).

We have improved the consolidated entity's financial position by:

- Reducing bank bills by more than a third in the last 12 months.
- Increasing earnings per share to 4.37 cents
- Ensuring that each business remains profitable in its own right despite the QLD floods and the challenges faced.

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs during the financial.

## Matters subsequent to the end of the financial year

On 21 July 2011 and on 28 September 2011 the company issued respectively 2,950,000 and 2,701,986 ordinary shares to employees to satisfy employment arrangements.

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

# DIRECTORS REPORT

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## Environmental regulation

The consolidated entity is subject to environmental regulation in respect of its paint operations.

The consolidated entity holds environmental licences for its paint. 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 consolidated entity had no adverse environmental issues during the year.

## Information on directors

### **Duncan Fischer**

Appointed to the Board

Qualifications

Experience and expertise

- Non-Executive Chairman
- 14 October 2009
- FCA, FAICD
- Mr. Fischer has many years professional, business and board experience in Australia and overseas.

He practiced as a Chartered Accountant in Australia from 1977 to 1992 retiring from the profession and joining Tattersall's where he went on to become Managing Director and Chief Executive Officer, a position he retired from in 2006.

His experience covers all aspects of management, strategy, mergers, new business start-ups and leading a major listing and IPO process and has held a number of board positions. He is a past member of the Australia Day Committee (Victoria) and has held a number of committee and not for profit board roles, including Committee for Melbourne and the Arts Angels Council.

Interest in Shares and Options\*

- 9,133,334 shares and Nil options

Directorships held in other listed entities

- Nil

Special responsibilities

- Member of the Audit Committee and Member of the Remuneration Committee

### **Simon Doyle**

Appointed to the Board

Qualifications

Experience and expertise

- Non-Executive Director
- 14 October 2009
- BA, LLB
- Mr. Doyle has many years experience in Australia and overseas in commercial law, company executive roles and non-executive director roles with an emphasis on strategic direction, governance and compliance.

Previous executive roles include responsibility for legal functions, compliance, corporate affairs, human resources and company secretarial as well as specific leadership roles in mergers, acquisitions, corporate restructures, due diligence and initial public offering.

# DIRECTORS REPORT

Previous non-executive roles include board positions in start ups, mature businesses, businesses in transition and Board member and Chairman in the not for profit sector.

Interest in Shares and Options*	—	4,062,899 shares and Nil options
Directorships held in other listed entities	—	Nil
Special responsibilities	—	Chairman of the Audit Committee and Chairman of the Remuneration Committee
<b>Ray Malone</b>	—	Chief Executive Officer and Executive Director
Appointed to the Board	—	23 January 2009
Experience and expertise	—	Over 30 years work experience in the Panel industry
Interest in Shares and Options*	—	96,943,772 shares and Nil options
Directorships held in other listed entities	—	Nil
Special responsibilities	—	Nil

\*The relevant interest of each Director in the shares or options over shares issued by the companies within the economic entity and other related body corporate as notified by the Directors to the Australian Securities Exchange in accordance with s 205G(1) of the Corporations Act 2001, as at the date of this report.

## Company Secretarial

The name and details of the Company Secretaries in office during the financial year and until the date of this report are as follows. Secretaries were in office for the entire period unless otherwise stated.

<b>Phillip Hains</b>	—	Joint Company Secretary
Appointed	—	9 December 2009
Experience	—	Mr Hains is a Chartered Accountant and specialist in the public company environment. He has served the needs of a number of public company boards of directors and related committees. He has over 21 years' experience in providing accounting, administration, compliance and general management services. He holds a Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.
<b>Terri Bakos</b>	—	Joint Company Secretary
Appointed	—	2 March 2010
Experience	—	Ms Bakos is a Chartered Secretary and holds a B.Bus (Accounting) from RMIT University. She has over 18 years' experience providing accounting and compliance services to listed and unlisted public companies.



# DIRECTORS REPORT

## Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

	Board Meetings		Committee Meetings			
			Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Duncan Fischer	7	7	7	7	1	1
Simon Doyle	7	7	7	7	1	1
Ray Malone	7	7	NA	0	NA	0

## Remuneration Report

The remuneration report is set out under the following main headings:

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

This remuneration report has been prepared by the Directors of AMA Group Limited to comply with the Corporations Act 2001 and the Key Management Personnel (KMP) disclosures required under AASB 124 Related Party Disclosures.

### **A Principles used to determine the nature and amount of remuneration**

#### Key management personnel

The following were key management personnel of the entity at any time during the reporting period and unless otherwise indicated were Key Management Personnel for the entire period:

#### Directors

- Duncan Fischer - Chairman and Non-executive Director
- Simon Doyle - Non-executive Director
- Ray Malone - CEO and Executive Director

#### Senior Executives

- Ray Smith Roberts -COO of AMA Group Limited
- Mark Jacobs -CFO of AMA Group Limited (appointed 25 July 2010)

### **Remuneration policies**

The Board is responsible for reviewing the remuneration policies and practices of the Company, including the compensation arrangements of Executive Directors, Non-Executive Directors and Senior Executives.

The objective of these policies is to:

- Make AMA Group Limited and its subsidiaries an employer of choice.
- Attract and retain the highest calibre personnel.
- Encourage a culture of reward for effort and contribution.
- Set incentives that reward short and medium term performance for the Company as a whole.
- Encourage professional and personal development

# DIRECTORS REPORT

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In the case of senior executives, any recommendation for compensation review will be made by the Chief Executive Officer to the Remuneration Committee.

There is no direct link between remuneration of Executive Directors and other Key Management Personnel and the share price movement. Remuneration is based on management key performance indicators, targets and other benchmarks as determined by the Board or the Chief Executive Officer.

## *Non-executive Directors*

The Board determines the Non-executive Director remuneration based on independent market data for comparative companies.

The remuneration payable from time to time to Non-executive Directors shall be in an amount not exceeding in aggregate a maximum sum that is from time to time approved by resolution of the Company, currently \$400,000 per annum.

Non-executive Directors' retirement payments are limited to compulsory employer superannuation.

## *Executive Directors and Senior Management remuneration*

The Company's remuneration policy directs that the remuneration packages appropriately reflects the executives' duties and responsibilities and that remuneration levels attract and retain high calibre executives with the skills necessary to successfully manage the Company's operations and achieve its strategic and financial objectives.

The total remuneration packages of Executive Directors and Senior Management is comprised of a base salary plus short term and long term incentives. The Company has a policy of rewarding extraordinary contribution to the growth of the Company with the grant of an annual discretionary cash bonus, shares or options under the Company's Employee Share Option Plan.

Executives are also entitled to be reimbursed for their reasonable travel, accommodation and other expenses incurred in the execution of their duties.

Remuneration packages for Executive Directors and Senior Executives generally consist of three components:

- Fixed remuneration which is made up of cash salary, salary sacrifice components and superannuation
- Short term incentives which include the issue of shares or options; and
- Long term incentives which include issuing options.

## *Fixed remuneration*

Senior Executives who possess a high level of skill and experience are offered a competitive base salary. The performance of each executive will be reviewed annually. Following the review, the Board may in its sole discretion increase the salary based on that executive's performance, productivity and such other matters as it considers relevant.

Superannuation contributions by the Company are limited to the statutory level of 9% of wages and salaries.

## *Short-term incentives*

The remuneration of AMA Group Ltd Senior Executives includes short-term incentive bonuses, payable as cash or equity, as part of their employment conditions based on achieving specific measured objectives. The Board may however approve discretionary bonuses to executives in relation to certain milestones being achieved.

## *Long-term incentives*

The Company has adopted a Share Option Plan for the benefit of Executive Directors, full-time and part-time staff members employed by the Company.

In accordance with the Plan, the exercise price is based on a minimum of 100% of the average ASX closing price for the 5 days prior to the offer/acceptance of the options. Each option is issued for a maximum period of 5 years.

The Board, at its discretion, may approve the issue of options under the Employee Share Option Plan to Directors and Senior Executives. The vesting of options issued may be conditional upon the achievement of performance hurdles determined by the Board from time to time.

Independent data from applicable sources may be requested by the Board to assess if the performance hurdles have been met.

# DIRECTORS REPORT

## *Performance based Remuneration*

Performance based remuneration is issued to reward individual performance in line with Group objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Group. This is regularly measured in respect of performance against key performance indicators (KPI's) and incentive bonuses are paid monthly, quarterly and yearly to reflect this. KPI's used to measure performance include:

- Completion of set milestones.
- Budgeted EBIT.
- Sales targets.

KPI's are set in advance in conjunction with Group budgets and in consultation with Executives & employees. The KPI's chosen reflect the Group's goals for the year and endeavour to increase shareholder wealth.

Assessment of KPI's is undertaken by the Remuneration Committee and Management based on management accounts and year end audited financial results.

All Executives and employees are eligible to receive incentives whether through employment contracts or by recommendation of the Chief Executive Officer or Board. Performance based incentive payments are based on a set monetary value or number of shares or options. There is no fixed portion between incentive and base remuneration.

## *Remuneration policy versus Group Performance.*

Over the past five years, the Group's performance has been burdened by heavy debt as a consequence of going through an acquisition phase. Many of the businesses acquired did not meet expectations and consequently this was reflected in the Group's net profit results and share price.

Over the last 30 months, the Board has undergone a program to restructure the business which has involved refinancing the debt structure and selling or placing into administration several non-performing businesses. This has been reflected in the difference in the net profit result and total equity between the 2009, 2010 and 2011 years.

The Group's remuneration policy is based on industry practice. Executive performance based remuneration issued during the 2011 financial year has been measured against the KPI's set at the start of the year by the Board and/or management to reflect the Group's objectives for the year. The Board believes that the performance based remuneration issued during the year reflects the contribution that they have made to the Group's performance over the past 12 months.

## *Service agreements*

The Group has entered into service agreements with Key Management Personnel.

No Executive during the term of their employment agreement shall perform work for any other person, corporation or business without the prior written consent of the Company.

## *Termination of other Executives*

Generally, the Company or the executive may terminate employment at any time by giving the other party appropriate contractual notice in writing.

If either the Company or the Executive gives notice of termination, the Company may, at its discretion, choose to terminate the Executive's employment immediately or at any time during the notice period and pay the executive an amount equal to the salary due to him for the residual period of notice at the time of termination.

The employment of each executive may be terminated immediately without notice or payment in lieu in the event of any serious or persistent breach of the agreement, any serious misconduct or wilful neglect of duties, in the event of bankruptcy or any arrangement or compensation being made with creditors, on conviction of a criminal offence, permanent incapacity of the executive or a consistent failure to carry out duties in a manner satisfactory to the Company.

# DIRECTORS REPORT

## B Details of remuneration

Details of the remuneration of the Directors, the Key Management Personnel of the consolidated entity (as defined in AASB 124 Related Party Disclosures) are set out in the following tables:

2011	Note	Short-term employee benefits			Long-term employee benefits	Post employment benefits	Equity Settled Share based payments	Total
		Salary	Bonus	Other	Long service leave <sup>1</sup>	Super-annuation	Shares	
		\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>								
Duncan Fischer		97,500	-	-	-	-	-	97,500
Simon Doyle		75,688	-	-	-	6,812	-	82,500
<b>Executive Directors</b>								
Ray Malone		700,000	-	-	74,319	79,692	-	854,011
<b>Other key management</b>								
Ray Smith-Roberts		105,165	189,209	25,555	(22,219)	22,431	316,200	636,341
Mark Jacobs	2	133,086	-	-	220	11,978	-	145,284
		1,111,439	189,209	25,555	52,320	120,913	316,200	1,815,636

2010	Note	Short-term employee benefits			Long-term employee benefits	Post employment benefits	Equity Settled Share based payments	Total
		Salary	Bonus	Other	Long service leave <sup>1</sup>	Super-annuation	Shares	
		\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>								
Duncan Fischer	3	69,204	-	-	-	2,415	-	71,619
Simon Doyle	3	52,461	-	-	-	4,722	-	57,183
Chris Sadler	4	33,743	-	-	-	3,037	-	36,780
The Hon John Anderson	4	17,864	-	-	-	1,608	-	19,472
Don Easter	5	17,863	-	-	-	1,419	-	19,282
<b>Executive Directors</b>								
Ray Malone		299,052	300,000	-	2,500	25,823	-	627,375
<b>Other key management</b>								
Ray Smith-Roberts		106,172	244,909	-	1,559	23,164	125,755	501,559
Tom McDonald	6	146,789	-	22,757	-	13,211	-	182,757
		743,148	544,909	22,757	4,059	75,399	125,755	1,516,027

- 1 Represents movement in the provision for long service leave for amounts accrued and not paid
- 2 Appointed 26 July 2010
- 3 Appointed 14 October 2009
- 4 Resigned 30 November 2009
- 5 Resigned as Director 14 October 2009, resigned as employee 8 September 2008
- 6 Resigned 2 March 2010

# DIRECTORS REPORT

## **C Service agreements**

The following Key Management Personnel have formalised service agreements in place as at 30<sup>th</sup> June 2011:

Name: Ray Malone  
Title: Chief Executive Officer  
Agreement commenced: 4 July 2010  
Term of agreement: 5 Years.  
Termination period and payout: Mr Malone agreed not to resign within the first 2 years of the term. After 4 July 2012 Mr Malone may terminate the agreement with 6 months' notice. Where the company terminates the agreement prior to the expiration of the term on grounds other than serious misconduct, it must give notice of the balance of the term or make payment in lieu of notice equal to the total fixed remuneration plus superannuation and existing bonus that accrues over that period.  
Other terms: Mr Malone has the option from 4 July 2012 to transition to the role of Strategic Executive Director with a base remuneration of not less than 50% of his remuneration at the date of transition.

Name: Ray Smith-Roberts  
Title: Chief Operations Officer  
Agreement commenced: 1 September 2010  
Term of agreement: No fixed term  
Termination Period: 6 months' notice period.  
Termination payout: 6 months' base salary

Name: Mark Jacobs  
Title: Chief Financial Officer  
Agreement commenced: 26 July 2010  
Term of agreement: No fixed term  
Termination Period: 1 months' notice period.  
Termination payout: 1 months' base salary

## **D Share-based compensation**

### *Ordinary shares*

Ray Smith-Roberts, one of AMA's Key Management Personnel, elected to receive his bonus entitlement for the 2011 year by the way of ordinary shares to the value of \$200,500, as shown in the 2011 remuneration table. These shares were issued in September 2011

Ray Smith-Roberts, one of AMA's Key Management Personnel, elected to receive his bonus entitlement for the 2010 year by the way of ordinary shares to the value of \$125,755, as shown in the 2010 remuneration table. These shares were issued in October 2010.

Upon signing a long term employment contract Ray Smith-Roberts, one of AMA's Key Management Personnel, elected to receive a bonus by way of shares to the value of \$115,700, as shown in the current year remuneration table. These shares were issued in October 2010.

### *Options*

There were no options issued to Key Management Personnel during the year or the previous year as part of their compensation.

# DIRECTORS REPORT

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## Shares under option

Unissued ordinary shares of AMA Group Limited under option at the date of this report are as follows:

<u>Grant date</u>	<u>Expiry date</u>	<u>Issue price of shares</u>	<u>Number under option</u>
30 March 2007	30 April 2012	\$0.46	48,000

## Shares issued on the exercise of options

No shares were issued on the exercise of options in the financial year ended 30 June 2011 or 30 June 2010.

## Insurance of officers

During the financial year, the Company paid a premium in respect of a contract to insure the directors of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 in the financial report.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 23 in the financial report do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding-off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

# DIRECTORS REPORT

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## **Auditor**

Moore Stephens continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

For And On Behalf Of The Board



Duncan Fischer  
Chairman  
AMA Group Limited

Dated this 29 day of September 2011

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Melbourne VIC 3000

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F +61 (0)3 8102 3400

[www.moorestephens.com.au](http://www.moorestephens.com.au)

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of AMA Group Limited and Controlled Entities**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



MOORE STEPHENS  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 29 September 2011

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# FINANCIAL REPORT for the year ended 30 June 2011

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### Financial report

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### General information

These financial statements cover the consolidated entity consisting of AMA Group Limited and its controlled entities. The financial statements are presented in Australian currency.

AMA Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1  
1233 High Street  
Armadale VIC 3143

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue by the Directors on 29 September 2011.

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

		30 June 11	30 June 2010
	Note	\$'000	\$'000
<b>Revenue from continuing operations</b>	4	53,929	51,345
Raw materials and consumables used		(23,792)	(22,954)
Employee benefits expense		(15,085)	(13,393)
Depreciation and amortisation expense		(481)	(555)
Advertising and marketing		(429)	(335)
Insurance		(282)	(239)
Travel and motor vehicle		(529)	(528)
Occupancy expenses		(2,508)	(2,420)
Professional services		(1,147)	(1,308)
Research and development		(113)	(24)
Communication expenses		(178)	(249)
Bad and doubtful debts expense		26	183
Other expenses		(1,254)	(1,370)
<b>Earnings before interest and tax (EBIT)</b>	33	8,157	8,153
Finance costs		(1,272)	(1,505)
<b>Profit from continuing operations before impairment, fair value adjustments and vendor payments</b>		6,885	6,648
Impairment of assets		-	(1,083)
Fair Value adjustments to loan note and vendor loans		(569)	(779)
Vendor payments		-	(639)
<b>Profit before tax from continuing operations</b>		6,316	4,147
Income tax benefit/(expense)	6	3,922	(777)
<b>Profit after tax from continuing operations</b>		10,238	3,370
Profit after tax from discontinued operations	34(b)	1,801	1,423
<b>Profit after tax</b>		12,039	4,793
<b>Total comprehensive income for the period</b>		<b>12,039</b>	<b>4,793</b>
Profit attributable to members of AMA Group Limited		12,039	4,793
Total comprehensive income attributable to members of AMA Group Limited		12,039	4,793
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
<b>From Continuing operations</b>			
Basic earnings per share		3.71	1.41
Diluted earnings per share		3.71	1.41
<b>From continuing and discontinued operations</b>			
Basic earnings per share		4.37	2.01
Diluted earnings per share		4.37	2.01

The accompanying notes form part of these financial statements

# STATEMENT OF FINANCIAL POSITION as at 30 June 2011

## Statement of Financial Position as at 30 June 2011

	Note	30 June 2011 \$'000	30-June-2010 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	3,750	3,248
Trade and other receivables	8	7,644	8,811
Inventories	9	4,476	4,405
Other	10	387	502
<b>Total current assets</b>		<b>16,257</b>	<b>16,966</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	2,103	2,411
Intangibles	12	27,256	27,253
Deferred tax assets	13	6,564	2,855
<b>Total non-current assets</b>		<b>35,923</b>	<b>32,519</b>
<b>Total assets</b>		<b>52,180</b>	<b>49,485</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	7,764	10,000
Borrowings	15	3,617	2,145
Provisions	16	1,282	1,074
<b>Total current liabilities</b>		<b>12,663</b>	<b>13,219</b>
<b>Non-current liabilities</b>			
Borrowings	15	15,303	23,075
Deferred tax liabilities	17	2,166	2,230
Provisions	16	158	115
Other	14	2,746	4,121
<b>Total non-current liabilities</b>		<b>20,373</b>	<b>29,541</b>
<b>Total liabilities</b>		<b>33,036</b>	<b>42,760</b>
<b>Net assets</b>		<b>19,144</b>	<b>6,725</b>
<b>Equity</b>			
Contributed equity	18	57,221	56,841
Reserves	19	47	47
Accumulated losses		(38,124)	(50,163)
<b>Total equity</b>		<b>19,144</b>	<b>6,725</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2011

	Contributed equity	Option Reserve	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	56,657	47	(57,771)	(1,067)
Shares issued net of costs	1,987	-	-	1,987
Reclassified vendor share issue	(1,803)	-	-	(1,803)
Cancellation of Dividends	-	-	2,815	2,815
Profit attributable to members of AMA Group Limited	-	-	4,793	4,793
<b>Balance at 30 June 2010</b>	<b>56,841</b>	<b>47</b>	<b>(50,163)</b>	<b>6,725</b>
Shares issued net of costs	380	-	-	380
Profit attributable to members of AMA Group Limited	-	-	12,039	12,039
<b>Balance at 30 June 2011</b>	<b>57,221</b>	<b>47</b>	<b>(38,124)</b>	<b>19,144</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CASH FLOWS for the year ended 30 June 2011

	Note	30 June 2011 \$'000	30-June-2010 \$'000
<i>CASH FLOWS RELATED TO OPERATING ACTIVITIES</i>			
Receipts from customers		59,373	52,616
Payments to suppliers and employees		(51,788)	(44,875)
Interest received		134	72
Interest and other costs of finance paid		(1,272)	(1,558)
Income taxes paid		-	(262)
Income taxes refunded		-	898
Other		-	(35)
<b>NET OPERATING CASH FLOWS</b>		<b>6,447</b>	<b>6,856</b>
<i>CASH FLOWS RELATED TO INVESTING ACTIVITIES</i>			
Proceeds from sales of plant and equipment		59	88
Payment for purchases of plant and equipment		(186)	(245)
Payment for purchases of equity investments, net of cash acquired		(785)	(677)
Proceeds from sale of business		-	307
Payments for intangible assets		(3)	-
Cash forgone by placing operations into administration		-	(596)
Recovery of assets impaired in previously discontinued operations		2,208	-
<b>NET INVESTING CASH FLOWS</b>		<b>1,293</b>	<b>(1,123)</b>
<i>CASH FLOWS RELATED TO FINANCING ACTIVITIES</i>			
Repayment of borrowings		(7,238)	(2,850)
<b>NET FINANCING CASH FLOWS</b>		<b>(7,238)</b>	<b>(2,850)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>502</b>	<b>2,883</b>
Cash and cash equivalents at the beginning of the Financial year		3,248	365
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>7</b>	<b>3,750</b>	<b>3,248</b>

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards (IFRSs).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

#### *Critical accounting estimates*

The preparation of these financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

### New Accounting Standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- **AASB 9** (December 2010): *Financial Instruments* (applicable for annual reporting periods commencing on or after 1 January 2013).  
This Standard is applicable retrospectively and includes the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.  
The key changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- **AASB 2009–12**: *Amendments to Australian Accounting Standards* [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

**AASB 2010-4:** *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

**AASB 2010-5** (October 2010): *Amendments to Australian Accounting Standards* [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

**AASB 2010-6** (November 2010): *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this standard makes amendments to AASB 1 *First-time Adoption of Australian Accounting Standards*; and AASB 7 *Financial Instruments: Disclosures*; establishing additional disclosure requirements in relation to transfers of financial assets. This standard is not expected to impact the Group

**AASB 2010-7** (December 2010): *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9 *Financial Instruments* in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9. The Group has not yet determined the potential impact of adopting AASB 9 on the financial statements

- **AASB 1054:** Australian Additional Disclosures (applicable for annual reporting periods commencing on or after 1 July 2011).

This Standard arises from the joint Trans-Tasman Convergence Project undertaken by the AASB and the New Zealand Financial Reporting Standards Board (FRSB). It sets out the Australian-specific disclosures for



# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

entities that have adopted Australian Accounting Standards. It contains disclosure requirements that are additional to IFRSs requirements in relation to:

- compliance with Australian Accounting Standards;
- the statutory basis or reporting framework for the financial statements;
- whether the financial statements are general purpose or special purpose;
- audit fees;
- imputation (franking) credits; and
- the reconciliation of net operating cash flow to profit or loss.

Some of these disclosure requirements were previously located in other Australian Accounting Standards. This Standard is not expected to significantly impact the Group.

**AASB 2011-1:** Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (applicable for annual reporting periods commencing on or after 1 July 2011).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.

For instance, AASB 2011-1 introduces the 'true and fair override' into AASB 101 (as currently available under paragraphs 19-22 of IAS 1: Presentation of Financial Statements). However, the application of 'true and fair override' in the Australian context is limited by an additional 'Aus' paragraph (Aus19.1 of the amended AASB 101), which specifically prohibits entities required to prepare financial reports under Part 2M.3 of the Corporations Act 2001, private and public sector not-for-profit reporting entities (including governments) and entities applying Reduced Disclosure Requirements from applying the requirements in paragraph 19 of the revised AASB 101.

This Standard is not expected to significantly impact the Group

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AMA Group Limited ('company' or 'parent entity') as at 30 June 2011 and the results of all subsidiaries for the year then ended. AMA Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'group'.

The separate financial statements of the parent entity, AMA Group Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001 effective as at 28 June 2011.

Parent information has been disclosed in note 32 to the financial statements

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between companies in the consolidated entity are eliminated in full.

Investments in subsidiaries are accounted for at cost, less any impairment, in the separate financial statements of the parent entity.

## Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Business segments reported are "Motor Vehicle Accessory Distribution", "Motor Vehicle Protection Products", "Panel Repair", "Cable & Accessory Distribution" and "Other". This is consistent with prior year disclosure.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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## Foreign currency transactions and balances

### *Functional and presentation currency*

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

### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

## Revenue recognition

Sales revenue represents revenue earned from the sale of the consolidated entity's products and services, net of returns, trade allowances and duties and taxes paid.

In the majority of cases the simple process of delivery of goods or service to a customer, where the risks and rewards of ownership pass to the customer, give rise to the recognition of income.

The revenue recognition policy follows AASB 118 and revenue is recognised when all of the following criteria are met:

- the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- the consolidated entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the consolidated entity.
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue is recognised using the effective interest method. It includes amortisation of any discount or premium.

Other revenue is recognised when it is received or when the right to receive payment is established.

Grants and subsidies are recognised as income over the period to which they relate.

## Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## *Tax consolidation*

AMA Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 September 2007.

## **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## **Trade receivables**

All trade receivables are recognised at the amounts receivable as they are due for settlement by no more than 90 days.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when some doubt as to collection exists.

## **Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Investments and other financial assets

Investments and other financial assets are stated at the lower of their carrying amount and fair value less costs to sell. The fair values of quoted investments and based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

## Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets.

Depreciation is calculated on either a straight line or diminishing value basis (class or asset must have either a straight line or diminishing value not both) as considered appropriate to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. The expected useful lives are as follows:-

### *Leasehold improvements*

The cost of improvements to or on leasehold properties is amortised over the unexpired life of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. The diminishing value method of depreciation was used.

### *Plant and equipment*

The expected useful life of purchased plant and equipment is two to fifteen years. Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they now relate. The diminishing value method of depreciation was used.

### *Furniture and equipment*

The cost of furniture and equipment is carried at cost or fair value less any accumulated depreciation. The expected useful life of furniture and equipment is two to ten years. The diminishing value method of depreciation was used.

### *Motor vehicles*

The cost of motor vehicles is carried at cost or fair value less any accumulated depreciation. The expected useful life of motor vehicles is four to eight years. The diminishing value method of depreciation was used.

## Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs.

The leased asset is depreciated on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at the reporting date are being amortised over periods ranging from three to five years.

Other operating lease payments are charged to the statement of comprehensive income in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

## Intangible assets

### *Goodwill*

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (*proportionate interest method*). The Group determines which method to adopt for each acquisition.

Under the *full goodwill method*, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

## *Research and Development*

Expenditure on research activities, undertaken with the prospect of obtaining new or scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial product or use, is capitalised only when technical feasibility studies identify that the product or service will deliver future economic benefits and these benefits can be measured reliably. Expenditure on development activities have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful economic life of the product or service.

## *Patents and trademarks*

Patents and trademarks are recognised at the cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and impairment losses. Patents and trademarks are amortised over their estimated useful life of 5 years.

## **Impairment of assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

## **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other payables not due within a year are measured less cumulative amortisation calculated using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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## Onerous leases

Represents contracts entered into in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The excess of the lease obligations over the expected economic benefits is expensed in the period that the contract becomes onerous. The liability represents the present value of the minimum lease payments and is held on the statement of financial position until it is extinguished.

## Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing debt. Interest is accrued over the period it becomes due and unpaid interest is recorded as part of current payables.

Interest free loans are recorded at their fair value. Discounted cash flow models are used to determine the fair values of the loans. Refer to note 15 for further information regarding the interest free loans held by the Company.

## Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include interest on:

- Short term and long term borrowings
- Finance leases

## Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## Employee benefits

### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables and provisions in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

### *Long service leave*

The liability for long service leave is recognised in provisions and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

### *Share-based payments*

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black Scholes option pricing model. The expected value used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, other risk factors and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

## Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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## Dividends

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

## Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

## Earnings per share

### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the 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 dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## 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 Australian Taxation Office (ATO). 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 ATO is included in other receivables or other 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 ATO, are presented as operating cash flows.

## Financial instruments

### *Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

- i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

## iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

## iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

## v. *Financial liabilities*

All non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost except for the interest free loan, which is designated as a financial liability at fair value through profit or loss. This is because the interest free loan:

- (a) contains an embedded derivative in the form of a put option; and
- (b) the embedded derivative has the potential to significantly modify the cash flows that otherwise would be required by the loan contract by permitting the entity to put the loan back to the lender at a significant discount to the original loan amount.

## *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted financial instruments, including recent arm's length transactions, reference to similar instruments and option pricing models.

## *Impairment*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

## *Financial guarantees*

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

## *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

## **Non-current assets held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specially exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of Comprehensive Income.

## **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, 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, the nearest dollar.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

### *Critical accounting estimates and assumptions*

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Impairment of Goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the consolidated entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Refer to note 12 for details of key assumptions used to calculate the recoverable amount of goodwill.

### *Critical judgements in applying the consolidated entity's accounting policies*

We have applied a discount factor on the vendor payables to determine the amortised cost. We have applied a discount factor and a probability factor on the interest free loan note to determine the fair value. The interest expense and the fair value adjustment has been taken to the Statement of Comprehensive Income.

The current liability of the bank loan is estimated based on the targeted performance of the Company (refer note 15 for further details).

## Note 3. Segment information

### **Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics with respect to the products sold and/or services provided by the segment.

### **Services Provided by Segments**

- Motor Vehicle Accessory Distribution – Distribution of motor vehicle accessories.
- Motor Vehicle Protection Products – Manufacture & distribution of motor vehicle protective bars.
- Panel Repair – Motor vehicle and panel repairs.
- Cables & Accessory Distribution – Distribution of motor vehicle accessories.
- Other Segments – Motor vehicle part repairs.

### **Basis of accounting for purposes of reporting by operating segments**

#### *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Chief Executive Officer as the chief decision maker with respect to operating segments are determined in accordance with accounting policies.

The gross margin of the panel repair segment, as presented to the Chief Executive Officer does not include direct labour costs or an allocation of overheads.

#### *Inter-segment transactions*

All inter-segment transactions are eliminated on consolidation for the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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## *Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

## *Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

## *Unallocated items*

The following items of revenue, expense, assets and liabilities are not allocated to operating segments, other than for direct labour for panel segment, as they are not considered part of the core operations of any segment:

- derivatives;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- other financial liabilities;
- fixed manufacturing & service costs and other cost of sale adjustments;
- finance costs;
- dividend payments;
- intangible assets; and
- discontinuing operations.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Business segments

30 June 2011	Motor Vehicle Accessory Distribution \$'000	Motor Vehicle Protection Products \$'000	Panel Repair \$'000	Cable & Accessory Distribution \$'000	All Other Segments \$'000	Total \$'000
<b>Revenue</b>						
External Sales	9,261	15,031	16,527	6,859	5,248	52,926
Other Income	49	471	52	71	260	903
Total Sales & Other Income	9,310	15,502	16,579	6,930	5,508	53,829
Unallocated Revenue						100
Total Revenue						53,929
<b>Result</b>						
Segment Gross Margin	3,202	7,587	10,298	3,191	2,338	26,616
Unallocated Expenses						(19,731)
Profit from continuing operations before impairment, fair value adjustments and vendor payments						6,885
Fair Value Adjustments						(569)
Profit before income tax expense						6,316
<b>Other</b>						
Acquisition of Non- Current Segment Assets	-	53	64	31	41	189
Depreciation and Amortisation of Segment Assets	68	114	114	53	131	479
Other Non-Cash Segment Expenses	-	-	-	-	-	-

Note: Panel Repair Gross Margin does not include direct labour or an allocation for overheads. These costs are allocated to unallocated expenses.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

30 June 2010	Motor Vehicle Accessory Distribution \$'000	Motor Vehicle Protection Products \$'000	Panel Repair \$'000	Cable & Accessory Distribution \$'000	All Other Segments \$'000	Total \$'000
<u>Revenue</u>						
External Sales	10,177	15,672	13,432	5,569	5,680	50,530
Other Income	46	513	27	48	314	948
Total Sales & Other Income	10,223	16,185	13,459	5,617	5,994	51,478
Unallocated Revenue						(133)
Total Revenue						51,345
<u>Result</u>						
Segment Gross Margin	3,593	7,928	8,699	2,885	2,454	25,559
Unallocated Expenses						(18,911)
Profit from continuing operations before impairment, fair value adjustments and vendor payments						6,648
Fair Value Adjustments						(779)
Vendor Payments						(639)
Impairment of Intangibles						(1,083)
Profit before income tax expense						4,147
<u>Other</u>						
Acquisition of Non- Current Segment Assets	-	91	109	10	3	213
Depreciation and Amortisation of Segment Assets	49	101	178	79	116	523
Other Non-Cash Segment Expenses	-	-	-	-	-	-

Note: Panel Repair Gross Margin does not include direct labour or an allocation for overheads. These costs are allocated to unallocated expenses.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

30 June 2011	Motor Vehicle Accessory Distribution \$'000	Motor Vehicle Protection Products \$'000	Panel Repair \$'000	Cable & Accessory Distribution \$'000	All Other Segments \$'000	Total \$'000
<b>Assets</b>						
Segment Assets	3,437	3,729	3,058	3,117	2,289	15,630
Unallocated Assets						36,550
<b>Total Assets</b>						<b>52,180</b>
<b>Liabilities</b>						
Segment Liabilities	1,500	1,656	1,915	571	804	6,446
Unallocated Liabilities						26,590
<b>Total Liabilities</b>						<b>33,036</b>
30 June 2010	Motor Vehicle Accessory Distribution \$'000	Motor Vehicle Protection Products \$'000	Panel Repair \$'000	Cable & Accessory Distribution \$'000	All Other Segments \$'000	Total \$'000
<b>Assets</b>						
Segment Assets	3,156	4,400	3,703	2,383	2,300	15,942
Unallocated Assets						33,543
<b>Total Assets</b>						<b>49,485</b>
<b>Liabilities</b>						
Segment Liabilities	1,090	1,928	2,250	595	825	6,688
Unallocated Liabilities						36,072
<b>Total Liabilities</b>						<b>42,760</b>

## Geographical segments

The group only operates within one geographical area, Australia.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 4. Revenue

		30 June 2011	30 June 2010
	Note	\$'000	\$'000
<b>From Continuing Operations</b>			
<i>Sales Revenue</i>			
Sale of goods		35,687	36,621
Service and hire		16,692	13,709
		<u>52,379</u>	<u>50,330</u>
<i>Other Revenue</i>			
Interest Received		133	72
Insurance recovery		602	-
Other Revenue		815	943
		<u>1,550</u>	<u>1,015</u>
<b>Revenue from Continuing Operations excluding fair value adjustments</b>		<u>53,929</u>	<u>51,345</u>
Revenue from Discontinuing Operations	34c	11	1,753



# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 5. Expenses from continuing operations

	30 June 2011 \$'000	30 June 2010 \$'000
Profit/(Loss) before income tax includes the following specific expenses:		
Raw materials and consumables used	23,792	22,954
Finance costs		
Interest and finance charges paid/payable	1,272	1,505
Rental expense relating to operating leases		
Minimum lease payments	1,880	1,944
Defined contribution superannuation expense	1,063	959
Bad debts expense	(26)	(183)
Impairment of intangible assets	-	1,083
Stock obsolescence	358	363
(Profit)/Loss on disposal of assets/investments	(1)	113

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 6. Income tax expense/ (benefit)

	Note	30 June 2011 \$'000	30 June 2010 \$'000
<i>Income tax expense/(benefit)</i>			
Deferred tax		(3,773)	469
Under/(over) provision in prior years		(81)	308
Aggregate income tax expense/(benefit)		(3,854)	777
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:			
Decrease/(increase) in deferred tax assets	13	(3,709)	(1,761)
Decrease/(increase) in deferred tax liabilities	17	(64)	2,230
		(3,773)	469
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable:			
Profit/(Loss) before income tax (expense)/benefit		8,185	5,570
Tax at the Australian tax rate of 30%		2,456	1,671
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Other non-deductible items		168	43
Impairment of assets		-	325
Loan of subsidiary placed into administration		-	972
Disposal of assets		-	(1,162)
Income assessed as capital gains		(524)	-
Capital losses utilised in the current year		534	-
Recognition of DTL's not previously brought to account		-	2,090
Recognition of prior year losses not previously brought to account		(1,849)	(3,422)
Under provision in respect of prior year		(4,639)	260
Income tax expense/(benefit)		(3,854)	777
Income tax expense/ (benefit) attributable to continuing operations			
		(3,922)	777
Income tax expense/ (benefit) attributable to discontinued operations	34c	68	-
Income tax expense/(benefit)		(3,854)	777

The applicable weighted average effective tax rates are as follows:

(47.1%) 13.9%

The consolidated entity is part of a tax consolidation group. See the income tax accounting policy in note 1.

	Note	30 June 2011 \$'000	30 June 2010 \$'000
Amounts charged/(credited) directly to equity			
Deferred tax assets	13	32	32
Deferred tax liabilities	17	(32)	(32)
		-	-

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 7. Cash and cash equivalents

Note	30 June 2011 \$'000	30 June 2010 \$'000
Cash on hand	6	4
Cash at bank	3,744	3,244
	3,750	3,248

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

Balances as above	3,750	3,248
Balance as per statement of cash flows	3,750	3,248

## Note 8. Trade and other receivables

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Current</i>		
Trade receivables	6,434	6,154
Less provision for impairment of receivables	(23)	(72)
	6,411	6,083
Other receivables	1,233	2,729
	7,644	8,811

### *Bad and doubtful trade receivables*

The consolidated entity has recognised a gain of \$26,000 (2010: \$183,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2011.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Impairment of receivables

The ageing of the provision for impairment of trade receivables recognised above is as follows:

	30 June 2011	30 June 2010
	\$'000	\$'000
3 to 6 months	23	70
Over 6 months	-	2
	23	72

Movements in the provision for impairment of trade receivables are as follows:

	30 June 2011	30 June 2010
	\$'000	\$'000
Opening balance	72	681
Additional provisions recognised	(26)	(486)
Receivables written off when entity placed into administration	-	(108)
Receivables written off during the year as uncollectible	(23)	(15)
Closing balance	23	72

## Past due but not impaired

Customers with balances past due but without provision for doubtful debts amount to \$331,000 at 30 June 2011 (2010: \$240,000). Management did not consider a credit risk on the aggregate balances after reviewing agency credit information and recognising a tacit extension to the recorded credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables is as follows:

	30 June 2011	30 June 2010
	\$'000	\$'000
1 to 3 months	284	191
3 to 6 months	47	49
Over 6 months	-	-
Closing balance	331	240

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 9. Inventories

	30 June 2011	30 June 2010
	\$'000	\$'000
Raw materials - at cost	487	436
Work in progress - at cost	231	359
Finished goods - at cost	3,758	3,610
	4,476	4,405

## Note 10. Other current assets

	30 June 2011	30 June 2010
	\$'000	\$'000
Prepayments	387	502
	387	502

## Note 11. Property, plant and equipment

	30 June 2011	30 June 2010
	\$'000	\$'000
Leasehold improvements - at cost	256	227
less accumulated amortisation	(43)	(28)
	213	199
Plant & equipment - at cost	2,957	2,912
less accumulated depreciation	(1,503)	(1,549)
	1,454	1,363
Plant & equipment under lease - at cost		
Plant & equipment under lease - at cost	316	595
less accumulated depreciation	(267)	(110)
	49	485
Furniture & equipment - at cost	639	470
less accumulated depreciation	(375)	(285)
	264	185

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

Motor vehicles - at cost	333	507
less accumulated depreciation	(210)	(328)
	123	179
	2,103	2,411

## Reconciliations

Reconciliations of the fair values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements \$'000	Plant & Equipment \$'000	Plant under lease \$'000	Furniture & Equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Balance at 1 July 2009</b>	209	1,567	485	263	364	2,888
Additions	-	197	-	25	-	222
Disposals	-	(50)	-	-	(94)	(144)
Depreciation expense	(10)	(351)	-	(103)	(91)	(555)
<b>Balance at 30 June 2010</b>	199	1,363	485	185	179	2,441
Additions	30	107	-	13	36	186
Correction of prior year additions not recognised	-	-	69	-	-	69
Reclassification	-	278	(449)	141	30	-
Disposals	-	-	-	-	(65)	(65)
Depreciation expense	(16)	(294)	(56)	(75)	(57)	(498)
<b>Balance at 30 June 2011</b>	213	1,454	49	264	123	2,103

## Note 12. Intangible Assets

	30 June 2011 \$'000	30 June 2010 \$'000
Goodwill - at cost	51,078	51,078
Less impairment	(23,828)	(23,828)
	27,250	27,250
Patents & trademarks - at cost	6	3
Less accumulated amortisation	-	-
	6	3
	27,256	27,253

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Reconciliations

Reconciliations of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Patents & trademarks \$'000	Group \$'000
Balance at 1 July 2009	28,333	12	28,345
Impairment of continuing businesses	(1,083)	-	(1,083)
Entity being placed into administration	-	(9)	(9)
Balance at 30 June 2010	27,250	3	27,253
Additions	-	3	3
Balance at 30 June 2011	27,250	6	27,256

Intangible assets other than goodwill have finite useful lives. The current amortisation charge in respect of intangible assets is included under depreciation and amortisation expense in the Statement of Comprehensive Income.

Goodwill is allocated to cash-generating units (CGU) which are based on the consolidated entity's operating segments as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Motor Vehicle Accessory Distribution	7,319	7,319
Motor Vehicle Protection Products	7,879	7,879
Panel Repair	10,196	10,196
Cable & Accessory Distribution	30	30
All Other Segments	1,826	1,826
	27,250	27,250

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on 5-year cash projection budgets approved by the Board, using the key assumptions detailed below:

	Motor Vehicle Accessory Distribution	Motor Vehicle Protection Products	Panel Repair	Cable & Accessory Distribution	All Other Segments
Growth Rate %	0	0	0	0	0
Pre-tax discount rate %	13.27	15.77	13.77	17.77	14.77 to 18.27

The value in use calculations use historical weighted average growth rates to project revenue & costs and management's best estimates of what it believes will occur in future years. Due to the current effects of the economic environment on the automotive industry, the Company has adopted a conservative approach and used growth rates of 0%.

The discount rates of 13.27% to 18.27% pre-tax reflect management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for additional risk factors associated with each segment.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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## *Impact of possible changes in key assumptions*

### *Motor Vehicle Accessory Distribution Segment*

If the base EBIT used in the value-in-use calculation for this CGU had decreased by 10% and then remained constant with no further growth applied, the group would be required to recognise a further impairment of \$825,368 of goodwill in relation to this CGU.

If the estimated pre-tax discount rate for this CGU had been 1% higher than management's estimates (14.27% instead of 13.27%), the group would be required to recognise a further \$548,237 of impairment of goodwill in relation to this CGU.

### *Motor Vehicle Protection Products Segment*

If the base EBIT used in the value-in-use calculation for this CGU had decreased by 10% and then remained constant with no further growth applied, the group would not be required to recognise any further impairment of goodwill in relation to this CGU.

If the estimated pre-tax discount rate for this CGU had been 1% higher than management's estimates (16.77% instead of 15.77%), the group would not be required to recognise any further impairment of goodwill in relation to this CGU.

### *Panel Repair Segment*

If the base EBIT used in the value-in-use calculation for this CGU had decreased by 10% and then remained constant with no further growth applied, the group would not be required to recognise any further impairment of goodwill in relation to this CGU.

If the estimated pre-tax discount rate for this CGU had been 1% higher than management's estimates (14.77% instead of 13.77%), the group would not be required to recognise any further impairment of goodwill in relation to this CGU.

### *Cable & Accessory Distribution Segment*

If the base EBIT used in the value-in-use calculation for this CGU had decreased by 10% and then remained constant with no further growth applied, the group would not be required to recognise any further impairment of goodwill in relation to this CGU.

If the estimated pre-tax discount rate for this CGU had been 1% higher than management's estimates (18.77% instead of 17.77%), the group would not be required to recognise any further impairment of goodwill in relation to this CGU.

### *Other Segments*

If the base EBIT used in the value-in-use calculation for this CGU had decreased by 10% and then remained constant with no further growth applied, the group would be required to recognise a further impairment of \$90,881 of goodwill in relation to this CGU.

If the estimated pre-tax discount rate for this CGU had been 1% higher than management's estimates (15.77% to 19.27% instead of 14.77% to 18.27%), the group would be required to recognise a further impairment of \$36,714 of goodwill in relation to this CGU.



# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 13. Deferred tax asset

	30 June 2011	30 June 2010
	\$'000	\$'000
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in the statement of comprehensive income:		
Doubtful debts	13	41
Employee benefits	431	351
Accrued expenses	172	41
Inventory	107	109
Sundry items	94	37
Legal fees	-	286
Onerous lease	419	-
Revenue losses	3,726	1,253
Capital losses	1,570	534
	6,532	2,652
Amounts recognised in equity:		
Transaction costs on share issue	32	203
	32	203
Deferred tax asset	6,564	2,855

At 30 June 2011 the consolidated entity has estimated un-recouped revenue losses of \$12,421,034 (2010: \$4,178,114) which have all been brought to account as a deferred tax asset.

At 30 June 2011, the consolidated entity has estimated un-recouped capital losses of \$12,430,115 (2010: \$13,539,543) of which \$5,230,794 (2010: \$1,781,453) have been brought to account as a deferred tax asset.

The benefit of these losses will only be obtained if:

- (i) The companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised.
- (ii) The companies continue to comply with the conditions for deductibility imposed by the law.
- (iii) No changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 14. Trade and other payables

	Note	30 June 2011 \$'000	30 June 2010 \$'000
<b>Current</b>			
Trade payables		4,336	4,254
Deferred cash consideration - key vendors	14a	995	736
Deferred cash consideration -other		-	380
Onerous lease		620	620
Other payables		1,813	4,010
		<u>7,764</u>	<u>10,000</u>
<b>Non-current</b>			
Deferred cash consideration - key vendors	14a	1,971	2,723
Onerous lease		775	1,398
		<u>2,746</u>	<u>4,121</u>

- a) The Company has a deferred cash consideration to Key Vendors for \$3,341,000 (2010: \$4,126,000) to be repaid quarterly over 5 years interest free. The present value of the liability is \$2,965,627 (2010: \$3,459,336). These loans are subordinated to the Group's banking facilities (refer note 15) and are secured by a registered second ranking fixed and floating charge over the assets of AMA Group Limited and its subsidiaries.

## Note 15. Borrowings

	30 June 2011 \$'000	30 June 2010 \$'000
<b>Current</b>		
Bank bills	3,534	2,030
Lease liability	83	115
	<u>3,617</u>	<u>2,145</u>
<b>Non-current</b>		
Bank bills and loan note	15,293	22,995
Lease liability	10	80
	<u>15,303</u>	<u>23,075</u>

On 30 June 2009 the Company completed negotiations for a revised banking facility. This facility defers the due date on the bank bills until 30 June 2014 and the debt repayment is now considered as a long term liability. The facility also requires 35% of the Company's EBIT and, should the gearing ratio (as defined under the agreement)

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

be greater than a specified value, 75% of free cash flow annually (as defined under the agreement) to be paid towards the principal of the bills.

The revised banking facility includes the following covenants:

- achievement of EBIT Targets
- achievement of an interest cover target
- achievement of gearing target

As at the date of this report all the above covenants have been met.

## *Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank bills and loan note	18,827	25,025
Lease liability	93	195
	<b>18,920</b>	<b>25,220</b>

## *Assets pledged as security*

The bank bills are secured by a fixed and floating charge over all of the assets and uncalled capital of AMA Group Limited and all of its subsidiaries.

The lease liabilities are effectively secured as the rights to the leased assets recognised in the Statement of Financial Position revert to the lessor in the event of default.

## *Financing arrangements*

Unrestricted access was available at the end of the reporting period to the following lines of credit:

	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank bills	12,871	19,347
Loan notes	12,000	12,000
Used at balance date	24,871	31,347

The \$12 million loan note above was as part of the revised bank facility negotiated during the 2009 year. This \$12 million was recapitalised as interest free payable over 9 years and 9 months with an option to forego \$6million in debt at any time by paying down the debt by \$6 million prior to maturity date.

The current fair value of the loan is \$5.956 million (2010: \$5.678 million).

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 16. Provisions

	30 June 2011	30 June 2010
	\$'000	\$'000
<b>Current</b>		
Annual leave	784	628
Long service leave	495	428
Dividends	3	3
Warranty	-	15
	<u>1,282</u>	<u>1,074</u>
<b>Non-current</b>		
Long service leave	158	115
	<u>158</u>	<u>115</u>

### Warranty

The warranty provision has been calculated using the history of the percentage of warranty costs that result from a given amount of sales each year.

### Movements in provisions

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

	Warranty	Dividends	Total
Carrying amount at beginning of year	15	3	18
Arising during the year	-	-	-
Utilised	-	-	-
Reversed	(15)	-	(15)
Carrying amount at end of year	<u>-</u>	<u>3</u>	<u>3</u>

### Amounts not expected to be settled within the next 12 months

The current provision for annual leave is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave within the next 12 months.

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is classified as a current liability but is not expected to be taken within the next 12 months:

	Note	30 June 2011	30 June 2010
		\$'000	\$'000
Annual leave obligation expected to be settled after 12 months		192	125
Long service leave obligation to be settled after 12 months		157	116
		<u>349</u>	<u>241</u>

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 17. Deferred tax liability

	30 June 2011	30 June 2010
	\$'000	\$'000
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in statement of comprehensive income:		
Sundry debtors	323	300
Sundry items	30	33
Loan note	1,813	1,897
<b>Deferred tax liability</b>	<b>2,166</b>	<b>2,230</b>

## Note 18. Equity – Issued capital & to be issued

	Note	30 June 2011	30 June 2010	30 June 2011	30 June 2010
		Shares	Shares	\$'000	\$'000
Ordinary Shares - fully paid	18a	277,529,305	269,911,670	57,221	56,841
Equity to be issued	18b	-	-	-	-
		<b>277,529,305</b>	<b>269,911,670</b>	<b>57,221</b>	<b>56,841</b>

### 18a) Movements in ordinary share capital

Details	Date	Qty of Shares	Issue price	\$'000
Opening Balance 1 July 2009		139,033,157		54,854
Shares issued to vendors	13/08/2009	15,771,875	\$0.04	631
Shares issued to employees	13/08/2009	4,566,013	\$0.04	184
Shares issued to vendors	2/10/2009	29,290,625	\$0.04	1,172
Shares issued to vendors	2/10/2009	81,250,000	\$0.00	-
<b>Closing balance at 30 June 2010</b>		<b>269,911,670</b>		<b>56,841</b>
Shares issued to employees	31/08/2010	2,500,000	\$0.06	137
Shares issued to employees	11/10/2010	5,117,635	\$0.05	243
<b>Closing Balance at 30 June 2011</b>		<b>277,529,305</b>		<b>57,221</b>

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and, upon a poll, each share is entitled to one vote.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## 18b) Movements in equity to be issued

Details	Qty of Shares	Issue price	\$'000
Opening Balance at 1 July 2009			1,803
Value of shares transferred to ordinary shares, upon issue of shares			(1,803)
Closing balance at 30 June 2010			-
Equity to be issued			-
Closing balance at 30 June 2011			-

## Note 19. Equity - reserves

	30 June 2011	30 June 2010
	\$'000	\$'000
Option Reserve	47	47
	47	47

### Option reserve

The option reserve is used to record the fair value of equity benefits provided to employees and directors as part of their compensation.

## Note 20. Equity - dividends

	30 June 2011	30 June 2010
	\$'000	\$'000
Cancellation of dividend declared 1 September 2008.	-	(2,815)
	-	(2,815)
Franking credits available for subsequent financial years based on tax rate of 30%	3,090	3,742

No dividends were declared during the 30 June 2011 financial year.

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

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking credits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 21. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk, and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by senior management under policies approved by the board of directors. Management identifies, evaluates and mitigates financial risks within the consolidated entity's operating units.

### Market risk

#### Foreign currency risk

The consolidated entity continues to make purchases in US Dollars and therefore is exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the end of the reporting period were as follows:

	Assets		Liabilities	
	30 June 2011 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2010 \$'000
Consolidated				
US Dollar	-	-	74	169
Euro	-	-	-	18
	-	-	74	188

The consolidated entity had liabilities dominated in US Dollars of AUD \$74,000 as at 30 June 2011 (2010: AUD\$169,000). Based on this exposure, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, the consolidated entity's result for the year and equity would have been \$7,400 higher/\$7,400 lower.

The consolidated entity had liabilities dominated in Euros of AUD \$Nil as at 30 June 2011 (2010: AUD\$18,000).

The foreign exchange gain for the year ended 30 June 2011 was \$47,000 (2010: \$ 115,000).

The consolidated entity does not employ foreign currency hedges and has no official foreign currency policy. If the transactional value, net asset position and overall exposure increase it is likely that a policy will be adopted to mitigate risk.

#### Price risk

The consolidated entity and parent entity are not exposed to any significant price risk.

#### Interest rate risk

The consolidated entity and parent entity's main interest rate risk arises from short and long-term borrowings. All borrowings are issued at variable rates and this exposes the consolidated entity and parent entity to interest rate risk. The consolidated entity and parent entity attempt to mitigate this interest rate risk exposure by maintaining an adequate interest cover ratio and gearing ratio that ensures financing costs are not significant costs.

The bank bills outstanding, totalling \$12,871,000 (2010: \$19,347,000), are principal and interest repayment bank bills. Monthly cash outlays of approximately \$101,000 per month are required to service the interest payments. An official increase in interest rates of one hundred basis points would have an adverse effect on the result of \$129,000 per annum. An official decrease in interest rates of one hundred basis points would have a positive effect on the result of \$129,000 per annum.

In addition, principal repayments of 35% of EBIT or approximately \$714,000 per quarter are required.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Credit risk

Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit and obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

As at 30 June 2011 the consolidated entity had no significant concentration of credit risk.

## Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

## Financing arrangements

In June 2009, the consolidated entity successfully negotiated a new bank bill facility of \$21,921,000 for 5 years and loan note of \$12,000,000 to expire on 30 September 2018. During the 2011 financial year, the consolidated entity has met all of its financing arrangements.

## Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. The tables include both interest and principal cash flows, disclosed as remaining contractual maturities and these totals differ from their carrying amount in the statement of financial position for interest-bearing liabilities due to the interest component.

2011	Weighted average interest rate %	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 5 years \$'000	Over 5 years \$'000	Total contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables		4,336	-	-	-	4,336
Other payables		1,813	-	-	-	1,813
Deferred cash consideration		1,004	960	1,377	-	3,341
Loan note		-	-	-	12,000	12,000
<i>Interest bearing - variable rate</i>						
Bank bills	7.88	4,237	3,971	5,973	-	14,181
<i>Interest bearing - fixed rate</i>						
Lease liability	8.76	703	631	156	-	1,490
<b>Total non-derivatives</b>		<b>12,093</b>	<b>5,562</b>	<b>7,506</b>	<b>12,000</b>	<b>37,161</b>

2010	Weighted average interest rate %	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 5 years \$'000	Over 5 years \$'000	Total contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables		4,254	-	-	-	4,254
Other payables		4,010	-	-	-	4,010
Deferred cash consideration		1,384	960	2,162	-	4,506
Loan note		-	-	-	12,000	12,000
<i>Interest bearing - variable rate</i>						
Bank bills	7.27	3,441	3,276	16,367	-	23,084
<i>Interest bearing - fixed rate</i>						
Lease liability	8.76	735	689	789	-	2,213
<b>Total non-derivatives</b>		<b>13,824</b>	<b>4,925</b>	<b>19,318</b>	<b>12,000</b>	<b>50,067</b>



# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Fair value of financial instruments

The carrying amounts of financial instruments reflect their fair value.

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Liabilities</b>				
Interest free loan	-	-	5,956	5,956
Vendor loan	-	2,966	-	2,966
	-	2,966	5,956	8,922

2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Liabilities</b>				
Interest free loan	-	-	5,678	5,678
Vendor loan	-	3,459	-	3,459
	-	3,459	5,678	9,137

The fair value of the vendor loans included in Level 2 of the hierarchy has been determined using valuation techniques incorporating observable direct and indirect market data relevant to the company.

The fair value of the interest free loan included in Level 3 of the hierarchy has been determined using valuation techniques incorporating observable direct and indirect market data relevant to the company and an estimation of the probability on repaying the full amount of the loan.

Level 3 interest free loans are reconciled below

	30 June 2011 \$'000	30 June 2010 \$'000
Carrying amount at beginning of year	5,678	5,032
Fair Value adjustment	278	646
Carrying amount at end of year	5,956	5,678

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

The fair value calculation of the interest free loan included in Level 3 incorporates a probability factor that the loan will be repaid prior to maturity date (refer to note 15). Changing this assumption affects the fair value. For the year ended 30 June 2011 if the probability factor had been 10% higher, profit for the year and equity at the reporting date would have been \$341,819 higher for the consolidated group. If the probability factor had been 10% lower, profit for the year and equity at the reporting date would have been \$341,819 lower for the consolidated group. This sensitivity assumes that the movement in the probability factor is independent of other variables

## Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The consolidated entity's capital includes ordinary share capital, bank bills and loan note, vendor loans and lease liabilities supported by financial assets. There are no externally imposed capital requirements.

	Note	30 June 2011 \$'000	30 June 2010 \$'000
Borrowings	15	18,920	25,220
Interest free vendor loans	14	2,966	3,459
less cash & cash equivalents	7	(3,750)	(3,248)
<b>Net debt</b>		<b>18,136</b>	<b>25,431</b>
Ordinary Shares (market price)		30,528	10,796
<b>Total capital</b>		<b>48,664</b>	<b>36,227</b>
Gearing ratio		37%	70%

Ordinary share value calculated using closing share prices as at 30 June each year.

The consolidated entity has a process of monitoring overall cash balances on a strategic long term basis and at an operational level on a weekly basis. This is to ensure ongoing liquidity, prompt decision making and allow proactive communication with its funders.

The consolidated entity's current focus is to ensure it meets debt covenants, reduces debt, reduces costs and focuses on its current operations in the automotive aftercare market.

The consolidated entity may issue new shares or sell assets to either reduce debt or to invest in income producing assets. This is decided on the basis of maximising shareholder returns over the long term.

## Note 22. Key management personnel disclosures

### Directors

The following persons were directors of AMA Group Limited during the financial year:

Duncan Fischer	Non-Executive Chairman
Simon Doyle	Non-Executive Director
Ray Malone	Executive Director

### Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

Ray Smith-Roberts	Chief Operating Officer
Mark Jacobs	Chief Financial Officer (appointed 26 July 2010)

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Short-term benefits	Long-term benefits	Post employment benefits	Share based payments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2011 Aggregate	1,326	52	121	316	1,815
2010 Aggregate	1,311	4	75	126	1,516

## Shareholdings

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2011	Balance at beginning of year	received as remuneration	received during the year on the exercise of options	other changes	Balance at the end of the year 30 June 2011
Duncan Fischer	1,600,000	-	-	7,533,334	9,133,334
Simon Doyle	1,191,224	-	-	2,871,675	4,062,899
Ray Malone	91,430,835	-	-	5,512,937	96,943,772
Ray Smith-Roberts	2,958,868	2,617,635	-	3,171,666	8,748,169
Mark Jacobs				200,000	200,000
	97,180,927	2,617,635	-	19,289,612	119,088,174

2010	Balance at the start of the year	Received as remuneration	Received during the year on exercise of options	Other changes	Balance at the end of the year
Duncan Fischer (a)	-	-	-	1,600,000	1,600,000
Simon Doyle (a)	-	-	-	1,191,224	1,191,224
Ray Malone	10,180,835	-	-	81,250,000	91,430,835
The Hon John Anderson (b)	30,000	-	-	-	30,000
Don Easter (b)	150,000	-	-	-	150,000
Ray Smith-Roberts	2,958,868	-	-	-	2,958,868
Tom McDonald (b)	4,000	-	-	-	4,000
	13,323,703	-	-	84,041,224	97,364,927

(a) Represents balance on being appointed to company.

(b) Represents balance on resignation.

## Options holding

None of the directors or other members of Key Management Personnel of the consolidated entity, including their personally related parties, held any options over ordinary shares in the parent entity.

## Further disclosures

The consolidated entity has applied the relief outlined in AASB 2008-4, by disclosing the full key management personnel disclosures in the directors' report only, thus not duplicating that information in the financial report. These transferred disclosures have been audited.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 23. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the Company's auditors or its related practices:

	30 June 2011	30 June 2010
	\$'000	\$'000
Audit or review of the financial report - Moore Stephens	211	185
	211	185
Taxation Services - Moore Stephens	117	86
Taxation Services - PKF	-	40
	117	126

## Note 24. Contingent liabilities

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 discontinuing subsidiaries and a Deed of Cross Guarantee (note 34) was entered into with its continuing subsidiaries during the financial year ended 30 June 2009. 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 subsidiary 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.

	30 June 2011	30 June 2010
	\$'000	\$'000
Bank guarantees	1,858	1,915
	1,858	1,915

During the year the company settled legal matters with the following parties:

- Panache Global Holdings Pty Ltd
- Guiding Technologies Pty Ltd
- Mr Richard Rubin
- Mr Rob Allan
- Mr Christopher Hodges, Mrs Meryl Hodges and Mr Peter Humphris

All proceedings have been satisfactorily settled. In total, the settlement of the above matters has resulted in a \$1.6 million benefit (net of associated costs) to the Group. Due to confidentiality of the settlements no further information can be disclosed

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 25. Commitments for expenditure

	30 June 2011	30 June 2010
	\$'000	\$'000
<i>Capital commitments - property, plant &amp; equipment</i>		
Committed at the end of the reporting period but not recognised as liabilities, payable:		
Within one year	9	60
	9	60
<i>Lease commitments - operating</i>		
Committed at the end of the reporting period but not recognised as liabilities, payable:		
Within one year	1,834	1,677
One to five years	3,415	1,883
More than five years	45	
	5,294	3,560
<i>Lease commitments - finance</i>		
Committed at the end of the reporting period but not recognised as liabilities, payable:		
Within one year	85	128
One to five years	11	82
	96	210
less future finance charges	(3)	(15)
	93	195
Represented as:		
Current commitment	15	83
Non-current commitment	15	10
	93	195

Property leases periods 1 to 5 years (shown as operating leases) are non-cancellable with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require minimum lease payments be increased by CPI or a percentage factor. Certain agreements have option arrangements to renew the lease for an additional term and an option to purchase the premises at the market price at time of option exercise.

Operating leases of \$1,395,296 have been recognised as onerous lease liabilities at 30 June 2011 (2010: \$2,019,005).

Finance leases relate to motor vehicles and a fork lift and are generally leased over a five year period with a 0% to 40% residual on completion. The leases are secured by a charge over the respective asset financed.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 26. Related party transactions

### Parent entity

The parent and ultimate holding entity is AMA Group Limited.

### Subsidiaries

Interests in subsidiaries are set out in note 27.

### Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

	30 June 2011	30 June 2010
	\$'000	\$'000
<i>Payment for other expenses:</i>		
Payments were made during the year to the following director related entities of Mr Ray Malone.		
Silvan Bond Pty Ltd - Rental fees	141	148
Malone Superannuation Fund - Rental fees	36	35
Shildplex Pty Ltd - Rental fees	10	10
Mr Gloss Pty Ltd - Vendor payments & incentives*	1,287	942
	1,474	1,135

\*\$686,700 was paid and \$Nil is payable at reporting date to a director related entity of Ray Malone for incentive payments for Mr Gloss Holdings Pty Ltd, a wholly owned subsidiary of AMA Group Limited. \$600,000 was paid to Mr Gloss Pty Ltd during the year in satisfaction of outstanding vendor loan liabilities.

### Trade Receivable from and trade payable to related parties

There are no trade receivables from or trade payables to related parties at the end of the reporting period.

### Loans to/from related parties

The following balances are outstanding at the end of the reporting period in relation to loans with related parties:

	30 June 2011	30 June 2010
	\$'000	\$'000
<i>Loans to/from related parties:</i>		
Loan to Rob Allan	-	293
Loan to Mr Gloss Pty Ltd	(1,950)	(2,550)
	(1,950)	(2,257)

The loan from Mr Gloss Pty Ltd, a related entity to Mr Ray Malone, is the total value of outstanding vendor payments payable to Mr Gloss Pty Ltd for the acquisition of the Mr Gloss panel beating business. Security for the vendor loan is outlined at note 14.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except for loans to subsidiaries which are non-interest bearing.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 27. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Note	Equity holding	
			2011 %	2010 %
Alanco Australia Pty Ltd	Australia		100	100
Alloair Systems Pty Ltd	Australia	(a)	100	100
Allomak Technology Holdings Pty Ltd	Australia	(a)	100	100
ACN 003 178 327 Pty Ltd	Australia	(a)	100	100
Diesel Test Pty Ltd	Australia	(a)	100	100
ECB Pty Ltd	Australia		100	100
Emission Services Pty Ltd	Australia	(a)	100	100
FluidDrive Holdings Pty Ltd	Australia		100	100
KT Cable Accessories Pty Ltd	Australia		100	100
Mr Gloss Holdings Pty Ltd	Australia		100	100
Perth Brake Parts Pty Ltd	Australia		100	100

(a) Companies are no longer trading

## Note 28. Events occurring after the reporting period

On 21 July 2011 and on 28 September 2011 the company issued respectively 2,950,000 and 2,701,986 ordinary shares to employees to satisfy employment arrangements.

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 29. Reconciliation of profit after income tax to net operating cash flows

	30 June 2011	30 June 2010
	\$'000	\$'000
Profit after income tax	12,039	4,793
Depreciation expense	501	631
Net loss/(profit) on sale of non-current assets	(1)	113
Equity issued in consideration of employment obligations	381	183
Doubtful debts	(49)	-
Impairment of goodwill	-	1,083
Impairment of assets	-	2,691
Discontinued operations placed into voluntary administration or wound up	-	(3,033)
Fair value adjustments	569	779
Recovery of assets impaired in previously discontinued operations	(1,535)	(1,000)
Profit on business sale	-	(307)
(Increases)/Decreases in Accounts receivable	309	(566)
(Increases)/Decreases in inventories	(71)	(210)
(Increases)/Decreases in tax receivable	-	748
(Increases)/Decreases in deferred tax assets	(3,709)	(1,761)
(Increases)/Decreases in prepayments	114	(85)
(Increases)/Decreases in other assets	(79)	(69)
Increases/(Decreases) in Accounts payable	(2,209)	588
Increases/(Decreases) in deferred tax liabilities	(64)	2,230
Increases/(Decreases) in employee benefits	267	59
Increases/(Decreases) in other provisions	(16)	8
Increases/(Decreases) in other liabilities	-	(19)
<b>Net operating cash flows</b>	<b>6,447</b>	<b>6,856</b>



# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 30. Earnings per share

	30 June 2011	30 June 2010
	\$'000	\$'000
Profit/(Loss) after income tax attributable to members of AMA Group Ltd	12,039	4,793
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	275,676,286	238,991,983
Adjustments for calculation of diluted earnings per share	-	-
	<u>275,676,286</u>	<u>238,991,983</u>

Earnings from consolidated operations:	Cents	Cents
Basic earnings per share	4.37	2.01
Diluted earnings per share	4.37	2.01

Options were anti-dilutive and thus were not included in the diluted earnings per share calculation for the 2009 or 2010 year.

Discontinued operations:	Cents	Cents
Basic earnings per share	0.65	0.60
Diluted earnings per share	0.65	0.60

Options were anti-dilutive and thus were not included in the diluted earnings per share calculation for the 2010 year.

## Note 31. Share-based payments

### Options

The Company has adopted an Employee Share Option Plan for the benefit of executive and non-executive Directors and full-time or part-time staff members employed by the Company. At the date of this report options had been issued pursuant to the Employee Share Option Plan. Each option was issued for a period of 3 years and vest over 3 years or quarterly in arrears over 3 years.

The exercise price is based on a minimum of 100% of the average ASX closing price for the 5 days prior to offer/acceptance of the options.

No options were issued under the plan during the financial year ended 30 June 2011 and 30 June 2010.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited	Balance at the end of the year
<b>2011</b>							
30/03/2007	30/04/2012	\$ 0.46	48,000				48,000
			<b>48,000</b>	-	-	-	<b>48,000</b>
<b>2010</b>							
22/07/2006	22/07/2009	\$ 0.40	750,000	-	-	(750,000)	-
1/09/2006	1/09/2011	\$ 0.40	75,000	-	-	(75,000)	-
2/04/2007	2/04/2012	\$ 0.47	60,000	-	-	(60,000)	-
30/03/2007	30/04/2012	\$ 0.46	92,000	-	-	(44,000)	48,000
			<b>977,000</b>	-	-	<b>(929,000)</b>	<b>48,000</b>

At the date of this report all options under the plan have vested and are exercisable.

Reconciliation of outstanding share based payment of options.

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the year	48,000	\$ 0.46	977,000	\$ 0.41
Lapsed during the year	-	-	(929,000)	\$ 0.34
Balance at the end of the year	48,000	\$ 0.46	48,000	\$ 0.46
Exercisable at the end of the year	48,000	\$ 0.46	48,000	\$ 0.46

The options outstanding at the end of each year had a weighted average remaining contractual life of 0.84 years (2010: 1.84 years).

The fair value of options on issue was measured using "Black-Scholes" option pricing model and the inputs to it were as follows:

Exercise Price	\$0.40 to \$0.57
Expected Volatility	45.00 – 65.00%
Option Life	5 years
Dividend Yield	0.00 – 8.00%
Risk-free interest rate	6.30%

## Shares

At 30 June 2011, the Company had accrued a bonus entitlement for employees to the value of \$273,204, which appeared under employee expense in the statement of comprehensive income. Subsequent to 30 June 2011, the employees elected to receive this bonus entitlement in ordinary shares, which were issued during the month of September 2011. The quantity of shares to be issued, 2,701,986 was based on a ten day weighted average market price of the Company's shares up to 26 September 2011.

At 30 June 2010, the Company had accrued a bonus entitlement for an employee to the value of \$125,755, which appeared under employee expense in the statement of comprehensive income. Subsequent to 30 June 2010, the employee elected to receive this bonus entitlement in ordinary shares, which were issued during the month of October 2010. The quantity of shares to be issued, 2,617,635 was based on a weighted average market price of the Company's shares up to 30 June 2010.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 32. Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with accounting standards.

	30 June 2011	30 June 2010
	\$'000	\$'000
<b>Assets</b>		
Current assets	2,529	2,074
<b>Total assets</b>	<b>16,998</b>	<b>18,120</b>
<b>Liabilities</b>		
Current liabilities	5,582	4,234
<b>Total liabilities</b>	<b>25,012</b>	<b>29,473</b>
<b>Equity</b>		
Equity attributable to equity holders of the parent		
Contributed equity	57,220	56,840
Reserves	47	47
Accumulated losses	(65,282)	(68,239)
<b>Total equity</b>	<b>(8,014)</b>	<b>(11,353)</b>

	30 June 2011	30 June 2010
	\$'000	\$'000
Profit/(loss) for the year	2,774	(4,032)
<b>Total comprehensive income /(loss)</b>	<b>2,774</b>	<b>(4,032)</b>

### Guarantees and Contingent Liabilities.

Refer to note 24 for details of guarantees and contingent liabilities.

### Contractual Commitments

Refer to note 25 for details of contractual commitments.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Note 33. Reconciliation of EBIT from Continuing Operations to Total Group Ebit from Continuing and Discontinued Operations

		30 June 2011	30 June 2010
	note	\$'000	\$'000
EBIT from continuing operations		8,157	8,153
Impairment of assets		-	(1,083)
Vendor payments		-	(639)
Profit after tax from discontinued operations	34b	1,801	1,423
Income tax expense on discontinued operations	34c	68	-
<b>Total Group EBIT from continuing and discontinued operations</b>		<b>10,026</b>	<b>7,854</b>

## Note 34. Discontinued Operations

(a) The following entities were considered discontinued operations for the years ended 30 June 2011 and 2010:

Alloair Systems Pty Ltd  
 Allomak Technology Holdings Pty Ltd  
 ACN 003 178 327 Pty Ltd (formerly Autolac Pty Ltd)  
 Diesel Test Pty Ltd  
 Dyno Dynamics Pty Ltd (administration)  
 Emission Services Pty Ltd

(b) The profit for the year from discontinued operations is analysed as follows:

	30 June 2011	30 June 2010
	\$'000	\$'000
Profit/(loss) after tax from discontinued operations for the financial year (note 34c)	266	(226)
Gain resulting from operations being discontinued	-	3,340
Recovery of assets impaired in previously discontinued operations	1,770	1,000
Costs associated with recovery of assets impaired in previously discontinued operations	(235)	-
Impairment of assets	-	(2,691)
	<b>1,801</b>	<b>1,423</b>

(c) The following were the results for the discontinued operations for the financial year:

	30 June 2011	30 June 2010
	\$'000	\$'000
Revenue	11	1,753
Direct costs and overheads	343	(1,903)
Depreciation and impairment expense	(20)	(76)
Profit before tax	334	(226)
Income tax expense	(68)	-
	<b>266</b>	<b>(226)</b>

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

The net cash flows of the discontinued operations which have been incorporated into the statement of cash flows are as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Net cash inflow/(outflow) from operating activities	(577)	749
Net cash inflow/(outflow) from investing activities	659	(722)
Net cash inflow/(outflow) from financing activities	(38)	(185)
Net cash increase/(decrease) in cash generated by the discontinuing division	44	(158)

## Note 35. Class order disclosures

### Closed group class order disclosures

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding	
		2011 %	2010 %
Alanco Australia Pty Ltd	Australia	100.0	100.0
ECB Pty Ltd	Australia	100.0	100.0
FluidDrive Holdings Pty Ltd	Australia	100.0	100.0
KT Cable Accessories Pty Ltd	Australia	100.0	100.0
Mr Gloss Holdings Pty Ltd	Australia	100.0	100.0
Perth Brake Parts Pty Ltd	Australia	100.0	100.0

The trustee to this deed of cross guarantee is AMA 1 Pty Ltd which is not a member of the consolidated group.

### Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to the above entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order the above entities entered into a Deed of Cross Guarantee on 16 March 2009. The effect of the deed is that AMA Group Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to guarantee. The controlled entities have also given a similar guarantee in the event that AMA Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases, or other liabilities subject to the guarantee.

If the Deed of Cross Guarantee and the subsequent closed group disclosures were contained in the accounts of AMA Group Limited, then an assessment would need to be made as to the fair value of the Deed of Cross Guarantee (as a financial liability to the Parent) and the details of the valuation and significant assumptions, estimate and judgements used within that valuation would need to be disclosed. Please refer to the disclosure surrounding financial guarantees in the financial statements of AMA Group Limited (see note 24) for further information on financial guarantees.

The continuing entities and only the continuing entities are included in the deed of cross guarantee. The Statement of Comprehensive Income of the entities that are members of the Closed Group is reflected in the continuing entities Statement of Comprehensive Income. The consolidated statement of financial position of the entities that are members of the Closed Group is as follows:

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

## Statement of financial position

As at 30 June 2011

	Closed group	
	30 June 2011	30 June 2010
	\$'000	\$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,576	3,030
Trade and other receivables	7,644	8,731
Inventories	4,476	4,405
Current tax assets	-	-
Other	388	502
<b>Total current assets</b>	<b>16,084</b>	<b>16,668</b>
<b>Non-current assets</b>		
Receivables from related entities	5,525	4,886
Property, plant and equipment	2,100	2,388
Deferred tax assets	6,564	2,855
Intangibles	27,256	27,253
<b>Total non-current assets</b>	<b>41,445</b>	<b>37,382</b>
<b>Total assets</b>	<b>57,529</b>	<b>54,050</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	6,990	7,414
Borrowings	3,588	2,131
Provisions	1,282	1,074
<b>Total current liabilities</b>	<b>11,860</b>	<b>10,619</b>
<b>Non-current liabilities</b>		
Borrowings	15,303	23,046
Deferred tax Liabilities	2,166	2,230
Provisions	158	115
Other	1,971	4,079
<b>Total non-current liabilities</b>	<b>19,598</b>	<b>29,470</b>
<b>Total liabilities</b>	<b>31,458</b>	<b>40,090</b>
<b>Net assets</b>	<b>26,071</b>	<b>13,961</b>
<b>Equity</b>		
Contributed equity	57,221	56,841
Reserves	47	47
Accumulated losses	(31,197)	(42,927)
<b>Total equity</b>	<b>26,071</b>	<b>13,961</b>

# DIRECTORS DECLARATION

---

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 17 to 69 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards, which as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
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.

The company and a number of its subsidiaries have entered into a deed of cross guarantee under which the company and those subsidiaries guarantee the debts of each other. At the date of this declaration, there are reasonable grounds to believe that the parties to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are or may become, subject to by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



Duncan Fischer  
Chairman

Dated this 29 day of September 2011  
Melbourne

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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF AMA GROUP LIMITED AND CONTROLLED ENTITIES**

#### **Report on the Financial Report**

We have audited the accompanying financial report of AMA Group Limited and Controlled Entities (the "consolidated entity"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the 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 AMA Group Limited and the entities it controlled at the year's end or from time to time during the financial period.

#### *Directors' Responsibility for the Financial Report*

The directors of AMA Group Limited are responsible for the preparation and fair presentation 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, 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 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 and fair presentation of the financial report 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.

#### *Matters relating to the Electronic Presentation of Audited Financial Report*

The audit report relates to the financial report of the consolidated entity for the year ended 30 June 2011 included on the website of AMA Group Limited. The directors of AMA Group Limited are responsible for the integrity of the website and we have not been engaged to report on its integrity.

For personal use only



This audit report refers only to the financial report identified above and its does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this financial report are concerned about the inherent risks arising from the electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the consolidate entity's website.

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

*Opinion*

In our opinion:

- a) the financial report of AMA Group Limited and Controlled Entities 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.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2011. The directors of AMA Group Limited 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.

*Auditor's Opinion*

In our opinion the Remuneration Report of AMA Group Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.



MOORE STEPHENS  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 29 September 2011

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# SHAREHOLDER INFORMATION as at 12 September 2011

## Number of holders of equity securities

280,479,305 fully paid ordinary shares are held by 1,020 individual holders.

48,000 unquoted options over ordinary shares exercisable at \$0.48 on or before 30/04/12 are held by 24 individual holders.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

		Holders	Ordinary Shares	
1	to	1,000	38	18,861
1,001	to	5,000	161	506,342
5,001	to	10,000	153	1,232,075
10,001	to	100,000	477	17,159,864
100,001	and over		191	261,562,163
Total			1,020	280,479,305
Holding less than a marketable parcel			161	335,203

## Equity security holders

### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Ordinary Shareholder	Number held	% of total shares held
Mr Gloss Pty Limited	86,807,168	31.0%
Mr Lachlan McGillivray	12,399,105	4.4%
Yerrus Holdings Pty Ltd <Surrey Panels Pens Fund A/c>	8,802,404	3.1%
National Nominees Limited	8,632,473	3.1%
SRFE Pty Ltd <The SRFE Family A/c>	8,527,181	3.0%
Mr Raymond Malone & Mrs Leona Malone <The Malone Super Fund A/c>	8,490,335	3.0%
Mr Stephen Shostak	8,461,427	3.0%
Jorgen Pty Ltd <Fischer Super Fund A/c>	7,333,334	2.6%
Mr Richard Calver	5,879,620	2.1%
Mondanna Pty Ltd <Cojack Super Fund A/c>	4,528,432	1.6%
Atlas Capital Pty Ltd <Doyle Superannuation A/c>	4,062,899	1.4%
Citicorp Nominees Pty Ltd	3,999,999	1.4%
Three Degrees Holdings Pty Ltd	3,934,901	1.4%
Jese Pty Ltd <The Leadbetter Family A/c>	3,674,669	1.3%
Mr Ian Lindeman & Mrs Margaret Lindeman <IC & M Lindeman Super A/c>	3,335,716	1.2%
Andes Nominees Pty Ltd <Bradtke Family A/c>	3,143,281	1.1%
Mr Peter Heard	2,750,000	1.0%
Mrs Krsty Middleton <Adam Middleton Inv A/c>	2,500,000	0.9%
Stirling Crescent Pty Ltd <Stirling Crescent Unit A.c>	2,000,000	0.7%
Mr Robert Allan	2,000,000	0.7%
	191,262,944	68.2%

# SHAREHOLDER INFORMATION as at 12 September 2011

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## Substantial holders

The Company does not hold any current substantial holder notifications in accordance with section 671B of the Corporations Act.

## Voting rights

The voting rights attached to ordinary shares are set out below:

### Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

## Listing rule 14.10.19

The entity used the cash and assets in a form readily convertible to cash that it had at the time of admission consistently with its business objectives.

## Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Boardroom Pty Limited (formerly known as Registries Limited)  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Phone: (02) 9290 9600  
Fax: +61 2 9279 0664

## Change of Address, Change of Name, Consolidation of Shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

## Annual report

Shareholders do not automatically receive a hard copy of the Company's Annual Report unless they notify the Share Registry in writing. An electronic copy of the Annual Report can be viewed on the Company's website [www.mintails.com](http://www.mintails.com).

## Tax file numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

## CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Stock Exchange CHESS system should contact their stockbroker.

## Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of an individual/company's holding.

# CORPORATE DIRECTORY

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## Directors

Duncan Fischer  
Ray Malone  
Simon Doyle

Non-Executive Chairman  
Executive Director  
Non-Executive Director

## Company Secretarial

Phillip Hains  
Terri Bakos

## Registered Office

Suite 1  
1233 High Street  
Armadale Victoria 3143

## Solicitors

Foster Nicholson Legal  
Level 6, 406 Collins Street  
Melbourne Victoria 3000

## Auditors

Moore Stephens  
Level 10, 530 Collins Street  
Melbourne Victoria 3000

## Share Register

Boardroom Pty Limited (formerly known as Registries Limited)  
Level 7, 207 Kent Street  
Sydney New South Wales 2000  
Ph: +61 2 9290 9600  
Fax: +61 2 9279 0664

## Bankers

Westpac Banking Corporation  
GPO Box 4045  
Sydney New South Wales 2001

## Quoted Securities

Ordinary Shares – ASX Code: AMA

## Website address:

[www.amagroupltd.com](http://www.amagroupltd.com)

Contact: [info@amagroupltd.com](mailto:info@amagroupltd.com)