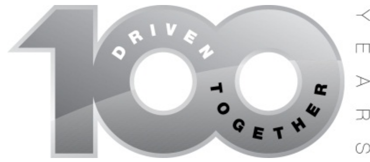

20 February 2019

Company Announcements Office
ASX Limited

FULL YEAR ACCOUNTS

FINANCIAL HIGHLIGHTS

• **Underlying Operating Profit Before Tax of $125.7 million (2017: $123.3 million)**	**Up 1.9%**
• **Statutory Profit After Tax of $101.2 million (2017: $98.2 million)**	**Up 3.1%**
• **Earnings per Share (basic) of 52.0 cents (2017: 50.3 cents)**	**Up 3.4%**
• **Final Dividend of 22.5 cents per share (2017: 22.5 cents per share)**	**-**
• **Record Dividend of 36.5 cents per share (2017: 36 cents per share)**	**Up 1.4%**

OPERATIONAL & STRATEGIC HIGHLIGHTS

- **Increased car retail asset base and return on assets reflecting improved operating performance**
- **National truck business delivered record performance for second consecutive year**
- **Acquired three new dealerships at attractive multiples and exited three, consistent with active franchise portfolio management approach**
- **Realised gains, albeit less than prior year, on property sales while increasing property portfolio value to $331.7 million**
- **Commenced design phase on world class automotive retailing and mobility hub at Brisbane Airport**
- **New financing model performing well and expected to incrementally lift penetration rates**
- **Carzoos used car business entering break-even phase with plans to expand in 2019**

Attached are the following documents for the year ended 31 December 2018:

1. Appendix 4E Preliminary Final Report
2. Directors' Report
3. Auditor's Declaration of Independence
4. Financial Report
5. Independent Auditor's Report

These documents are given to the ASX under listing rules 4.3A and 4.5.

ENDS

For more information: Martin Ward
Managing Director
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www.apeagers.com.au

A.P. EAGERS LIMITED
ABN 87 009 680 013

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Appendix 4E
Preliminary Final Report

year ended 31 December 2018

(ASX listing rule 4.3A)

A.P. Eagers delivers strong FY performance in challenging market conditions

Strong operational performance supports tenth consecutive year of dividend growth

FINANCIAL HIGHLIGHTS

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• **Statutory Profit After Tax of $101.2 million (2017: $98.2 million)**	**Up 3.1%**
• **Earnings per Share (basic) of 52.0 cents (2017: 50.3 cents)**	**Up 3.4%**
• **Final Dividend of 22.5 cents per share (2017: 22.5 cents per share)**	**-**
• **Record Dividend of 36.5 cents per share (2017: 36 cents per share)**	**Up 1.4%**

OPERATIONAL & STRATEGIC HIGHLIGHTS

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- **New financing model performing well and expected to incrementally lift penetration rates**
- **Carzoos used car business entering break-even phase with plans to expand in 2019**

The Directors of A.P. Eagers Limited (ASX: APE) ("the Company" or "the Group") are pleased to report a 2018 Net Profit Before Tax (NPBT) of $133.7 million. This compares to a Net Profit Before Tax of $135.6 million in 2017, a decrease of -1.4% on the previous corresponding period (pcp). Net Profit After Tax was $101.2 million in 2018 compared to $98.2 million in 2017, an increase of 3.1% on the pcp. Earnings per share (basic) for 2018 were 52.0 cents compared to 50.3 cents on the pcp, an increase of 3.4%.

Commenting on the full year performance Managing Director Martin Ward said:

"A.P. Eagers has delivered a strong full year operational result in challenging external conditions. Despite declining new vehicle sales data across mainland Australia, our car and truck retailing businesses outperformed

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the market and through a disciplined approach to driving improved returns on our assets, helped to deliver an increase in shareholder returns, including a tenth consecutive year of dividend growth.

"Our ability to adapt and invest in the long term has been a major factor in A.P. Eagers' 106-year record as the expert interface between the manufacturers of motor vehicles and our customers. Whilst the products and services provided by our manufacturing partners will continue to evolve, so will the way our customers consume them. A.P. Eagers' investment in a number of long term growth initiatives combined with an active and disciplined approach to portfolio management will enable us to maintain a market leading position and grow irrespective of the external environment."

Profit Comparison	**Full Year to December 2018 $ Million**	**Full Year to December 2017 $ Million**	**% Change**
Statutory EPS (basic) cents	52.0	50.3	3.4%
Statutory profit after tax	101.2	98.2	3.1%
Statutory profit before tax	**133.7**	**135.6**	**(1.4%)**
Impairment adjustments (1)			
Freehold property adjustments (reversal)	(2.4)	(0.2)	
Business acquisition costs (2)	0.7	0.1	
GST (refunds)/expenses (3)	(0.3)	0.1	
Restructure costs (4)	-	5.2	
Gain on sale of assets (5)	(6.0)	(17.5)	
Underlying operating profit before tax	**125.7**	**123.3**	**1.9%**

(1) Represents the aggregate value of freehold property fair value adjustments (positive and negative) to the Statement of Profit and Loss.
(2) Business acquisition costs include taxes, legal and other costs associated with business acquisitions.
(3) Benefit from tax refunds associated with previous years' GST payments net of expenses.
(4) Costs related to the restructuring of underperforming and unsustainable automotive division assets and operations.
(5) Benefit from the sale of non-core property, businesses and investments.

Underlying operating profit before tax was $125.7 million, an increase of 1.9% compared with $123.3 million in 2017. This improved full year operating profit before tax represents an increase for both the car and truck retailing businesses, with National Trucks at a record level. This is a very strong full year operational result for the group considering the widely reported challenges within automotive retailing during 2018.

Increased profit performance from car and truck retailing operations helped offset reduced dividend income from our strategic investment in Automotive Holdings Group Limited (AHG) and reduced gains on sale of non-core operations and property.

Dividend

A fully franked final dividend of 22.5 cents per share (2017: 22.5 cents) has been approved for payment on 18 April 2019 to shareholders who are registered on 29 March 2019 (Record Date). When combined with the interim dividend of 14.0 cents paid in October 2018, the total dividend based on 2018 earnings is 36.5 cents per share (2017: 36.0 cents) fully franked, an increase of 1.4% on 2017.

The Company's dividend reinvestment plan (DRP) will not operate in relation to the final dividend.

External Environment

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales decreased by -3.0% in 2018 to 1,153,111 units compared to a 0.9% increase in 2017. Note 2017 represented the third record year in a row for total new unit sales volume.

Tasmania was the only region to experience new vehicle sales growth on the pcp, where the market was up 3.3% on pcp. New vehicle sales performance was the weakest in New South Wales, down -6.6% on pcp. The two other large markets, Queensland and Victoria, recorded sales decline on the pcp of -0.7% and -1.8%. The remaining markets also recorded decline on the pcp, with South Australia down -1.9%, Western Australia down -0.6%, Northern Territory down -4.7% and Australian Capital Territory down -1.9%.

A decrease in private and business sales, of -7.5% and -0.8% respectively, was partially offset by an 8.1% increase in rental sales. Luxury vehicle segment contracted from 10.7% to 10.4% of total market share, finishing -5.9% down, with all major brands down on pcp except Volvo. Traditional fuel vehicles made up 99% of all new vehicle sales, with the sale of electric vehicles increasing 20.3% and having total sales of 1,352 units in 2018.

Nationally, the Heavy Commercial segment recorded significant growth of 12.4% (2017: 11.8%), with increases in light/medium duty trucks and heavy-duty sales of +8.4% and +20.9% respectively.

Business Initiatives

Despite the well reported decline in the headline new car sales volume, the Company was able to rebalance the business to focus on maximising the performance in the areas of the business that offered increased opportunity.

The Victoria/ Tasmania businesses delivered a record result in 2018. Our two largest geographic segments of Queensland and South Australia recorded improved performance, while challenging market dynamics in our New South Wales geographic market and portfolio representation in Tasmania adversely impacted trading performance versus the pcp.

In 2018, a number of our operating divisions reported positive results. The underlying performance of our Used Car department, excluding F&I impacts, improved on the back of gross margin improvement and a structural change to our fixed cost base. The business will continue to scale operations to match income opportunity while growing in new segments. An example of this is our Cheap Cars business launched in Queensland in 2018 with immediate success. This strategy will be carefully expanded in 2019 across all regions as an incremental profit driver that extracts value in an adjacent part of the business.

Both our Parts and Service divisions delivered record years up 20.8% and 7.9% respectively. These results reflect a focus on scaling our operations in both divisions to leverage the record car parc following multiple years of record new car sales. Our service division has also benefited from a focus on retention through improved customer processes.

Underpinning this rebalancing of our operations was a continued company-wide focus on reducing the cost base executed without compromising income producing activities, reducing employee engagement or customer satisfaction levels. This cost out program bore fruit in 2018 and there remains an opportunity for greater savings in 2019 and beyond.

The Company launched a Business Transformation initiative during the year, known internally as BTG, which forms a key part of our strategy to ensure we future-proof the business as the wider industry transitions. This involves a total re-design of the traditional structure, roles and cost bases of our dealerships while producing a service offering that responds to evolving customer wants and needs. The BTG roll out will gather momentum in 2019 and beyond and ensure we are always able to leverage our role as the expert interface between the products and services our OEM partners provide and the mobility demands of our customers.

Volatility in the new car market dynamics combined with recent regulatory pressure has increased activity in the dealership acquisition/disposal marketplace in general, with price expectations now at more reasonable multiples. We completed the acquisition of Toowoomba Motor Group (Mitsubishi & Kia), Metro Nissan (Brisbane) and Southern Vales Nissan (Adelaide) in 2018 and we will continue with our disciplined approach in reviewing further acquisition opportunities.

The Group's National Trucks division again capitalised on strong growth in the Heavy and Light commercial sales, resulting in a record result for 2018. This result continues the strong performance and growth of the National Trucks division since 2015.

A.P. Eagers has commenced the design phase for the major new automotive retailing and mobility hub on 64,124m² within Brisbane Airport's new $300 million BNE Auto Mall project. The plan is to create a world-class automotive retailing experience for our customers of the future. We currently represent 12 major car brands within the geographic area serviced by the BNE Auto Mall, with the opportunity for a number of other brands to join the group. The existing brands collectively represent 48 per cent of the total automotive industry.

Our strategic 28.84% investment in AHG as at 31 December 2018 was valued at $149.2 million based on their closing share price of $1.56 per share. Whilst not included in the Company's Statutory Profit after Tax, a before tax unrealised loss of $181.4 million has been recorded in the Statement of Comprehensive Income for the 2018 year due to the decline in share price relative to the $3.64 closing share price at 31 December 2017.

Financial Performance

On a like-for-like basis, revenue increased by +2.1% compared to the pcp. Strong trading in the Queensland (excluding discontinued businesses), Victorian and South Australian car divisions and the National Truck division combined to boost revenue, partially offset by declines in New South Wales and Tasmania. Total revenue increased by 1.3% to $4.1 billion in 2018.

EBITDA decreased by 1.8% to $173.5 million (2017: $176.7 million). Profit margins declined slightly as indicated by the EBITDA/Revenue ratio of 4.2% (2017: 4.4%) and the NPBT/Sales ratio of 3.3% remained static on the pcp. On an underlying basis NPBT/Sales for 2018 was 3.1%, up from 3.0% in 2017.

Borrowing costs increased to $26.5 million (2017: $24.6 million), reflecting combined impact of higher interest rates and higher average bailment and term debt held, partially offset by lower hedging costs. The decrease in depreciation and amortisation costs of 6.1% to $15.6 million (2018: $16.7 million) reflects the divestment of non-core properties/businesses in the first half of 2018 and the second half of 2017.

Profit before tax included dividends from AHG of $13.9 million, compared to $14.5 million in the pcp, a decline of -3.9%, despite A.P. Eagers increasing their holding in AHG from 23.81% at 31 December 2017 to 28.84% at 31 December 2018.

Business acquisition costs of $0.7 million were expensed in the financial year relating to the acquisition of Grand Nissan, Metro Nissan, and Toowoomba Motor Group's Mitsubishi and Kia's franchises, compared to $0.1 million relating to the Porsche Centre Adelaide acquisitions the year before.

Results Summary Consolidated Results	**Full Year to December 2018 $ Million**	**Full Year to December 2017 $ Million**	**% Change**
Revenue from operations	4,063.5	4,014.8	1.2%
Other revenue	49.3	44.0	12.2%
Total revenue	**4,112.8**	**4,058.8**	**1.3%**
Earnings before interest, tax, depreciation and amortisation and impairment (EBITDA)	**173.5**	**176.7**	**(1.8%)**
Depreciation and Amortisation	(15.6)	(16.7)	(6.1%)
Impairment charge/net reversal	2.4	0.2	-
Earnings before interest and tax (EBIT)	**160.3**	**160.2**	**(0.0%)**
Borrowing costs	(26.5)	(24.6)	7.9%
Profit before tax	**133.7**	**135.6**	**(1.4%)**
Income tax expense	(32.6)	(37.5)	(13.1%)
Profit after tax	**101.2**	**98.2**	**3.1%**
Non-controlling interest in subsidiaries	(1.6)	(2.1)	
Attributable profit after tax	**99.6**	**96.0**	**3.7%**
Earnings per share - basic	52.0 cents	50.3 cents	3.4%

This report is based on accounts which have been audited.

Segments [(1)]

Profit before tax from our Car Retail segment was $95.8 million, an increase from $84.4 million for 2017. Underlying Operating Profit before tax for the Car Retail segment was $95.5 million in 2018 (excludes $0.3 million of GST refunds received in 2018), an increase from $89.6 million in 2017 (excludes $5.2 million in one-off costs and restructuring of underperforming and unsustainable businesses).

On a like-for-like basis, revenue increased by 1.1%, with the increase primarily attributable to the strong trading in Victoria/Tasmania and Queensland (excluding discontinued businesses), offset by lower results in New South Wales. The strong trading was also reflected in the parts and service businesses with improvements across the Group delivering a record result.

The National Truck division delivered record result for the second consecutive year, recording a before tax result of $10.9 million compared to $9.0 million for the pcp, reflecting strong performance in all departments including improved results from the new truck division and service division. Revenue increased by 12.1% reflecting strong performance in the Victoria and South Australia truck divisions, partly offset by the divestment of Sydney Truck Centre in June 2017, with the segment continuing to restructure the business to drive business optimisation and deliver improved returns.

The value of the property portfolio increased to $331.7 million as at 31 December 2018 compared to $306.6 million as at 31 December 2017. Continued management of our property portfolio to maximise operational and financial outcomes saw the divestment of two properties and purchase of two additional properties during 2018.

The Property segment profit contribution of $28.0 million was lower than the previous year of $32.0 million. Gains on sale of properties were $3.6 million, down $11.8 million on pcp. This was partially offset by valuation increases of $13.7 million ($2.4 million P&L, $11.3 million revaluation reserve) compared with valuation increases in 2017 of $5.6 million ($0.2 million P&L, $5.4 million revaluation reserve).

The Investment segment registered a pre-tax loss of $171.1 million in 2018 compared to a loss of $8.4 million for the pcp, due primarily to an unrealised revaluation loss on the AHG investment of $181.4 million. This reflected a 31 December 2018 AHG closing share price of $1.56 per share compared with $3.64 as at 31 December 2017, a decline of 57.1%.

As at 31 December 2018, the 28.84% strategic investment in AHG had a market value of $149.2 million based on a closing share price of $1.56 per share.

(1) *Changes in fair value of property and investments are recognised as profit and loss adjustments for segment reporting purposes but are not recorded in the Group's Statutory Net Profit After Tax*

Financial Position

The Company's financial position remains very strong. EBITDA Interest Cover (EBITDA/Borrowing costs) was 6.5 times as at 31 December 2018 compared to 6.9 times as at June 2018 and 7.2 times as at 31 December 2017.

Corporate debt (Term and Capital Loan Facility) net of cash on hand was higher at $295.1 million as at 31 December 2018 (2017: $238.5 million) and total debt including vehicle bailment net of cash on hand was higher at $865.4 million as compared to $782.7 million as at 31 December 2017.

Total gearing (Debt /Debt + Equity), including bailment inventory financing and finance leases, was 57.4% as at 31 December 2018, as compared to 50.2% as at 31 December 2017. Bailment finance is cost effective short-term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment, and including cash on hand, was 31.0% as at 31 December 2018, compared to 23.3% as at 31 December 2017. Both gearing ratios were impacted by the lower valuation of the AHG investment at 31 December 2018, with gearing ratios excluding this impact being 52.3% and 26.8% respectively.

Total inventory levels increased to $691.2 million at 31 December 2018 from $652.7 million at 31 December 2017.

Net tangible assets were $1.79 per share as at 31 December 2018, as compared to $2.49 per share at 31 December 2017, due to lower valuation of the AHG investment at 31 December 2018.

The reduction in the Company's net cash provided by operating activities by $56.0 million to $89.0 million in 2018 (2017: $145.0 million) was driven by three items totalling $43.2 million together with an investment in working capital. Firstly, tax payments increased by $20.0 million to $41.0 million in 2018 due to the 2017 balancing tax payment which arose from lower instalment rate in 2017 due to favourable tax position in 2016. Additionally, the 2018 operating cashflow was reduced due to the timing of both the receipt of upfront insurance monies (~$14.2 million) in the prior year and payments associated with provisions for business restructuring activities ($9.0 million) undertaken in 2017. The residual increase in net working capital (~$22.0 million) was driven by the increased investment in used cars and trucks and parts stock levels, consistent with the performance of these businesses. Excluding these items, the operating cash flow would have been consistent year on year.

Outlook and Strategy Update

For 106 years A.P. Eagers has operated successfully as the expert interface between the manufacturers of motor vehicles and the users of motor vehicles, our customers. Whilst the products and services provided by our manufacturing partners will continue to evolve (i.e. electric, connected, evolving automation etc) so will the way our customers choose to consume them (i.e. buy, sell, subscribe, share, fund, service, repair etc). A.P. Eagers will continue to use its skills, its assets and its 106 years of knowledge to maintain a leadership position as the "expert interface".

A.P. Eagers is making significant progress with a number of strategic initatives, including:

- Following the positive outcome from the businesses we exited in 2017 and 2018 we are continuously reviewing our franchise portfolio to identify underperforming and unsustainable businesses without burdening shareholders with significant write downs.

- We remain focussed on being Australia's leading automotive retail partner and our two-pronged approach of driving value from existing business through process improvement, operating synergies, portfolio management and organic growth, while taking advantage of value adding acquisition opportunities as they present themselves.

- Whilst current market dynamics are not easy, the transition occurring within the industry is accelerating consolidation, rationalisation and restructuring, and A.P. Eagers intends to capitalise on these opportunities.

- The revised vehicle financing models were implemented by all financiers within the Automotive industry on 1 November 2018. The new financing models have been developed to provide highly transparent and ultra-competitive pricing with interest rates tailored to individual customer profiles. These new models are expected to significantly lift finance penetration within Australia with a shift towards the higher penetration rates in the USA and UK of 84% and 89%, over the coming years.

  A.P. Eagers has implemented a five-point strategic plan designed to excel in future finance penetration rates. With one major financier we have evidence of more competitive rates, increasing volume and penetration, improving margin retention and reducing the need for low rate marketing campaigns. At the same time, we are receiving positive feedback from clients and staff on the new transparent systems and processes.

- Strategically, and in response to customer preferences, we continue to redevelop and reorganise our future retailing facilities including inner-city Brisbane (Newstead, Woolloongabba, Indooroopilly and Windsor) to provide improved long-term solutions for all stakeholders. The Brisbane Airport Auto Mall, shopping centres and satellite operations are favoured by a number of our brand partners.

- As the industry continues to evolve the Company will further develop its alternate and complementary business activities. We remain disciplined in our investments into new businesses, making sure they meet the dual mandate of, firstly, aligning with consumer mobility wants and needs and, secondly, creating incremental medium and long-term shareholder value.

  An example of this approach is our Carzoos used car model. The Carzoos business, after prudent early investment, is now into the break-even phase of its business growth plan. With the business trading on a solid platform and continued exceptional customer feedback we will transition more traditional A.P. Eagers used car operations into the model and look to open a third store in south-east Queensland in 2019.

Martin Ward
Managing Director

20 February 2019

For more information, contact: Martin Ward, Managing Director, (07) 3248 9455
or visit: www.apeagers.com.au

Note: All national sales figures are based on Federal Chamber of Automotive Industry statistics sourced through VFACTS.

The Directors of A.P. Eagers Limited ABN 87 009 680 013 (the Company or A.P. Eagers) present their report together with the consolidated financial report of the Company and its controlled entities (the Group), for the year ended 31 December 2018 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the year were:

Timothy Boyd Crommelin BCom, FSIA, FSLE
Chairman of Board, Member of Audit, Risk & Remuneration Committee

Independent, non-executive Director since February 2011. Chairman of Morgans Holdings (Australia) Limited. Director of Senex Energy Ltd (appointed October 2010) and Australian Cancer Research Foundation. Member of University of Queensland Senate. Broad knowledge of corporate finance, risk management and acquisitions and over 40 years' experience in the stockbroking and property industry.

Martin Andrew Ward BSc (Hons), FAICD
Managing Director, Chief Executive Officer

Joined the Company in July 2005. Appointed Chief Executive Officer in January 2006. Appointed Managing Director in March 2006. Motor vehicle dealer. Director of Australian Automotive Dealer Association Limited (appointed January 2014). Former Chief Executive Officer of Ford Motor Company's Sydney Retail Joint Venture.

Nicholas George Politis BCom
Director

Non-executive Director since May 2000. Motor vehicle dealer. Executive Chairman of WFM Motors Pty Ltd, A.P. Eagers Limited's largest shareholder. Vast automotive retail industry experience and Director of a substantial number of proprietary limited companies.

Daniel Thomas Ryan BEc, MBus, FAICD
Director

Non-executive Director since January 2010. Director and Chief Executive Officer of WFM Motors Pty Ltd, A.P. Eagers Limited's largest shareholder. Director of a substantial number of proprietary limited companies. Significant management experience in automotive, transport, manufacturing and retail industries.

David Arthur Cowper BCom, FCA
Director, Chairman of Audit, Risk & Remuneration Committee

Independent, non-executive Director since July 2012. Chartered accountant, with more than 35 years in the profession. Former partner of Horwath Chartered Accountants and Deloitte Touche Tohmatsu. Former Chairman of Horwath's motor industry specialisation unit for six years. Area of professional specialisation while at Horwath and Deloitte was in providing audit, financial and taxation services to public and large private companies in the motor industry.

Marcus John Birrell
Director, Member of Audit, Risk & Remuneration Committee

Non-executive Director since July 2016. Former Director of Australian Automotive Dealer Association Limited (appointed January 2014, retired October 2017). Distinguished career in the automotive industry, including 38 years at manufacturer, financier and retail level and 21 years as Executive Chairman of Birrell Motors Group.

Sophie Moore BBus, CA, FFin
Director, Chief Financial Officer

Joined the Company as Chief Financial Officer in August 2015. Appointed as a Director in March 2017 with continuing executive responsibility for accounting, taxation, internal audit and treasury functions. Previous senior finance roles with PricewaterhouseCoopers and Flight Centre Travel Group Limited. Admitted as a chartered accountant in 1997.

Company Secretary

Denis Gerard Stark LLB, BEc
General Counsel & Company Secretary

Commenced with the Company in January 2008. Responsible for overseeing the company secretarial, legal, insurance and investor relations functions and property portfolio. Previous company secretarial and senior executive experience with public companies. Admitted as a solicitor in Queensland in 1994 and Victoria in 1997.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each Director during the year were:

	Board Meetings		Audit, Risk & Remuneration Committee Meetings	
	Held	Attended	Held	Attended
T B Crommelin [1]	8	8	4	4
N G Politis	8	7	-	-
M A Ward	8	8	-	-
D T Ryan	8	8	-	-
D A Cowper [1]	8	8	4	4
M J Birrell [1]	8	7	4	3
S A Moore	8	8	-	-

(1) *Audit, Risk & Remuneration Committee members.*

Principal Activities

The Group's principal activities during the year consisted of the selling of new and used motor vehicles, distribution and sale of parts, accessories and car care products, repair and servicing of vehicles, provision of extended warranties, facilitation of finance and leasing in respect of motor vehicles, and the ownership of property and investments. The products and services supplied by the Group were associated with, and integral to, the Group's motor vehicle dealership operations. There were no significant changes in the nature of the Group's activities during the year.

Financial & Operational Review

The Directors of A.P. Eagers Limited (ASX: APE) are pleased to report a 2018 Net Profit Before Tax (NPBT) of $133.7 million. This compares to a Net Profit Before Tax of $135.6 million in 2017, a decrease of -1.4% on the previous corresponding period (pcp). Net Profit After Tax was $101.2 million in 2018 compared to $98.2 million in 2017, an increase of 3.1% on the pcp. Earnings per share (basic) for 2018 were 52.0 cents compared to 50.3 cents on the pcp, an increase of 3.4%.

A.P. Eagers has delivered a strong full year operational result in challenging external conditions. Despite declining new vehicle sales data across mainland Australia, our car and truck retailing businesses outperformed the market and through a disciplined approach to driving improved returns on our assets, helped to deliver an increase in shareholder returns, including a tenth consecutive year of dividend growth.

Our ability to adapt and invest in the long term has been a major factor in A.P. Eagers' 106-year record as the expert interface between the manufacturers of motor vehicles and our customers. Whilst the products and services provided by our manufacturing partners will continue to evolve, so will the way our customers consume them. A.P. Eagers' investment in a number of long term growth initiatives combined with an active and disciplined approach to portfolio management will enable us to maintain a market leading position and grow irrespective of the external environment.

Profit Comparison	Full Year to December 2018 $ Million	Full Year to December 2017 $ Million	% Change
Statutory EPS (basic) cents	52.0	50.3	3.4%
Statutory profit after tax	101.2	98.2	3.1%
Statutory profit before tax	**133.7**	**135.6**	**(1.4%)**
Impairment adjustments (1)			
Freehold property adjustments (reversal)	(2.4)	(0.2)	
Business acquisition costs (2)	0.7	0.1	
GST (refunds)/expenses (3)	(0.3)	0.1	
Restructure costs (4)	-	5.2	
Gain on sale of assets (5)	(6.0)	(17.5)	
Underlying operating profit before tax	**125.7**	**123.3**	**1.9%**

(1) Represents the aggregate value of freehold property fair value adjustments (positive and negative) to the Statement of Profit and Loss.
(2) Business acquisition costs include taxes, legal and other costs associated with business acquisitions.
(3) Benefit from tax refunds associated with previous years' GST payments net of expenses.
(4) Costs related to the restructuring of underperforming and unsustainable automotive division assets and operations.
(5) Benefit from the sale of non-core property, businesses and investments.

Underlying operating profit before tax was $125.7 million, an increase of 1.9% compared with $123.3 million in 2017. This improved full year operating profit before tax represents an increase for both the car and truck retailing businesses, with National Trucks at a record level. This is a very strong full year operational result for the group considering the widely reported challenges within automotive retailing during 2018.

Increased profit performance from car and truck retailing operations helped offset reduced dividend income from our strategic investment in Automotive Holdings Group Limited (AHG) and reduced gains on sale of non-core operations and property.

Dividend

A fully franked final dividend of 22.5 cents per share (2017: 22.5 cents) has been approved for payment on 18 April 2019 to shareholders who are registered on 29 March 2019 (Record Date). When combined with the interim dividend of 14.0 cents paid in October 2018, the total dividend based on 2018 earnings is 36.5 cents per share (2017: 36.0 cents) fully franked, an increase of 1.4% on 2017.

The Company's dividend reinvestment plan (DRP) will not operate in relation to the final dividend.

Dividends paid to members during the year under review were as follows:

Year ended 31 December	2018	2017
	$'000	$'000
Final ordinary dividend for the year ended 31 December 2017 of 22.5 cents (2016: 22.0 cents) per share paid on 18 April 2018	43,045	41,984
Interim ordinary dividend of 14.0 cents (2017: 13.5 cents) per share paid on 5 October 2018	26,783	25,786
	69,828	67,770

External Environment

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales decreased by -3.0% in 2018 to 1,153,111 units compared to a 0.9% increase in 2017. Note 2017 represented the third record year in a row for total new unit sales volume.

Tasmania was the only region to experience new vehicle sales growth on the pcp, where the market was up 3.3% on pcp. New vehicle sales performance was the weakest in New South Wales, down -6.6% on pcp. The two other large markets, Queensland and Victoria, recorded sales decline on the pcp of -0.7% and -1.8%. The remaining markets also recorded decline on the pcp, with South Australia down -1.9%, Western Australia down -0.6%, Northern Territory down -4.7% and Australian Capital Territory down -1.9%.

A decrease in private and business sales, of -7.5% and -0.8% respectively, was partially offset by an 8.1% increase in rental sales. Luxury vehicle segment contracted from 10.7% to 10.4% of total market share, finishing -5.9% down, with all major brands down on pcp except Volvo. Traditional fuel vehicles made up 99% of all new vehicle sales, with the sale of electric vehicles increasing 20.3% and having total sales of 1,352 units in 2018.

Nationally, the Heavy Commercial segment recorded significant growth of 12.4% (2017: 11.8%), with increases in light/medium duty trucks and heavy-duty sales of +8.4% and +20.9% respectively.

Business Initiatives

Despite the well reported decline in the headline new car sales volume, the Company was able to rebalance the business to focus on maximising the performance in the areas of the business that offered increased opportunity.

The Victoria/ Tasmania businesses delivered a record result in 2018. Our two largest geographic segments of Queensland and South Australia recorded improved performance, while challenging market dynamics in our New South Wales geographic market and portfolio representation in Tasmania adversely impacted trading performance versus the pcp.

In 2018, a number of our operating divisions reported positive results. The underlying performance of our Used Car department, excluding F&I impacts, improved on the back of gross margin improvement and a structural change to our fixed cost base. The business will continue to scale operations to match income opportunity while growing in new segments. An example of this is our Cheap Cars business launched in Queensland in 2018 with immediate success. This strategy will be carefully expanded in 2019 across all regions as an incremental profit driver that extracts value in an adjacent part of the business.

Both our Parts and Service divisions delivered record years up 20.8% and 7.9% respectively. These results reflect a focus on scaling our operations in both divisions to leverage the record car parc following multiple years of record new car sales. Our service division has also benefited from a focus on retention through improved customer processes.

Underpinning this rebalancing of our operations was a continued company-wide focus on reducing the cost base executed without compromising income producing activities, reducing employee engagement or customer satisfaction levels. This cost out program bore fruit in 2018 and there remains an opportunity for greater savings in 2019 and beyond.

The Company launched a Business Transformation initiative during the year, known internally as BTG, which forms a key part of our strategy to ensure we future-proof the business as the wider industry transitions. This involves a total re-design of the traditional structure, roles and cost bases of our dealerships while producing a service offering that responds to evolving customer wants and needs. The BTG roll out will gather momentum in 2019 and beyond and ensure we are always able to leverage our role as the expert interface between the products and services our OEM partners provide and the mobility demands of our customers.

Volatility in the new car market dynamics combined with recent regulatory pressure has increased activity in the dealership acquisition/disposal marketplace in general, with price expectations now at more reasonable multiples. We completed the acquisition of Toowoomba Motor Group (Mitsubishi & Kia), Metro Nissan (Brisbane) and Southern Vales Nissan (Adelaide) in 2018 and we will continue with our disciplined approach in reviewing further acquisition opportunities.

The Group's National Trucks division again capitalised on strong growth in the Heavy and Light commercial sales, resulting in a record result for 2018. This result continues the strong performance and growth of the National Trucks division since 2015.

A.P. Eagers has commenced the design phase for the major new automotive retailing and mobility hub on 64,124m² within Brisbane Airport's new $300 million BNE Auto Mall project. The plan is to create a world-class automotive retailing experience for our customers of the future. We currently represent 12 major car brands within the geographic area serviced by the BNE Auto Mall, with the opportunity for a number of other brands to join the group. The existing brands collectively represent 48 per cent of the total automotive industry.

Our strategic 28.84% investment in AHG as at 31 December 2018 was valued at $149.2 million based on their closing share price of $1.56 per share. Whilst not included in the Company's Statutory Profit after Tax, a before tax unrealised loss of $181.4 million has been recorded in the Statement of Comprehensive Income for the 2018 year due to the decline in share price relative to the $3.64 closing share price at 31 December 2017.

Financial Performance

On a like-for-like basis, revenue increased by +2.1% compared to the pcp. Strong trading in the Queensland (excluding discontinued businesses), Victorian and South Australian car divisions and the National Truck division combined to boost revenue, partially offset by declines in New South Wales and Tasmania. Total revenue increased by 1.3% to $4.1 billion in 2018.

EBITDA decreased by 1.8% to $173.5 million (2017: $176.7 million). Profit margins declined slightly as indicated by the EBITDA/Revenue ratio of 4.2% (2017: 4.4%) and the NPBT/Sales ratio of 3.3% remained static on the pcp. On an underlying basis NPBT/Sales for 2018 was 3.1%, up from 3.0% in 2017.

Borrowing costs increased to $26.5 million (2017: $24.6 million), reflecting combined impact of higher interest rates and higher average bailment and term debt held, partially offset by lower hedging costs. The decrease in depreciation and amortisation costs of 6.1% to $15.6 million (2018: $16.7 million) reflects the divestment of non-core properties/businesses in the first half of 2018 and the second half of 2017.

Profit before tax included dividends from AHG of $13.9 million, compared to $14.5 million in the pcp, a decline of -3.9%, despite A.P. Eagers increasing their holding in AHG from 23.81% at 31 December 2017 to 28.84% at 31 December 2018.

Business acquisition costs of $0.7 million were expensed in the financial year relating to the acquisition of Grand Nissan, Metro Nissan, and Toowoomba Motor Group's Mitsubishi and Kia's franchises, compared to $0.1 million relating to the Porsche Centre Adelaide acquisitions the year before.

Results Summary Consolidated Results	**Full Year to December 2018 $ Million**	**Full Year to December 2017 $ Million**	**% Change**
Revenue from operations	4,063.5	4,014.8	1.2%
Other revenue	49.3	44.0	12.2%
Total revenue	**4,112.8**	**4,058.8**	**1.3%**
Earnings before interest, tax, depreciation and amortisation and impairment (EBITDA)	**173.5**	**176.7**	**(1.8%)**
Depreciation and Amortisation	(15.6)	(16.7)	(6.1%)
Impairment charge/net reversal	2.4	0.2	-
Earnings before interest and tax (EBIT)	**160.3**	**160.2**	**(0.0%)**
Borrowing costs	(26.5)	(24.6)	7.9%
Profit before tax	**133.7**	**135.6**	**(1.4%)**
Income tax expense	(32.6)	(37.5)	(13.1%)
Profit after tax	**101.2**	**98.2**	**3.1%**
Non-controlling interest in subsidiaries	(1.6)	(2.1)	
Attributable profit after tax	**99.6**	**96.0**	**3.7%**
Earnings per share - basic	52.0 cents	50.3 cents	3.4%

This report is based on accounts which have been audited.

Segments (1)

Profit before tax from our Car Retail segment was $95.8 million, an increase from $84.4 million for 2017. Underlying Operating Profit before tax for the Car Retail segment was $95.5 million in 2018 (excludes $0.3 million of GST refunds received in 2018), an increase from $89.6 million in 2017 (excludes $5.2 million in one-off costs and restructuring of underperforming and unsustainable businesses).

On a like-for-like basis, revenue increased by 1.1%, with the increase primarily attributable to the strong trading in Victoria/Tasmania and Queensland (excluding discontinued businesses), offset by lower results in New South Wales. The strong trading was also reflected in the parts and service businesses with improvements across the Group delivering a record result.

The National Truck division delivered record result for the second consecutive year, recording a before tax result of $10.9 million compared to $9.0 million for the pcp, reflecting strong performance in all departments including improved results from the new truck division and service division. Revenue increased by 12.1% reflecting strong performance in the Victoria and South Australia truck divisions, partly offset by the divestment of Sydney Truck Centre in June 2017, with the segment continuing to restructure the business to drive business optimisation and deliver improved returns.

The value of the property portfolio increased to $331.7 million as at 31 December 2018 compared to $306.6 million as at 31 December 2017. Continued management of our property portfolio to maximise operational and financial outcomes saw the divestment of two properties and purchase of two additional properties during 2018.

The Property segment profit contribution of $28.0 million was lower than the previous year of $32.0 million. Gains on sale of properties were $3.6 million, down $11.8 million on pcp. This was partially offset by valuation increases of $13.7 million ($2.4 million P&L, $11.3 million revaluation reserve) compared with valuation increases in 2017 of $5.6 million ($0.2 million P&L, $5.4 million revaluation reserve).

The Investment segment registered a pre-tax loss of $171.1 million in 2018 compared to a loss of $8.4

million for the pcp, due primarily to an unrealised revaluation loss on the AHG investment of $181.4 million. This reflected a 31 December 2018 AHG closing share price of $1.56 per share compared with $3.64 as at 31 December 2017, a decline of 57.1%.

As at 31 December 2018, the 28.84% strategic investment in AHG had a market value of $149.2 million based on a closing share price of $1.56 per share.

(1) Changes in fair value of property and investments are recognised as profit and loss adjustments for segment reporting purposes but are not recorded in the Group's Statutory Net Profit After Tax

Financial Position

The Company's financial position remains very strong. EBITDA Interest Cover (EBITDA/Borrowing costs) was 6.5 times as at 31 December 2018 compared to 6.9 times as at June 2018 and 7.2 times as at 31 December 2017.

Corporate debt (Term and Capital Loan Facility) net of cash on hand was higher at $295.1 million as at 31 December 2018 (2017: $238.5 million) and total debt including vehicle bailment net of cash on hand was higher at $865.4 million as compared to $782.7 million as at 31 December 2017.

Total gearing (Debt /Debt + Equity), including bailment inventory financing and finance leases, was 57.4% as at 31 December 2018, as compared to 50.2% as at 31 December 2017. Bailment finance is cost effective short-term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment, and including cash on hand, was 31.0% as at 31 December 2018, compared to 23.3% as at 31 December 2017. Both gearing ratios were impacted by the lower valuation of the AHG investment at 31 December 2018, with gearing ratios excluding this impact being 52.3% and 26.8% respectively.

Total inventory levels increased to $691.2 million at 31 December 2018 from $652.7 million at 31 December 2017.

Net tangible assets were $1.79 per share as at 31 December 2018, as compared to $2.49 per share at 31 December 2017, due to lower valuation of the AHG investment at 31 December 2018.

The reduction in the Company's net cash provided by operating activities by $56.0 million to $89.0 million in 2018 (2017: $145.0 million) was driven by three items totalling $43.2 million together with an investment in working capital. Firstly, tax payments increased by $20.0 million to $41.0 million in 2018 due to the 2017 balancing tax payment which arose from lower instalment rate in 2017 due to favourable tax position in 2016. Additionally, the 2018 operating cashflow was reduced due to the timing of both the receipt of upfront insurance monies (~$14.2 million) in the prior year and payments associated with provisions for business restructuring activities ($9.0 million) undertaken in 2017. The residual increase in net working capital (~$22.0 million) was driven by the increased investment in used cars and trucks and parts stock levels, consistent with the performance of these businesses. Excluding these items, the operating cash flow would have been consistent year on year.

Outlook and Strategy Update

For 106 years A.P. Eagers has operated successfully as the expert interface between the manufacturers of motor vehicles and the users of motor vehicles, our customers. Whilst the products and services provided by our manufacturing partners will continue to evolve (i.e. electric, connected, evolving automation etc) so will the way our customers choose to consume them (i.e. buy, sell, subscribe, share, fund, service, repair etc). A.P. Eagers will continue to use its skills, its assets and its 106 years of knowledge to maintain a leadership position as the "expert interface".

A.P. Eagers is making significant progress with a number of strategic initiatives, including:

- Following the positive outcome from the businesses we exited in 2017 and 2018 we are continuously reviewing our franchise portfolio to identify underperforming and unsustainable businesses without burdening shareholders with significant write downs.

- We remain focussed on being Australia's leading automotive retail partner and our two-pronged

approach of driving value from existing business through process improvement, operating synergies, portfolio management and organic growth, while taking advantage of value adding acquisition opportunities as they present themselves.

- Whilst current market dynamics are not easy, the transition occurring within the industry is accelerating consolidation, rationalisation and restructuring, and A.P. Eagers intends to capitalise on these opportunities.

- The revised vehicle financing models were implemented by all financiers within the Automotive industry on 1 November 2018. The new financing models have been developed to provide highly transparent and ultra-competitive pricing with interest rates tailored to individual customer profiles. These new models are expected to significantly lift finance penetration within Australia with a shift towards the higher penetration rates in the USA and UK of 84% and 89%, over the coming years.

  A.P. Eagers has implemented a five-point strategic plan designed to excel in future finance penetration rates. With one major financier we have evidence of more competitive rates, increasing volume and penetration, improving margin retention and reducing the need for low rate marketing campaigns. At the same time, we are receiving positive feedback from clients and staff on the new transparent systems and processes.

- Strategically, and in response to customer preferences, we continue to redevelop and reorganise our future retailing facilities including inner-city Brisbane (Newstead, Woolloongabba, Indooroopilly and Windsor) to provide improved long-term solutions for all stakeholders. The Brisbane Airport Auto Mall, shopping centres and satellite operations are favoured by a number of our brand partners.

- As the industry continues to evolve the Company will further develop its alternate and complementary business activities. We remain disciplined in our investments into new businesses, making sure they meet the dual mandate of, firstly, aligning with consumer mobility wants and needs and, secondly, creating incremental medium and long-term shareholder value.

  An example of this approach is our Carzoos used car model. The Carzoos business, after prudent early investment, is now into the break-even phase of its business growth plan. With the business trading on a solid platform and continued exceptional customer feedback we will transition more traditional A.P. Eagers used car operations into the model and look to open a third store in south-east Queensland in 2019.

Note: All national sales figures are based on Federal Chamber of Automotive Industry statistics sourced through VFACTS.

Significant Changes in the State of Affairs

In the Directors' opinion there was no significant change in the state of affairs of the Group during the financial year that is not disclosed in this report or the consolidated financial report.

Matters Subsequent to the End of the Financial Year

The Directors are not aware of any matter or circumstance not dealt with in this report or the consolidated financial report that has arisen since the end of the year under review and has significantly affected or may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group in future financial years.

Environmental Regulation

The Group's property development and service centre operations are subject to various environmental regulations. Environmental licences are held for particular underground petroleum storage tanks.

Planning approvals are required for property developments undertaken by the Group in relevant circumstances. Authorities are provided with appropriate details and to the Directors' knowledge

developments during the year were undertaken in compliance with planning requirements in all material respects.

Management works with regulatory authorities, where appropriate, to assist compliance with regulatory requirements. There were no material adverse environmental issues during the year to the Directors' knowledge.

Remuneration Report

1. Principles Used to Determine Remuneration

The board as a whole is responsible for recommending and reviewing the remuneration arrangements of non-executive Directors, whilst the board (excluding the Chief Executive Officer) reviews the performance of the Chief Executive Officer on a continual basis and ensures the reward framework is appropriate. To assist the board, the Audit, Risk & Remuneration Committee reviews and makes recommendations regarding these remuneration arrangements.

The Chief Executive Officer in consultation with the Chairman reviews the performance of the Group's senior executives on an ongoing basis and ensures the appropriateness of their reward framework.

Remuneration packages are intended to properly reflect the individual's duties and responsibilities, be competitive in attracting, retaining and motivating staff of the highest quality and be aligned to shareholder interests.

The remuneration framework for executives has been developed to provide, where appropriate, a high proportion of "at risk" remuneration. This is designed to reflect competitive reward for contribution to growth in Group profits and shareholder wealth.

In considering the impact of the Group's performance on shareholder wealth, the Directors have regard to various factors including the following metrics:

	2018	2017	2016	2015	2014
Statutory NPAT ($ million)	101.2	98.2	105.5	87.0	76.7
Statutory Earnings per share - basic (c)	52.0	50.3	55.4	47.6	43.0
Dividend per share (c)	36.5	36.0	35	32	27
Share Price at year end ($)	6.00	7.97	9.22	12.70	5.98

2. Non-executive Directors' Remuneration Framework

Non-executive Directors are remunerated for their services by way of fees and superannuation from the maximum amount approved for that purpose by shareholders in general meeting, currently $750,000 per annum, which was fixed at the annual general meeting in 2015.

The following fees plus superannuation were paid to non-executive Directors for the year under review:

Chairman of Board	$100,000 per annum
Chairman of Audit, Risk & Remuneration Committee	$85,000 per annum, increased to $100,000 per annum in July 2018
Non-executive Directors	$85,000 per annum

The board, with the assistance of the Audit, Risk & Remuneration Committee, annually reviews non-executive Director fees, taking into account relevant market conditions.

Non-executive Directors do not participate in schemes designed for the remuneration of executives, equity schemes or retirement allowance programmes, nor do they receive performance-based bonuses.

3. Executives' Remuneration Framework

a) Base Pay

Each executive is offered a competitive base pay to reflect the market for a comparable role. Base pay is reviewed annually and on promotion to ensure it remains competitive with the market. It may be delivered as a combination of cash and superannuation that the executive elects to salary sacrifice.

b) Benefits

Executives receive benefits including the provision of fully maintained motor vehicles, personal health and fitness programs and, in the case of the Chief Executive Officer, personal insurance. Retirement benefits are delivered under superannuation funds providing accumulation benefits. No lump sum defined benefits are provided.

c) Short-term Performance Incentives

(i) Incentive / Bonus

Non-commission based executives are eligible to receive short-term incentive payments of up to 30% of base salary in accordance with contractual arrangements. This is not available to non-executive Directors, the Chief Executive Officer or the Chief Operating Office – Cars (as his remuneration is commission based).

These short-term incentive payments are determined by the Chief Executive Officer in consultation with the Chairman on a discretionary basis after considering individual and Company achievements and performances during annual review.

(ii) Commission Structure

A commission incentive is included in the remuneration for the Chief Operating Office - Cars. The commission is set at a percentage of net profit before tax of relevant business units and is therefore based on measurable business performance and designed to improve shareholder value.

d) Executive Incentive Plan (EIP) – Long-term and Short-term Incentive

The EIP was approved by shareholders at the annual general meeting in 2013. It is intended as both a long-term and short-term incentive for key management personnel, focussing on corporate performance and the creation of shareholder value over multi-year periods. The EIP is available to executives only. It is not available to non-executive Directors.

Through the EIP, executives are driven to improve the Company's performance and shareholder return. This is accomplished through the grant of performance rights and options which reward the achievement of pre-determined Group performance hurdles and allow executives to share in the Company's growth.

A performance right is a right to be given a fully paid ordinary share in the Company at a nil exercise price upon the achievement of performance hurdles.

An option is a right to be given a fully paid ordinary share upon payment of an exercise price and achievement of performance hurdles. The exercise price is the market share price on or about the grant date or when the executive agreed in principle to participate in the plan.

The performance rights and options are divided into separate tranches for each annual performance period. Each tranche of options may be further divided into sub-tranches. The tranches and sub-tranches are tested against the performance hurdles for the relevant performance period.

(i) Performance Hurdles

Pre-determined performance hurdles for the relevant performance period must be achieved for performance rights and options to vest. Performance hurdles include:

- the Company must meet the applicable EPS hurdle (as described below).
- the Company must meet any prescribed interest cover ratio, being at least 2.5 times.
- the executive must remain permanently employed by the Group.

All performance hurdles for a performance period must be met for the relevant rights and options to vest. The board does, however, retain discretion to waive hurdles in exceptional circumstances where it is believed to be in the Company's best interests to do so.

(ii) EPS Hurdles

A separate EPS performance hurdle applies for each tranche or sub-tranche of performance rights and options. These EPS hurdles are pre-determined using a base-line EPS when the participant agreed to join the plan.

The Company must achieve a minimum of 7% annual compound growth in diluted EPS above the base-line before any performance rights or options will vest for the performance period, with 10% annual compound growth required for all performance rights and options to vest for the period.

As these "at risk" earnings are demonstrably linked to the creation of shareholder value, it is considered that if an EPS hurdle is not achieved at the end of a 12 month performance period, re-testing would be appropriate to allow for market reaction to the Company's longer term strategic initiatives. In these circumstances, re-testing would take place 12 months later. If the EPS hurdle is not achieved on the re-test, it may be re-tested a second time a further 12 months later. However, there cannot be more than two re-tests. Performance rights and options immediately lapse if they do not vest on the second re-test.

(iii) CEO's Participation in EIP

At the Company's annual general meeting in 2014, shareholders approved the Chief Executive Officer, Mr Ward, participating in the EIP for the five years from 2015 to 2019. With 96.6% of proxy votes in favour or at the Chairman's discretion, shareholders approved the following:

- Mr Ward's performance hurdles are measured over the five year period 2015 to 2019.

- Before any of Mr Ward's performance rights or options will vest for an individual year, the Company must achieve at least 7% annual compound growth in diluted EPS above the base-line EPS. The base-line was set at the diluted EPS for 2013. This base-line was used in order to give shareholders visibility of the base-line before they approved Mr Ward's rights and options at the annual general meeting in 2014.

- For 100% of Mr Ward's performance rights and options to vest for the five years, the Company must achieve at least 10% annual compound growth in diluted EPS above the base-line.

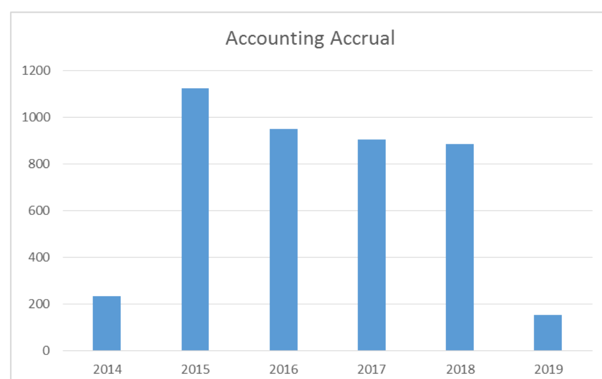
The cost to the Company of Mr Ward's participation in the EIP is determined as follows:

- There has been no increase to the average annual cost to the Company of Mr Ward's participation in the EIP since 2010.

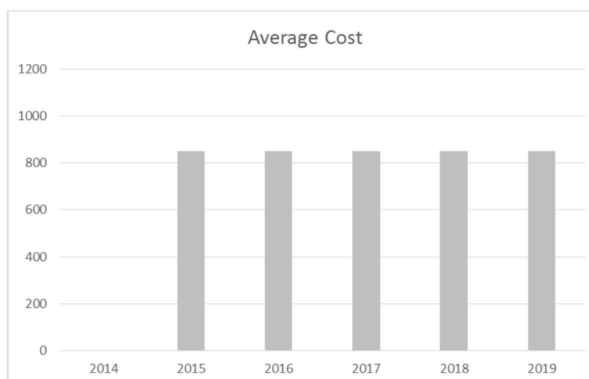
- If 100% of the performance rights and options are to vest over the five year period 2015 to 2019 (requiring at least 10% annual compound growth in diluted EPS for five years), the recognised cost of the plan will average $850,000 per annum being the fair value at grant date. However, accounting standards require that the cost be recognised based on the progressive recognition of each share option grant over its expected vesting period, as shown in the remuneration table on page 15, which results in a higher overall cost of the EIP in the earlier years and a lower cost in later years. On the assumption that all performance hurdles will be achieved over the five year period, the total cost recognised in each year will be as shown in the following graphs.

- If no performance hurdles at all were to be achieved over the five year period, then no performance rights or options would vest and the plan would cost the Company zero dollars.

- By way of comparison, if only 50% of the performance rights and options by value were to vest each year over the five year period (requiring 7% annual compound growth in diluted EPS for five years), the cost of the plan would be on average $425,000 per annum for 5 years.



Accounting accrual cost of CEO's participation in EIP – progressive recognition based, assuming all performance hurdles are achieved.



Average annual cost of CEO's participation in EIP, assuming all performance hurdles are achieved.

(iv) Grants to Key Management Personnel

The following tables show details of current grants of performance rights and options over unissued ordinary shares, which were granted to key management personnel in or before the year under review. No rights or options were granted to, lapsed or were exercised by, key management personnel during or after the year under review, except as shown in these tables.

Chief Executive Officer

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised (1)	Fair value	No. granted	No. lapsed	No. exercised (2)	Fair value		
1	4 July 2014	83,661	-	83,661	$5.08	467,032	-	50,000 exercised in 2016	$0.91	31 Dec 2015	Vested without re-testing
2	4 July 2014	87,268	-	87,268	$4.87	452,127	-	-	$0.94	31 Dec 2016	Vested without re-testing
3	4 July 2014	91,006	-	91,006	$4.67	447,368	-	-	$0.95	31 Dec 2017	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
4	4 July 2014	94,866	-	94,866	$4.48	420,792	-	-	$1.01	31 Dec 2018	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
5	4 July 2014	99,067	-	-	$4.29	416,666	-	-	$1.02	31 Dec 2019	Unvested

(1) Performance rights are automatically exercised upon vesting. 91,006 rights that were granted for 2017 were exercised during the year under review and these were valued at $764,450 on the day of exercise.
(2) No options were exercised during the year under review.

Chief Operating Officer - Cars

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised (1)	Fair value	No. granted	No. lapsed	No. exercised (2)	Fair value		
1	4 July 2014	19,685	-	19,685	$5.08	109,.890	-	-	$0.91	31 Dec 2015	Vested without re-testing
2	4 July 2014	20,533	-	20,533	$4.87	106,382	-	-	$0.94	31 Dec 2016	Vested without re-testing
3	4 July 2014	21,413	-	21,413	$4.67	105,263	-	-	$0.95	31 Dec 2017	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
4	4 July 2014	22,321	-	22,321	$4.48	99,009	-	-	$1.01	31 Dec 2018	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
5	4 July 2014	23,310	-	-	$4.29	98,039	-	-	$1.02	31 Dec 2019	Unvested

(1) Performance rights are automatically exercised upon vesting. 21,413 rights that were granted for 2017 were exercised during the year under review and these were valued at $179,869 on the day of exercise.
(2) No options were exercised during the year under review.

General Counsel & Company Secretary

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised (1)	Fair value	No. granted	No. lapsed	No. exercised (2)	Fair value		
1	4 July 2014	2,460	-	2,460	$5.08	13,736	-	-	$0.91	31 Dec 2015	Vested without re-testing
2	4 July 2014	2,566	-	2,566	$4.87	13,297	-	-	$0.94	31 Dec 2016	Vested without re-testing
3	4 July 2014	2,676	-	2,676	$4.67	13,157	-	-	$0.95	31 Dec 2017	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
4	4 July 2014	2,790	-	2,790	$4.48	12,376	-	-	$1.01	31 Dec 2018	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
5	4 July 2014	2,913	-	-	$4.29	12,254	-	-	$1.02	31 Dec 2019	Unvested

(1) Performance rights are automatically exercised upon vesting. 2,676 rights that were granted for 2017 were exercised during the year under review and these were valued at $22,478 on the day of exercise.
(2) No options were exercised during the year under review.

Chief Financial Officer

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised(1)	Fair value	No. granted	No. lapsed	No. exercised(1)	Fair value		
1	12 June 2015	2,227	-	2,227	$8.98	14,084	-	-	$1.42	31 Dec 2015	Vested without re-testing
2	12 June 2015	4,624	-	4,624	$8.65	27,027	-	-	$1.48	31 Dec 2016	Vested without re-testing
3	12 June 2015	4,796	-	4,796	$8.34	26,143	-	-	$1.53	31 Dec 2017	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
4	12 June 2015	4,975	-	4,975	$8.04	25,316	-	-	$1.58	31 Dec 2018	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
5	12 June 2015	5,167	-	-	$7.74	25,000	-	-	$1.60	31 Dec 2019	Unvested

(1) Performance rights are automatically exercised upon vesting. 4,796 rights that were granted for 2017 were exercised during the year under review and these were valued at $40,286 on the day of exercise.
(2) No options were exercised during the year under review.

Further details of the performance rights and options granted under the EIP are specified in notes 36 and 37 to the consolidated financial report.

4. Hedging

The board has adopted a policy which prohibits any Director or employee who participates in an equity plan from using derivatives, hedging or similar arrangements to reduce or eliminate the risk associated with the plan in relation to unvested securities or securities that are subject to trading restrictions, without the Chairman's approval. Any breach will result in forfeiture or lapsing of the unvested securities or additional performance hurdles or trading restrictions being imposed, at the board's discretion.

5. Executive Employment Agreements

Executives who are key management personnel are employed under common employment agreements. The agreements do not have a finite term, can be terminated by either employer or employee giving three months' notice and do not contain any termination payment arrangements. The board has discretion to extend the termination notice period that may be given to an executive and to make payments upon termination, as appropriate.

The Chief Executive Officer's employment agreement differs from that of other executives as follows:

a) The Company may terminate the Chief Executive Officer's employment if he is unable to satisfactorily perform his duties due to illness, injury or accident for a period of six months or for cause. Termination for any other reason may entitle the Chief Executive Officer to a termination benefit equivalent to two times annual remuneration at the time of termination, subject to any limit imposed by law.
b) The Chief Executive Officer may terminate his employment agreement on six months' notice unless otherwise agreed with the Company.

6. Details of Remuneration

Key management personnel include Directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration details of key management personnel are set out in the following tables.

2018	**Short-term benefits**			**Post-employment benefits**	**Share-based payments**		
	Salary & fees	**Bonus & commission (4)**	**Non-monetary & other benefits (1)**	**Superannuation benefits**	**Performance Rights & Options (2) (3)**	**Total**	**Performance-related percentage**
	$	**$**	**$**	**$**	**$**	**$**	**%**
Directors							
T B Crommelin *Chairman*	100,000	-	813	9,500	-	110,313	-
M A Ward *Managing Director & CEO*	1,210,833	-	170,358	25,000	189,060	1,595,251	12
N G Politis *Non-executive Director*	85,000	-	813	8,075	-	93,888	-
D T Ryan *Non-executive Director*	85,000	-	813	8,075	-	93,888	-
D A Cowper *Non-executive Director*	92,500	-	813	8,788	-	102,101	-
M J Birrell *Non-executive Director*	85,000	-	813	8,075	-	93,888	-
S A Moore *Executive Director & CFO*	456,516	150,000	31,907	14,449	22,857	675,729	26
	2,114,849	**150,000**	**206,330**	**81,962**	**211,917**	**2,765,058**	
Executives							
K T Thornton *Chief Operating Officer – Cars*	200,004	698,259	118,226	10,266	44,485	1,071,240	69
D G Stark *General Counsel & Company Secretary*	292,006	87,600	35,315	27,741	5,561	448,221	21
	492,010	**785,859**	**153,541**	**38,006**	**50,045**	**1,519,461**	

(1) Includes benefits such as the provision of motor vehicles, insurance policy costs and the movement in the provision for the individual's employee entitlements.

(2) Performance rights and options granted under the EIP are valued using a binomial tree methodology. A pre-determined value of the portion of the rights and options attributable to the year under review has been expensed in the income statement in conformity with AASB 2 and reflected in each recipient's remuneration. In each year, performance rights and options vested under the EIP for the previous year. Vesting is subject to the achievement of performance hurdles as previously detailed in this Remuneration Report.

(3) The share-based payment is based on progressive recognition of each award grant over its expected vesting period, which results in an increased cost in the earlier years of the EIP and a reduced cost in later years on the assumption that all performance hurdles will be achieved over the five year period. For further details, refer to commentary on page 11 under the heading "CEO's Participation in EIP" of which the treatment of share plan expense is applicable to all key management personnel.

(4) For Mr Thornton, this is a commission representing a percentage of net profit before tax of relevant business units and is therefore based on measurable business performance and designed to improve shareholder value. No commission is included for any other key management personnel.

2017	Short-term benefits			Post-employment benefits	Share-based payments		
	Salary & fees	Bonus & commission (4)	Non-monetary & other benefits (1)	Superannuation benefits	Performance Rights & Options (2) (3)	Total	Performance-related percentage
	$	$	$	$	$	$	%
Directors							
T B Crommelin *Chairman*	100,000	-	682	9,500	-	110,182	-
M A Ward *Managing Director & CEO*	1,205,004	-	97,268	30,000	904,070	2,236,342	40
N G Politis *Non-executive Director*	85,000	-	682	8,075	-	93,757	-
P W Henley (5) *Non-executive Director*	14,167	-	99	1,346	-	15,612	-
D T Ryan *Non-executive Director*	85,000	-	682	8,075	-	93,757	-
D A Cowper *Non-executive Director*	85,000	-	682	8,075	-	93,757	-
M J Birrell *Non-executive Director*	85,000	-	682	8,075	-	93,757	-
S A Moore (6) *Executive Director & CFO*	328,502	66,800	41,125	20,660	89,141	546,228	29
	1,987,673	**66,800**	**141,902**	**93,806**	**993,211**	**3,283,392**	
Executives							
K T Thornton *Chief Operating Officer – Cars*	205,676	647,828	(22,599)	20,049	212,722	1,063,676	81
D G Stark *General Counsel & Company Secretary*	292,006	73,000	33,405	27,741	31,834	457,986	23
	497,682	**720,828**	**10,806**	**47,790**	**244,556**	**1,521,662**	

(1) Includes benefits such as the provision of motor vehicles, insurance policy costs and the movement in the provision for the individual's employee entitlements. For Mr Thornton, this includes a $78,017 reduction in the accrued provision for long service leave as a result of his reduced commission in 2017.
(2) Performance rights and options granted under the EIP are valued using a binomial tree methodology. A pre-determined value of the portion of the rights and options attributable to the year under review has been expensed in the income statement in conformity with AASB 2 and reflected in each recipient's remuneration. In each year, performance rights and options vested under the EIP for the previous year. Vesting is subject to the achievement of performance hurdles as previously detailed in this Remuneration Report.
(3) The share-based payment is based on progressive recognition of each award grant over its expected vesting period, which results in an increased cost in the earlier years of the EIP and a reduced cost in later years on the assumption that all performance hurdles will be achieved over the five year period. For further details, refer to commentary on page 11 under the heading "CEO's Participation in EIP" of which the treatment of share plan expense is applicable to all key management personnel.
(4) For Mr Thornton, this is a commission representing a percentage of net profit before tax of relevant business units and is therefore based on measurable business performance and designed to improve shareholder value. No commission is included for any other key management personnel.
(5) Mr Henley retired as a Director on 22 February 2017.
(6) Ms Moore was appointed as a Director on 29 March 2017.

7. Relevant Interest in the Company's Shares Held by Key Management Personnel

2018	1 January 2018	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	31 December 2018
Directors						
M A Ward	2,298,655	-	91,006	-	-	2,389,661
N G Politis	68,813,081	-	-	690,500	-	69,503,581
D T Ryan	-	-	-	-	-	-
T B Crommelin	383,286	-	-	9,000	-	392,286
D A Cowper	15,053	-	-	-	-	15,053
M J Birrell	2,000,000	-	-	-	-	2,000,000
S A Moore	6,851	-	4,796	-	-	11,647
						-
Executives						-
K T Thornton	449,118	-	21,413	-	-	470,531
D G Stark	143,140	-	2,676	-	-	145,816
	74,109,184	**-**	**119,891**	**699,500**	**-**	**74,928,575**

2017	1 January 2017	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	31 December 2017
Directors						
M A Ward	4,211,387	-	87,268	-	(2,000,000)	2,298,655
N G Politis	68,419,139	-	-	393,942	-	68,813,081
P W Henley (1)	113,092	-	-	-	-	113,092
D T Ryan	-	-	-	-	-	-
T B Crommelin	378,286	-	-	5,000	-	383,286
D A Cowper	12,053	-	-	3,000	-	15,053
M J Birrell	2,000,000	-	-	-	-	2,000,000
S A Moore (2)	2,227	-	4,624	-	-	6,851
						-
Executives						-
K T Thornton	428,585	-	20,533	-	-	449,118
D G Stark	140,574	-	2,566	-	-	143,140
	75,705,343	**-**	**114,991**	**401,942**	**(2,000,000)**	**74,222,276**

(1) This table includes changes for Mr Henley up to his retirement as a Director on 22 February 2017.

(2) Ms Moore was appointed as a Director on 29 March 2017.

Directors' Interests

The relevant interest of each Director in shares, rights and options issued by the Company as at the date of this report are as follows:

	Ordinary Shares (fully paid)	Share Options [1]	Performance Rights [1]
T B Crommelin	392,286	-	-
N G Politis	69,535,038	-	-
M A Ward	2,484,527	2,153,985	99,067
D T Ryan	-	-	-
D A Cowper	15,053	-	-
M J Birrell	2,000,000	-	-
S A Moore	16,622	117,570	5,167

(1) Share options and performance rights vest only if performance hurdles are met in accordance with the Executive Incentive Plan, as described in the Remuneration Report.

Shares Under Option

No options or performance rights were granted by the Company over unissued fully paid ordinary shares during or since the year under review.

300,823 shares were issued as a result of the exercise of options and no shares were issued on the exercise of performance rights, during or since the year under review.

At the date of this report, there are 6,862,796 unissued shares under option and 190,157 unvested performance rights.

Indemnification and Insurance

The Company's constitution provides that, to the extent permitted by law, the Company must indemnify each person who is or has been a Director or Secretary against liability incurred in or arising out of the discharge of duties as an officer of the Company or out of the conduct of the business of the Company and specified legal costs. The indemnity is enforceable without the person having to incur any expense or make any payment, is a continuing obligation and is enforceable even though the person may have ceased to be an officer of the Company.

At the start of the financial year under review and at the start of the following financial year, the Company paid insurance premiums in respect of Directors and Officers liability insurance contracts. The contracts insure each person who is or has been a Director or executive officer of the Company against certain liabilities arising in the course of their duties to the Company and its controlled entities. The Directors have not disclosed details of the nature of the liabilities covered or the amount of the premiums paid in respect of the insurance contracts as such disclosure is prohibited under the terms of the contracts.

Auditor

Deloitte Touche Tohmatsu continues in office as auditor of the Group in accordance with section 327 of the Corporations Act 2001.

Non-Audit Services

A copy of the auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is attached and forms part of this report.

The Company may decide to employ its auditor on assignments additional to their statutory audit duties where the auditor's expertise or experience with the Group is important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided to the Group during the year are set out in note 34 to the consolidated financial report.

In accordance with advice received from the Audit, Risk & Remuneration Committee, the Directors are satisfied that the provision of the non-audit services was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Act because all non-audit services were reviewed by the Committee to ensure they did not impact the partiality and objectivity of the auditor.

Rounding of Amounts to Nearest Thousand Dollars

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

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

Martin Ward
Director

Brisbane, 20 February 2019

Deloitte.

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The Board of Directors
A.P. Eagers Limited
5 Edmund Street
Newstead, QLD 4006

20 February 2019

Dear Board Members

A.P. Eagers Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of A.P. Eagers Limited.

As lead audit Partner for the audit of the financial statements of A.P. Eagers Limited for the financial year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

A.P. Eagers Limited

ABN 87 009 680 013

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 December 2018

	Notes	**CONSOLIDATED 2018 $'000**	2017 $'000
Revenue	3	**4,112,802**	4,058,779
Other Gains	4	**8,492**	17,934
Share of net profits of associate	41(d)	**77**	407
Changes in inventories of finished goods and work in progress		**39,459**	27,645
Raw materials and consumables purchased		**(3,439,625)**	(3,374,157)
Employee benefits expense		**(330,622)**	(331,009)
Finance costs	5	**(26,530)**	(24,598)
Depreciation and amortisation expense	5	**(15,641)**	(16,651)
Other expenses		**(214,681)**	(222,721)
Profit before tax		**133,731**	135,629
Income tax expense	6	**(32,556)**	(37,456)
Profit for the year		**101,175**	98,173
Attributable to:			
Owners of A.P. Eagers Limited		**99,556**	96,027
Non-controlling interests	31(e)	**1,619**	2,146
	29(b)	**101,175**	98,173
		Cents	Cents
Earnings per share:			
Basic earnings per share	39(a)	**52.0**	50.3
Diluted earnings per share	39(b)	**51.7**	49.5

The above Statement of Profit or Loss should be read in conjunction with the accompanying notes.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2018

		CONSOLIDATED	
			Restated
		2018	2017
	Notes	**$'000**	$'000
Profit for the year		**101,175**	98,173
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value gain arising from cash flow hedges during the year	29(a)	**103**	278
Income tax expense	29(a)	**(31)**	(84)
Reclassification adjustments net of tax relating to available-for-sale financial assets disposed of in the year		**-**	(1,482)
		72	(1,288)
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property	29(a)	**11,266**	5,380
Income tax expense	29(a)	**(3,380)**	(1,614)
Changes in the fair value of financial assets at FVOCI	29(a)	**(181,400)**	(22,920)
Income tax benefit	29(a)	**30,059**	6,876
		(143,455)	(12,278)
Total other comprehensive loss for the year		**(143,383)**	(13,566)
Total comprehensive (loss)/income for the year		**(42,208)**	84,607
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(43,827)**	82,461
Non-controlling interests		**1,619**	2,146
		(42,208)	84,607

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2018

	Notes	CONSOLIDATED **2018** **$'000**	Restated 2017 $'000
Current assets			
Cash and cash equivalents	8	**18,868**	10,827
Trade and other receivables	9	**156,286**	161,807
Inventories	10	**690,167**	652,652
Prepayments and deposits	11(a)	**12,617**	11,172
Property sale receivable	11(b)	**-**	7,145
Total current assets		**877,938**	843,603
Non-current assets			
Other loans receivable	12	**8,303**	10,600
Financial assets at fair value through other comprehensive income	13	**149,774**	288,033
Investments in associates	14	**12,077**	12,000
Property, plant and equipment	15	**388,407**	361,121
Intangible assets	16	**313,325**	309,414
Deferred tax assets	17	**17,844**	-
Total non-current assets		**889,730**	981,168
Total assets		**1,767,668**	1,824,771
Current liabilities			
Trade and other payables	18	**145,919**	152,853
Derivative financial instruments	19	**35**	20
Borrowings - bailment and other current loans	20(a)	**571,615**	545,200
Current tax liabilities	21	**2,190**	13,221
Provisions	22	**48,481**	46,041
Other current liabilities	23	**5,862**	5,569
Total current liabilities		**774,102**	762,904
Non-current liabilities			
Borrowings	24(a)	**312,614**	248,344
Derivative financial instruments	19	**-**	118
Deferred tax liabilities	17	**-**	2,273
Provisions	25	**5,052**	5,988
Other	26	**19,422**	19,369
Total non-current liabilities		**337,088**	276,092
Total liabilities		**1,111,190**	1,038,996
Net assets		**656,478**	785,775
Equity			
Contributed equity	28	**371,405**	369,028
Reserves	29(a)	**(124,306)**	38,131
Retained earnings	29(b)	**401,377**	367,855
		648,476	775,014
Non-controlling interests	31(e)	**8,002**	10,761
Total equity		**656,478**	785,775

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2018

Consolidated entity	Notes	Issued capital $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Share-based payments reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2018		369,028	52,728	(97)	(34,368)	19,868	367,855	775,014	10,761	785,775
Profit for the year		-	-	-	-	-	99,556	99,556	1,619	101,175
Other comprehensive income		-	7,886	72	-	(151,341)	-	(143,383)	-	(143,383)
Total comprehensive income for the year		**-**	**7,886**	**72**	**-**	**(151,341)**	**99,556**	**(43,827)**	**1,619**	**(42,208)**
Transfer to retained earnings		-	(3,794)	-	-	-	3,794	-	-	-
Transactions with owners in their capacity as owners:										
Shares acquired by employee share trust	29(a)	-	-	-	(13,965)	-	-	(13,965)	-	(13,965)
Share based payments expense		-	-	-	391	-	-	391	-	391
Dividends provided for or paid		-	-	-	-	-	(69,828)	(69,828)	(2,041)	(71,869)
Purchase of shares from non-controlling interests		-	-	-	-	-	-	-	(2,337)	(2,337)
Payments received from employees for exercised shares		-	-	-	4,664	-	-	4,664	-	4,664
Income tax on items taken to or transferred directly from equity		-	-	-	(3,973)	-	-	(3,973)	-	(3,973)
Shares issued pursuant to staff share plan	29(a)	2,377	-	-	(2,377)	-	-	-	-	-
		2,377	-	-	(15,260)	-	(69,828)	(82,711)	(4,378)	(87,089)
Balance at 31 December 2018		**371,405**	**56,820**	**(25)**	**(49,628)**	**(131,473)**	**401,377**	**648,476**	**8,002**	**656,478**
Balance at 1 January 2017		364,449	52,781	(291)	(34,486)	37,394	335,779	755,626	8,166	763,792
Profit for the year		-	-	-	-	-	96,027	96,027	2,146	98,173
Other comprehensive income		-	3,766	194	-	(17,526)	-	(13,566)	-	(13,566)
Total comprehensive income for the year		**-**	**3,766**	**194**	**-**	**(17,526)**	**96,027**	**82,461**	**2,146**	**84,607**
Transfer to retained earnings		-	(3,819)	-	-	-	3,819	-	-	-
Transactions with owners in their capacity as owners:										
Share based payments expense		-	-	-	2,105	-	-	2,105	-	2,105
Dividends provided for or paid		-	-	-	-	-	(67,770)	(67,770)	(1,455)	(69,225)
Shares issued pursuant to staff share plan	29(a)	4,579	-	-	(4,579)	-	-	-	-	-
Payments received from employees for exercised shares		-	-	-	1,636	-	-	1,636	-	1,636
Sale of shares to non-controlling interests		-	-	-	-	-	-	-	1,904	1,904
Prior year tax adjustment		-	-	-	536	-	-	536	-	536
Income tax on items taken to or transferred directly from equity		-	-	-	420	-	-	420	-	420
		4,579	-	-	118	-	(67,770)	(63,073)	449	(62,624)
Balance at 31 December 2017		**369,028**	**52,728**	**(97)**	**(34,368)**	**19,868**	**367,855**	**775,014**	**10,761**	**785,775**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2018

	Notes	CONSOLIDATED 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**4,495,529**	4,426,933
Payments to suppliers and employees (inclusive of GST)		**(4,369,230)**	(4,258,688)
Receipts from insurance claims		**16,139**	7,235
Interest and other costs of finance paid	5	**(26,530)**	(24,598)
Income taxes paid		**(40,983)**	(20,995)
Dividends received	3	**13,868**	14,501
Interest received		**196**	588
Net cash provided by operating activities	40	**88,989**	144,976
Cash flows from investing activities			
Payment for acquisition of businesses - net of cash acquired		**(5,138)**	(11,534)
Payments for property, plant and equipment		**(38,891)**	(29,383)
Proceeds from sale of businesses	31(c)	**2,807**	2,303
Proceeds from sale of property, plant and equipment		**19,456**	32,115
Proceeds from sale of available-for-sale financial assets		**-**	3,116
Payments for shares in other corporations		**(43,142)**	(49,134)
Net cash used in investing activities		**(64,908)**	(52,517)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	29(a)	**4,664**	1,636
Proceeds from borrowings		**95,000**	43,200
Payments for shares acquired by the trust	29(a)	**(13,965)**	-
Repayment of borrowings		**(30,394)**	(77,500)
Transactions with non-controlling interests		**(1,100)**	1,400
Dividends paid to members of A.P. Eagers Limited	7	**(69,828)**	(67,770)
Dividends paid to minority shareholders of a subsidiary		**(417)**	(213)
Net cash used in financing activities		**(16,040)**	(99,247)
Net increase/(decrease) in cash and cash equivalents		**8,041**	(6,788)
Cash and cash equivalents at the beginning of the financial year		**10,827**	17,615
Cash and cash equivalents at the end of the financial year	8	**18,868**	10,827

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information and basis of preparation

The financial report covers the Group (consolidated entity) of A.P. Eagers Limited and its subsidiaries (consolidated financial statements). A.P. Eagers Limited is a publicly listed company incorporated and domiciled in Australia.

The financial report has been prepared on a going-concern basis, in line with AASB 101.

Compliance with IFRS

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, derivatives and certain classes of property, plant and equipment to fair value.

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

Functional and presentation currency

The functional and presentation currency of the Group is the Australian Dollar.

The financial statements were authorised for issue by the Directors on the 20th of February 2019.

Accounting Policies

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of A.P. Eagers Limited (the Company or Group) and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(i) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 (when applicable), the cost on initial recognition of an investment in an associate, or a joint venture.

(ii) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. If the Group holds, directly or indirectly, 20% or more of the voting power of the investee, it is presumed the Group has significant influence, unless it can be clearly demonstrated that this is not the case. Refer to further details in Note 2(a)(i).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 128 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the portion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be classified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(c) Operating segments

Operating segments are identified based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Group has four operating segments being (i) Car Retail (ii) Truck Retail (iii) Property (iv) Investments. Currently the segment of "Other" is not required.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue

(i) Sales revenue

Revenue from the sale of motor vehicles and parts is recognised when the performance obligation has been satisfied. The performance obligation is considered to be satisfied at a point in time when the vehicles or parts are invoiced and physically dispatched or collected.

(ii) Service revenue

Service work on customers' vehicles is carried out under instruction from the customer. Service revenue is recognised over time based on when the performance obligation is satisfied, which is when services are rendered. Revenue arising from the sale of parts fitted to customers' vehicles during service is recognised at a point in time upon satisfaction of the performance obligation, which is considered by the Group to be upon delivery of the fitted parts to the customer upon completion of the service.

(iii) Rental income

Rental income from operating leases is recognised on a straightline basis over the lease term.

(iv) Finance and Insurance Income

The Group acts as an agent in the sale of vehicle finance and insurance products. The revenue from the sale of these products is recognised at a point in time when the performance obligation is satisfied, which is upon delivery of the vehicle and the transfer of control to the customer.

(v) Interest revenue

Interest revenue is recognised on a time proportional basis, taking into account the effective interest rates applicable to the financial assets.

(vi) Property, Plant and Equipment Sales Revenue

Income from the sale of property, plant and equipment is recognised when the performance obligation is satisfied, at the transfer of ownership.

(vii) Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates are accounted for in accordance with the equity method of accounting in the consolidated financial statements.

(e) Finance costs

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

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

(f) Taxes

A.P. Eagers Limited and its wholly-owned Australian entities are part of a tax consolidated group in accordance with Part 3-90 of the Income Tax Assessment Act 1936. The existence of a tax consolidated group allows for wholly-owned corporate groups to operate as a single entity for income tax purposes.

The head entity, A.P. Eagers Limited, and the wholly-owned entities in the tax consolidated group continue to account for their own income tax expense, current and deferred tax amounts in accordance with the A.P. Eagers Tax Funding Agreement. These tax amounts are measured by adopting a notional tax approach which requires each Member to calculate their separate tax amounts as if each entity in the tax consolidated group continues to be a standalone taxpayer. Assets or liabilities arising for wholly-owned subsidiaries under the Tax Funding Arrangement are recognised as accounts receivable from or payable to other entities in the Group. In addition to its own income tax expense, current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidated group.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxes (continued)

(i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

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

(ii) Goods and services tax (“GST”)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or is part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straightline basis over the period of the lease. Please refer to Note 1(aa)(1.1.1) for the assessment of AASB 16 *Leases,* which is applicable 1 January 2019.

(h) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(p)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss but only after assessment of the identification and measurement of the net assets acquired.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of acquisition. The discount rate used is the Australian government bond rate that matches the future maturity period.

If the initial accounting for a business acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the consolidated entity reports provisional amounts for the items for which accounting is incomplete. The provisional amounts are adjusted during the measurement period (no longer than 12 months from the initial acquisition) on a retrospective basis by restating the comparative information presented in the financial statements.

(i) Impairment of long lived assets (excluding goodwill)

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units "CGU") and these cash flows are discounted using the estimated weighted average cost of capital of the asset/CGU. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer Note 1(n)). Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case, the reversal of the impairment loss is treated as a revaluation increase (refer Note 1(n)).

(j) Cash and cash equivalents

Cash and cash equivalents include 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.

(k) Receivables

Trade receivables

Trade receivables are recognised initially at the transaction price, less the expected lifetime credit losses to be recognised from initial recognition of the receivables.

The Group applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

(l) Inventories

New motor vehicles and demonstrator vehicles are stated at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification.

Used motor vehicles are stated at the lower of cost and net realisable value on a unit by unit basis. Net realisable value has been determined by reference to the likely net realisable value given the age of the vehicles at year end. This is effected through the application of a specific provision percentage against cost of vehicles based on age. Costs are assigned on the basis of specific identification.

Spare parts and accessories are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets

Investments are recognised and derecognised on settlement date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned. They are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements.

The Group classifies its remaining financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(i) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Equity instruments

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

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. The Group recognises the payment of dividends in the profit and loss for those equity instruments measured at FVOCI.

(ii) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

Derivatives and hedging

Derivatives are recognised at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of exposure to variability in cash flows, which includes hedges for highly probable forecast transactions (cash flow hedges).

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

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income/(expenses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

(a) Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the contracts, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.

(b) The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within Finance costs at the same time as the interest expense on hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(n) Property, plant and equipment

Land and buildings are shown at fair value, based on annual assessment by the Directors supported by periodic valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period or immediately prior to the initial classification of assets held for sale. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to property, plant and equipment revaluation reserve in shareholders’ equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 40 years
- Plant & equipment 3 - 10 years
- Leasehold improvements 5 - 30 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer the amounts included in the asset revaluation reserve in respect of those assets to retained earnings.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

The make good provision is capitalised as leasehold improvements and amortised over the term of the lease.

(o) Trademarks / brand names

Trademarks / brand names are valued on acquisition where management believe there is evidence of any of the following factors: an established brand name with longevity, a reputation that may positively influence a consumer's decision to purchase or service a vehicle, and/or strong customer awareness within a particular geographic location. The trademarks are valued using a discounted cash flow methodology. The majority of the Group's trademarks are considered to have an indefinite life as the Group expects to hold and support such trademarks through marketing and promotional support for an indefinite period. They are recorded at cost less any impairment.

(p) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or business at the date of acquisition. Goodwill on acquisition of subsidiaries and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (refer Note 16(a)).

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at the fair value of what is expected to be paid, and subsequently at amortised cost, using the effective interest rate method.

(r) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New motor vehicle stock and related bailment

Motor vehicles secured under bailment plans are provided to the Group under bailment agreements between the floor plan loan providers and entities within the Group. The Group obtains title to the vehicles immediately prior to sale. Motor vehicles financed under bailment plans held by the Group are recognised as trading stock with the corresponding liability shown as owing to the finance provider.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 taking into account the risks and uncertainties surrounding the obligation.

(u) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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 Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Contributions are made by the Group to defined contribution employee superannuation funds and are charged as expenses when incurred.

(v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(ii) Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Non-current assets held for sale

Non-current assets and 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. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Non-current assets held for sale (continued)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Where non-current assets are sold above the lower of their previous carrying amounts and fair value less costs to sell, this gain is recognised in profit or loss when the sale is recognised.

(y) Rounding of amounts

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

(z) New or revised standards and interpretations that are first effective in the current reporting period

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2018, which have not have any material impacts:

• AASB 2017-3 Amendments to Australian Accounting Standards - Clarifications to AASB 4

• AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and other Amendments [AASB 1, AASB 128 & AASB 140]

• AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

The Group has applied the following standards for the first time for the annual reporting period commencing 1 January 2018:

• AASB 9 - Financial Instruments

• AASB 15 - Revenue from Contracts with Customers

The impact of the application of these standards has been assessed below.

1.1 Application of new and revised accounting standards

1.1.1 AASB 9 Financial Instruments - applied from 1 January 2018

AASB 9 *Financial Instruments* ("AASB 9") replaces AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

1. Classification and measurement of financial assets and financial liabilities;
2. Impairment of financial assets; and
3. Hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied AASB 9 retrospectively, and adjusted comparative information where required.

The adoption of AASB 9 from 1 January 2018 resulted in minimal changes in accounting policies. The new accounting policies are set out in Note 1(m). The impact on the financial report is set out below.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New or revised standards and interpretations that are first effective in the current reporting period (continued)

1.1.1(a) Impact of adoption

(i) Classification and measurement of financial assets

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

On adoption of AASB 9, the Group also has the option to make the following irrevocable election at initial recognition of a financial asset:

• The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which AASB 3 Business Combinations applies in other comprehensive income.

The date of initial application of AASB 9 is 1 January 2018. The Group has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 January 2018. The Group has not applied AASB 9 to those instruments that have been derecognised in prior periods. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2018 have been restated as follows:

Classification impact:

Statement of Other Comprehensive Income (extract) - 12 months to 31 December 2017	**As originally presented $'000**	**Adjustments arising from AASB 9 $'000**	**Restated $'000**
Items that may be reclassified to profit or loss			
Loss on revaluation of available-for-sale investment	(22,920)	22,920	-
Income tax benefit	6,876	(6,876)	-
Reclassification adjustments net of tax relating to available-for-sale financial assets disposed of in the year	(1,482)		(1,482)
Fair value gain arising from cash flow hedges during the year	278	-	278
Income tax expense	(84)	-	(84)
	(17,332)	16,044	(1,288)
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at FVOCI	-	(22,920)	(22,920)
Income tax benefit	-	6,876	6,876
	-	(16,044)	(16,044)
Total other comprehensive income for the period, net of tax	(17,332)	-	(17,332)

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as available-for-sale, as these investments are held as a strategic investment. As a result, assets with a fair value of $288,033,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and net fair value losses of $16,044,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

Financial assets - 1 January 2018	**Available-for-sale $'000**	**FVOCI $'000**
Closing balance 31 December 2017 - AASB 139	288,033	-
Reclassify investments from available-for-sale to FVOCI	(288,033)	288,033
Opening balance 1 January 2018 - AASB 9	-	288,033

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New or revised standards and interpretations that are first effective in the current reporting period (continued)

(ii) Impairment of financial assets

The Group has Trade and other receivables, and financial assets that are subject to AASB 9's new expected credit loss model.

The Group was required to revise its impairment methodology under AASB 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accounting policies has been disclosed in Note 1(m).

Trade receivables

Prior to the adoption of AASB 9, in accordance with AASB 139, the Group applied an incurred credit loss model. Upon adoption of AASB 9, the Group has elected to apply the simplified approach to measuring expected credit losses, which uses the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On this basis, the impact of the expected loss allowance under AASB 9 against the loss incurred under AASB 139 is not considered material to the Group.

(iii) Derivatives and hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically, broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements regarding the Group's risk management activities have also been introduced. In accordance with AASB 9's transition provisions for hedge accounting, the Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018.

The Group's interest rate swaps in place as at 31 December 2017 qualify as cash flow hedges under AASB 9, and therefore no prior period adjustments are required. From 1 January 2018, all interest rate swaps held by the Group will remain effective and designated as cash flow hedges, and therefore there is no impact on the year end financial report. In the twelve months to 31 December 2018, the Group recognised net fair value gains of $72,000 in the cash flow hedge reserve. There has been no impact on the cash flow hedge reserve from the transition to AASB 9.

1.1.2 AASB 15 Revenue from Contracts with Customers - applied from 1 January 2018

The Group has adopted AASB 15 *Revenue from Contracts with Customers* ("AASB 15") from 1 January 2018, which supersedes AASB 118 *Revenue* ("AASB 118"). AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group adopted AASB 15 using the modified retrospective method of adoption. The Group's revised accounting policies have been disclosed in Note 1(d). Apart from providing more extensive disclosures on the Group's revenue transactions, the application of AASB 15 has not had a material impact on the Group.

1.1.2(a) Impact of adoption

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources:

- (i) New vehicles, used vehicles and associated parts sales;
- (ii) Service of vehicles;
- (iii) Sale of vehicle warranties; and
- (iv) Vehicle finance and insurance products.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New or revised standards and interpretations that are first effective in the current reporting period (continued)

(i) New and used vehicles

In previous reporting periods, revenue from the sale of new and used motor vehicles was recognised when the buyer accepted the risks and rewards of ownership, which generally occurred when the vehicle was delivered. In applying AASB 15, revenue associated with the sale of new and used vehicles is recognised when the performance obligation of the sale has been made and control of the vehicle has transferred to the customer, which is on the delivery of the vehicle. Therefore, the adoption of AASB 15 has not had a material impact on revenue recognition on vehicle sales.

Under the Group's standard contract terms, the customer has a right to return the product within a specified period and the Group is obliged to refund the purchase price. Prior to the adoption of AASB 15, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* ("AASB 137") required the amount of revenue related to expected vehicle returns to be deferred and recognised in the Statement of Financial Position within Trade and other payables as a provision. In prior reporting periods, the expected vehicle returns were not material to the Group. Under AASB 15, the consideration received from the customer is considered variable, given the contract allows the customer to return the products, and requires the recognition of a refund liability and a corresponding adjustment to revenue for those vehicles that the Group expects to be returned. The Group provides a 7 day right of return guarantee for the majority of used vehicles sold. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur.

(ii) Parts

Revenue arising from the sale of parts was previously recognised under AASB 118 when the buyer accepted the risks and rewards of ownership, which was generally by taking delivery of the part, or delivery of the vehicle to which the part was fitted. Following the adoption of AASB 15, the performance obligation has been assessed by the Group as 'delivery of parts to the customer'. As such the adoption of AASB 15 has resulted in no changes to the accounting treatment of revenue associated with parts sales.

(iii) Service revenue

The Group provides services work on customers' vehicles which is carried out under instruction from the customer. These services can be obtained from other providers. Prior to the adoption of AASB 15, revenue from the provision of services was recognised based on when the services were rendered, at invoiced amounts. Generally, the risks and rewards of ownership are transferred to the customer at the point in time in which the service repairs are transferred to the buyer. In adopting AASB 15, revenue relating to the service of vehicles is recognised over time. In applying AASB 15, no adjustments have been made to the financial statements, as the nature of services provided by the Group typically results in the service being commenced and completed on the same day.

(iv) Warranties revenue

The Group sells extended warranties beyond those provided by the manufacturer, which further protects the customer for repairs and defects in the vehicle over a specified period. In reporting periods prior to 2018, the consideration received for extended warranties was bundled with the vehicle sale, and therefore recognised by the Group at the point in time the risks and rewards of the vehicle transferred to the customer. Furthermore, as required by AASB 137, the Group recognised a provision on the Statement of Financial Position for the estimated costs of fulfilling the obligation.

Under AASB 15, warranties are considered to be a distinct service as they are both regularly supplied by the Group to customers on a stand-alone basis and are available to customers from other providers in the market. As a result, where vehicles are being sold with an extended warranty included, a portion of the vehicle sale price is required to be allocated to the warranty based on the stand-alone selling price of those services. Revenue relating to the warranties is recognised over time, while the transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of the service. In transitioning to AASB 15, the effect of deferring revenue associated with the sale of extended warranties and accounting for warranties as a separate performance obligation is not material.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New or revised standards and interpretations that are first effective in the current reporting period (continued)

(v) Finance and insurance revenue

The Group acts as an agent in sales of finance and insurance products to customers. Prior to the adoption of AASB 15, revenue associated with the sale of finance and insurance products has been combined with the sale of vehicles, and therefore recognised in line with the recognition of vehicle revenue. Upon adoption of AASB 15, the Group remains an agent in the sale of finance and insurance products. Furthermore, the performance obligation relating to finance and insurance revenue is satisfied when the product is provided to the customer, consistent with the general practice applied under AASB 118, and therefore does not require an adjustment in the financial report.

Contracts with finance and insurance providers stipulate a period in which the revenue provided to the Group can be clawed back if certain criteria in the contract between the provider and customer is not satisfied. AASB 15 classifies commission revenue as variable revenue, given the contract allows the provider to clawback commissions paid. Therefore, an adjustment to revenue and a refund liability are required by AASB 15 to reflect the balance which the Group expects to refund the providers. The Group has applied the expected value method to estimate the value of commissions that would be clawed back, as this method best predicts the amount of variable consideration to which the Group will be entitled. The impact of the clawback provisions has been calculated, and is not considered to be material for the Group or highly probable to result in a significant reversal of revenue recognised.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

The potential impact of the new or revised Standards and Interpretations has been contemplated below.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) List of Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

1.1.1 AASB 16 Leases

AASB 16 was issued in February 2016 and is applicable for reporting periods beginning on or after 1 January 2019. The application of AASB 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, the Group will:

• Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments; and
• Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.

1. Impact on Lease Accounting

The Group has reviewed all the Group’s leasing arrangements in light of the changes required under AASB 16. The standard will affect the accounting for the Group’s operating leases.

As at the reporting date, the Group had non-cancellable operating lease commitments of $259 million, see Note 33(b). Included in these non-cancellable operating lease commitments are low value leases (less than $5,000) and short-term leases (less than 12 months). The Group will adopt the practical expedient, allowing the Group to recognise these low value and short term leases on a straight-line basis as an expense in profit or loss. The low value leases and short-term leases held by the Group are not material.

For the remaining lease commitments the Group has modelled the impacted leases existing at the reporting date and expects to recognise right-of-use assets in the region of approximately $220 million, with lease liabilities of approximately $250 million on 1 January 2019, and deferred tax assets of $9 million. Overall, net assets will decrease by approximately $20 million.

As at the reporting date, all things being equal, the 2019 net profit before tax of the Group will decrease by approximately $4 million as a result of adopting the new rules.

In modelling these scenarios, the Directors have made certain assumptions and judgements in relation to economic conditions including, but not limited to: the incremental borrowing rates, composition of the lease portfolio, and likely exercise of renewal options that may cause the actual output to differ from that concluded in FY19.

Operating cash flows will increase and financing cash flows decrease by approximately $27 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. Interest costs associated with the lease liabilities will remain classified as cash flows from operating activities.

The Group’s activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

2. Application by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group will apply the full retrospective method and will restate comparative amounts for the year prior to first adoption.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates, assumptions and judgements

Estimates, assumptions 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 Group and that are believed to be reasonable under the circumstances.

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

(i) Classification of investment in Automotive Holdings Group (AHG)

In the period ended 31 December 2018, the Group increased its shareholding in Automotive Holdings Group Limited (AHG Limited) to 28.84% of the equity shares. Although the Group owns over 20% of the voting power of AHG Limited, the Directors have rebutted the presumption of exercising significant influence on the basis that the Group has no representation on the Board of Directors of AHG Limited, no material transactions with AHG Limited, and no participation in policy-making decisions. Therefore, in line with our election made on application of AASB 9, the investment in AHG Limited is accounted for as an asset held at fair value through other comprehensive income (FVOCI).

(ii) Recoverability of goodwill and other intangibles with indefinite useful lives

Goodwill and other intangibles with indefinite useful lives with a carrying value of $313,325,000 (2017: $309,414,000) are tested annually for impairment, based on estimates made by Directors. The recoverable amount of the intangibles is based on the greater of ‘Value in use’ or ‘Fair value less costs to dispose’. Value in use is assessed by the Directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and cost of capital. Fair value less costs of disposal is assessed by the Directors based on their knowledge of the industry and recent market transactions. Further information on the intangibles impairment test can be found in Note 16(a).

(iii) Fair value estimation of land and buildings

Land and buildings (including construction in progress) with a carrying value of $331,674,000 (2017: $306,572,000) are carried at fair value. Fair value inherently involves estimates and judgements to be made. The Directors determine the fair value of land and buildings at least annually and if required in contemplation of sale. The Directors' assessment is supported by formal independent valuations conducted periodically but at least every three years. Further information on the fair value estimation of land and buildings can be found in Note 15.

(iv) Deferred Tax Asset

Recognition and measurement of deferred tax assets require certain judgements and assumptions to be made, including but not necessarily limited to the expected realisation of certain assets and liabilities and the likelihood and timing of profits available in the future (refer to Note 17).

(v) New and demonstrator vehicle write down to net realisable value

In determining the amount of write-downs for new and demonstrator vehicle inventory, management has made judgements based on the expected net realisable value of inventory. Historic experience and current knowledge of the products has been used in determining any write-downs to net realisable value. Refer to Note 10.

(vi) Used vehicle write down to net realisable value

In determining the amount of write-downs required for used vehicle inventory, management has, in consultation with published used vehicle valuations, made judgements based on the expected net realisable value of that inventory. Historic experience, current knowledge of the products and the valuations from an independent used car publication has been used in determining any write-downs to net realisable value. Refer to Note 10.

(vii) Fair value of assets and liabilities acquired in a business combination

The acquisitions made by the Group have required a number of judgements and estimates to be made. The Directors have judged that no significant intangible assets have been acquired in the business combinations other than Goodwill (see also (ii) above). Additionally as part of the acquisition and negotiation process, judgements have been made as to the fair value of vehicle and parts inventory, warranties and other assets and liabilities acquired. Further judgements and estimates have been made in relation to the probability of achieving future milestones of certain acquired businesses as disclosed in Note 23 and Note 26.

3 REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Consolidated Revenue for the year ended 31 December 2018				
	Retailing $'000	**Property $'000**	**Investments $'000**	**Total $'000**
Type of goods or service				
New Vehicles	2,613,228	-	-	2,613,228
Used Vehicles	688,655	-	-	688,655
Parts	502,019	-	-	502,019
Service	258,862	-	-	258,862
Other	35,818	352	13,868	50,038
Revenue from external customers	**4,098,582**	**352**	**13,868**	**4,112,802**
Timing of revenue recognition				
At a point in time	3,839,720	352	13,868	3,853,940
Over time	258,862	-	-	258,862
Total revenue from external customers	**4,098,582**	**352**	**13,868**	**4,112,802**
Geographical markets				
Australia	4,098,582	352	13,868	4,112,802

Consolidated Revenue for the year ended 31 December 2017				
	Retailing $'000	**Property $'000**	**Investments $'000**	**Total $'000**
Type of goods or service				
New Vehicles	2,544,143	-	-	2,544,143
Used Vehicles	749,391	-	-	749,391
Parts	473,982	-	-	473,982
Service	246,396	-	-	246,396
Other	29,396	970	14,501	44,867
Revenue from external customers	**4,043,308**	**970**	**14,501**	**4,058,779**
Timing of revenue recognition				
At a point in time	3,796,912	970	14,501	3,812,383
Over time	246,396	-	-	246,396
Total revenue from external customers	**4,043,308**	**970**	**14,501**	**4,058,779**
Geographical markets				
Australia	4,043,308	970	14,501	4,058,779

4 OTHER GAINS

	CONSOLIDATED	
	2018 $'000	2017 $'000
Gain on disposal of non-financial assets	**6,059**	15,644
Reversal of impairment of land and buildings	**2,433**	210
Gain on disposal of Available-for-sale financial assets	**-**	2,080
	8,492	17,934

5 EXPENSES

Profit before income tax includes the following specific expenses:

	Notes	CONSOLIDATED **2018** **$'000**	2017 $'000
Depreciation			
Buildings	15	**3,679**	3,771
Plant and equipment	15	**9,867**	10,399
Total depreciation		**13,546**	14,170
Amortisation			
Leasehold improvements	15	**2,056**	2,387
Brand names	16	**39**	94
Total amortisation		**2,095**	2,481
Total Depreciation and Amortisation		**15,641**	16,651
Finance costs			
Vehicle bailment		**14,631**	12,773
Other		**11,899**	11,825
Total finance expense		**26,530**	24,598
Rental expense relating to operating leases			
Minimum lease payments		**40,812**	41,391
Superannuation		**29,119**	29,866
Provision expenses			
Inventory		**3,159**	4,043
Allowance for expected credit losses		**188**	79
		3,347	4,122
Share-based payments		**391**	2,105
Business acquisition costs		**680**	62
Business restructuring costs		**-**	5,145

6 INCOME TAX

(a) Income tax expense

	Notes	CONSOLIDATED 2018 $'000	2017 $'000
Current income tax expense		**29,961**	37,808
Deferred income tax expense/(benefit)		**2,595**	(352)
		32,556	37,456
Deferred income tax expense/(benefit) included in income tax expense comprises:			
In respect of the current year		**2,595**	272
Deferred tax reclassified from equity to profit or loss		**-**	(624)
Closing balance	17	**2,595**	(352)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 $'000	2017 $'000
Profit before income tax expense	**133,731**	135,629
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	**40,119**	40,689
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible capital expenditure	**173**	19
Non-taxable dividends	**(4,161)**	(4,350)
Non allowable expenses	**532**	400
Property (revaluation) / impairment	**(730)**	(63)
Application of capital loss against current year capital gains	**(2,760)**	-
Sundry items	**(617)**	761
Income tax expense	**32,556**	37,456

(c) Tax benefit relating to items of other comprehensive income

	2018 $'000	2017 $'000
Aggregate deferred tax arising in the reporting period and directly debited to other comprehensive income	**26,648**	5,178

7 DIVIDENDS

(a) Ordinary dividends fully franked based on tax paid @ 30%

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Final dividend for the year ended 31 December 2017 of 22.5 cents per share (2016: 22.0 cents) paid on 18 April 2018	**43,045**	41,984
Interim dividend of 14.0 cents (2017: 13.5 cents) per share paid on 5 October 2018	**26,783**	25,786
Total dividends paid	**69,828**	67,770
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2018 and 2017 were as follows:		
Paid in cash	**69,828**	67,770

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 22.5 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 April 2019 out of the retained profits at 31 December 2018 but not recognised as a liability at year end is:	**43,045**	43,083

(c) Franked dividends

The final dividend recommended after 31 December 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2018.

Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2017: 30.0%)	**181,877**	166,029

The above amounts represent the balances of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Impact on franking credits of dividends not recognised	**(18,448)**	(18,464)

8 CURRENT ASSETS – Cash and cash equivalents

Current assets		
Cash at bank and on hand	**18,868**	10,827

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.

9 CURRENT ASSETS – Trade and other receivables

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Trade and other receivables	**158,950**	164,429
Allowance for expected credit losses	**(2,664)**	(2,622)
	156,286	161,807

(a) The ageing of trade receivables at 31 December 2018 is detailed below:

	CONSOLIDATED			
	2018		2017	
	Gross	**Provision**	Gross	Provision
	$'000	**$'000**	$'000	$'000
Not past due	**147,220**	**2,004**	154,100	1,985
Past due 0-30 days	**6,837**	**171**	5,283	132
Past due 31 days plus	**4,893**	**489**	5,046	505
Total	**158,950**	**2,664**	164,429	2,622

Included in the Group's trade receivables balance are debtors with a net carrying amount of $11,070,000 (2017: $9,692,000) which are past due at the reporting date. The Group has applied the expected credit losses methodology to these trade receivables, in line with AASB 9. The average age of these receivables is 62 days (2017: 62 days).

(b) Movement in expected credit losses

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Opening balance	**2,622**	3,187
Additional provisions	**188**	(79)
Amounts written off during the year	**(146)**	(486)
Closing balance	**2,664**	2,622

The Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit losses experience. In line with this, the Group has provided 10% for all receivables over 90 days and 2.5% of total trade receivables excluding motor vehicle debtors.

10 CURRENT ASSETS – Inventories

	CONSOLIDATED	
	2018	2017
	$'000	$'000
New and demonstrator motor vehicles & trucks - bailment stock - at cost	**519,795**	501,770
Less: Write-down to net realisable value	**(8,022)**	(10,458)
	511,773	491,312
Used vehicles & trucks - at cost	**110,379**	101,319
Less: Write-down to net realisable value	**(5,209)**	(5,109)
	105,170	96,210
Parts and other consumables - at cost	**75,653**	67,123
Less: Write-down to net realisable value	**(2,429)**	(1,993)
	73,224	65,130
Total inventories	**690,167**	652,652

11 CURRENT ASSETS – Other current assets

(a) Prepayments and deposits

	2018	2017
Prepayments and deposits	**12,617**	11,172

(b) Property sale receivables

	2018	2017
Property sale receivables	**-**	7,145

Sale of property where proceeds are expected to be received within 12 months of balance date.

12 NON-CURRENT ASSETS – Receivables

	2018	2017
Other loans receivable	**8,303**	10,600

13 NON-CURRENT ASSETS – Financial assets at fair value through other comprehensive income

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Financial assets at fair value through other comprehensive income		
Shares in a listed company - Automotive Holdings Group Limited (1)	**149,186**	287,445
Shares in an unlisted company - Dealercell Holdings Pty Limited (2)	**588**	588
	149,774	288,033

(1) The Directors have assessed the fair value of the investment as at 31 December 2018 based on the market price of the shares on the last trading day of the reporting period. This is a level 1 fair value measurement asset being derived from inputs based on quoted prices that are observable.

(2) The Directors have assessed the fair value of the investment as at 31 December 2018 is materially consistent with its cost of acquisition. This is a level 3 fair value measurement asset being derived from inputs other than quoted prices that are unobservable from the asset either directly or indirectly.

Valuation of Financial assets at fair value through other comprehensive income

Details of the Group's assets held at fair value through other comprehensive income and information about the fair value hierarchy as at 31 December 2018 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	**Carrying Amount 31/12/18 $'000**	**Carrying Amount 31/12/17 $'000**	**Valuation Technique**	**Key Input**
Level 1 Financial assets at fair value through other comprehensive income - Listed entities	**149,186**	287,445	Quoted bid prices in an active market.	Quoted bid prices in an active market.
Level 3 Financial assets at fair value through other comprehensive income - Unlisted	**588**	588	Net asset assessment and available bid prices from equity participants	Pre tax operating margin taking into account managements' experience and knowledge of market conditions and financial position. Market information based on available bid prices

There were no transfers between levels in the year.

14 NON-CURRENT ASSETS – Investments in associates

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Shares in associate - Norna Limited	**1,620**	1,620
Shares in associate - DealerMotive Limited	**10,457**	10,380
	12,077	12,000

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer Note 41).

Reconciliation of the carrying amount of investment in associate is set out in Note 41(b).

15 NON-CURRENT ASSETS - Property, plant and equipment

Freehold land and buildings - at fair value		
Directors' valuation		
Land	**220,304**	199,489
Buildings	**107,018**	106,860
Total land and buildings	**327,322**	306,349
Construction in progress - at cost		
Construction in progress	**4,352**	223
Leasehold improvements		
At cost	**22,874**	28,756
Accumulated depreciation	**(9,020)**	(11,847)
Total leasehold improvements	**13,854**	16,909
Plant and equipment		
At cost	**96,033**	85,795
Accumulated depreciation	**(53,154)**	(48,155)
Total plant and equipment	**42,879**	37,640
Total property, plant and equipment	**388,407**	361,121

Valuation of land and buildings

The basis of the Directors' valuation of land and buildings is the assessed fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction at balance date, based on current prices in an active market for similar properties in the same location and condition. The assessed fair value is supported by periodic, but at least triennial valuations, by external third party valuers. The 2018 valuations were made by the Directors based on their assessment of prevailing market conditions and supported by fair value information received from independent expert property valuers on certain properties and the Group's own market activities and market knowledge.

15 NON-CURRENTS ASSETS - Property, plant & equipment (continued)

Valuation of land and buildings (continued)

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2018 are as follows:

Unobservable inputs used in determination of fair values										
Class of Financial Assets & Liabilities	**Carrying Amount 31/12/18 $'000**	**Carrying Amount 31/12/17 $'000**	**Valuation Technique**	**Key Input**	**Input**	**Average / Range 2018**	**Average / Range 2017**	**Other Key Information**	**Range (weighted avg) 2018**	**Range (weighted avg) 2017**
Level 3 Car – HBU Alternate Use	**74,821**	75,313	Direct comparison	External valuations	Price/sqm land	**Average $2,261/sqm**	Average $2,276/sqm	Land size	**Average 5,516 sqm**	Average 5,516 sqm
						Range $1,240 - $3,990/sqm	Range $1,260 - $4,004/sqm		**Range 2,015 - 18,070 sqm**	Range 2,015 - 18,070 sqm
Level 3 Car Dealership	**210,566**	199,591	Summation method, income capitalisation and direct comparison	External valuations industry benchmarks	Capitalisation rate	**Average 7.2%**	Average 7.3%	Net rent / sqm Land	**Average $98/sqm**	Average $100/sqm
						Range 3.3% - 12.3%	Range 3.2% - 10.9%		**Range $25 - $297/sqm**	Range $25 - $297/sqm
								Net rent /sqm GBA	**Average $211/sqm Range $106 - $1,573/sqm**	Average $206/sqm Range $106 - $1,573/sqm
Level 3 Truck Dealership	**24,778**	18,098	Direct comparison	External valuations	Price/sqm land Price/sqm GBA	**Average $443/sqm**	Average $324/sqm	Land size	**Average 18,641 sqm**	Average 18,641 sqm
						Range $282 - $596/sqm	Range $201 - $428/sqm		**Range 7,218 - 25,700 sqm**	Range 7,218 - 25,700 sqm
								Net rent/sqm land	**Average $22/sqm**	Average $22/sqm
									Range $17 - $27/sqm	Range $17 - $27/sqm
								Capitalisation rate	**Average 4.9% Range 4.4% - 6.2%**	Average 6.7% Range 5.6% - 8.7%
Level 3 Other Logistics	**17,157**	13,347	Income capitalisation method supported by market comparison	External valuations	Capitalisation Rate	**Average 5.6%**	Average 7.1%	Net rent /sqm GBA	**Average $109/sqm**	Average $109/sqm
						Range 3.9% - 7.9%	Range 6.4% - 9.5%		**Range $79 - $179/sqm**	Range $79 - $179/sqm
Total	**327,322**	**306,349**								

There were no transfers between levels in the year.

Explanation of asset classes: Car - Higher and Best Use (HBU) alternate use refers to properties currently operated as car dealerships which have a HBU greater than that of a car dealership; Car Dealership refers to properties operating as car dealerships with a HBU consistent with that use; Truck Dealership refers to properties being operated as truck dealerships with a HBU consistent with that use; Other Logistics are industrial properties used for parts warehousing and vehicle logistics.

15 NON-CURRENTS ASSETS - Property, plant & equipment (continued)

Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land was carried at historical cost, its current carrying value would be $146,186,000 (2017: $132,688,000). If freehold buildings were carried at historical cost, its current carrying value (after depreciation) would be $107,018,000 (2017: $106,860,000).

Non-current assets pledged as security

Refer to Note 24 for information on non-current assets pledged as security by the Group.

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year is set out below:

Consolidated 2018	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Opening net book amount	199,489	106,860	223	16,909	37,640	361,121
Additions	14,018	4,929	5,200	4,253	16,619	45,019
Disposals/Transfers	(6,902)	(1,092)	(1,071)	(5,252)	(1,513)	(15,830)
Revaluation gain recognised in asset revaluation reserve	11,266	-	-	-	-	11,266
Revaluation recognised in profit and loss	2,433	-	-	-	-	2,433
Depreciation/amortisation charge	-	(3,679)	-	(2,056)	(9,867)	(15,602)
Carrying amount at end of year	220,304	107,018	4,352	13,854	42,879	388,407

Consolidated 2017	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Opening net book amount	188,108	106,693	3,706	18,141	38,062	354,710
Additions	22,432	1,748	4,782	2,421	12,875	44,258
Disposals/Transfers	(16,641)	2,190	(8,265)	(1,266)	(2,898)	(26,880)
Revaluation gain recognised in asset revaluation reserve	5,380	-	-	-	-	5,380
Revaluation recognised in profit and loss	210	-	-	-	-	210
Depreciation/amortisation charge	-	(3,771)	-	(2,387)	(10,399)	(16,557)
Carrying amount at end of year	199,489	106,860	223	16,909	37,640	361,121

16 NON-CURRENT ASSETS – Intangibles

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Goodwill	**306,783**	302,833
Trade marks/brand names	**6,542**	6,581
	313,325	309,414

Movement - Goodwill		
Balance at the beginning of the financial year	**302,833**	292,233
Additional amounts recognised:		
- from business combinations during the year (Note 31(a))	**3,950**	10,600
Balance at the end of the financial year	**306,783**	302,833

Movement - Trade marks/brand names		
Balance at the beginning of the financial year	**6,581**	6,675
Amortisation of brand names	**(39)**	(94)
Balance at the end of the financial year	**6,542**	6,581

(a) Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity's cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combinations. Each unit or groups of units to which goodwill is allocated represents the lowest level at which assets are monitored for internal management purposes. The Group has four CGUs in the Car Automotive segment grouped by state(s) (QLD & NT, NSW, VIC & TAS, SA) and one national CGU for the Truck segment.

A segment-level summary of the goodwill allocation is presented as follows:

Automotive dealership operations:		
Goodwill	**298,633**	294,683
Trade marks/brand names	**5,492**	5,531
	304,125	300,214
Truck dealership operations:		
Goodwill	**8,150**	8,150
Trade marks/brand names	**1,050**	1,050
	9,200	9,200
	313,325	309,414

The recoverable amount of a CGU or group of CGUs to which goodwill and other indefinite life intangible assets is allocated is determined based on the greater of its value in use and its fair value less costs of disposal. Fair value is determined as being the amount obtainable from the sale of a CGU in an arms length transaction between knowledgeable and willing parties at balance date. If relevant, this fair value assessment less costs of disposal is conducted by the Directors based on their extensive knowledge of the automotive and truck retailing industry including the current market conditions prevailing in the industry. The value in use assessment is conducted using a discounted cash flow (DCF) methodology requiring the Directors to estimate the future cash flows expected to arise from the cash generating units and then applying a discount rate to calculate the present value.

16 NON-CURRENT ASSETS – Intangibles (continued)

(a) Impairment tests for goodwill (continued)

The DCF model adopted by Directors was based on the 2019 financial budgets approved by the Board, perpetual growth rates taking into consideration historical performance and expected operating conditions, a pre-tax discount rate of 11% (2017: 11%), and growth rates not deemed to exceed the long term average growth rate for the industry. Sensitivity analysis has been performed on the assumptions used in the model, including increasing discount rates by up to to 2% and flexing growth scenarios to no growth and -3% growth.

Based on these scenarios, the Directors have concluded that changes in the key assumptions are not expected to cause the carrying amount of the CGUs to exceed the recoverable amount, however see Note 26 for considerations surrounding contingent consideration.

For the truck dealership operations, the Directors believe that any reasonable change in the key assumptions on which the recoverable amount is based is not expected to cause the carrying amount to exceed the recoverable amount of the segment.

17 NON-CURRENT ASSETS - Deferred Tax Assets

	Notes	CONSOLIDATED 2018 $'000	2017 $'000
Deferred tax assets		**17,844**	-
Deferred tax liabilities		**-**	(2,273)
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Book versus tax carrying value of plant and equipment		**754**	866
Inventory valuation		**(6,274)**	(4,384)
Prepayments		**(1,931)**	(1,715)
Provisions			
Expected credit losses		**808**	788
Employee benefits		**15,889**	15,609
Sundry items		**5,456**	6,578
Total amounts recognised in profit or loss		**14,702**	17,742
Amounts recognised directly in equity			
Revaluation of financial assets at fair value through other comprehensive income		**21,434**	(8,603)
Revaluation of property, plant and equipment		**(20,763)**	(18,898)
Hedge liability		**10**	41
Share options trust		**2,461**	7,445
Total amounts recognised directly in equity		**3,142**	(20,015)
The deferred tax expense included in income tax expense in respect of the above temporary differences resulted from the following movements:			
Opening balance at 1 January 2018		**(2,273)**	(7,447)
Deferred tax assets relating to business combinations		**115**	109
Reinstatement of Gabba Property		**-**	(1,557)
Deferred tax (expense)/benefit	6(a)	**(2,595)**	352
Current year adjustments related to prior year deferred tax		**(78)**	48
Deferred tax recognised directly in equity			
Revaluation of financial assets at fair value through other comprehensive income	29(a)	**30,059**	6,876
Revaluation of property, plant and equipment	29(a)	**(3,380)**	(1,614)
Movement in fair value of cash flow hedge	29(a)	**(31)**	(84)
Share options trust	29(a)	**(3,973)**	420
Arising on income and expenses reclassified from equity to profit & loss - relating to available-for-sale financial assets		**-**	624
Closing balance at 31 December 2018		**17,844**	(2,273)

18 CURRENT LIABILITIES – Trade and other payables

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Trade and other payables		
Trade payables (1)	**66,854**	56,555
Other payables	**79,065**	96,298
	145,919	152,853

(1) The average credit period on purchases of goods is 30 days.
No interest is charged on trade payables from the date of invoice.
The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

19 Derivative financial instruments

	2018	2017
Current liabilities		
Interest rate swap contracts - cash flow hedges	**35**	20
Total current derivative financial instrument liabilities	**35**	20
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**-**	118
Total non-current derivative financial instrument liabilities	**-**	118
	35	138

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to Note 30).

Bailment finance of the Group currently bears an average variable interest rate at 31 December 2018 of 4.43% (2017: 4.18%). As per Group policy bailment finance is not hedged.

The interest rate swaps currently in place are providing a fixed rate of interest on the variable cash advances drawn down under the term facility. The swap contracts in place cover approximately 6% (2017: 14%) of the term facility outstanding at the year end. The contracts require settlement of net interest receivable or payable each 30 days.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve to the extent that the hedge is effective and re-classified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in profit or loss immediately. At balance date, a gain from remeasuring the hedging instruments at fair value of $35,000 (2017: $138,000) has been recognised in equity in the hedging reserve (Note 30 (iii)). No portion was ineffective.

19 Derivative financial instruments (continued)

Valuation of derivative financial instruments

Details of the Group's derivative financial instruments and information about the fair value hierarchy as at 31 December 2018 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	**Carrying Amount 31/12/18 $'000**	**Carrying Amount 31/12/17 $'000**	**Valuation Technique**	**Key Input**
Level 2 Cash flow hedges – Interest rate swaps	**35**	**138**	Discounted cash flow	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between levels in the year.

20 CURRENT LIABILITIES - Borrowings - bailment and other current loans

(a) Bailment finance and other current loans

	CONSOLIDATED	
	2018 $'000	2017 $'000
Bailment finance	**570,273**	544,194
Capital loan	**1,342**	1,006
	571,615	545,200

(i) Bailment finance

Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 4.43% p.a. applicable at 31 December 2018 (2017: 4.18%). Bailment finance is repayable within a short period after the vehicle is sold to a third party, generally within 48 hours.

(ii) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on interest bearing liabilities is set out in Note 30.

(iii) Fair value disclosures

Details of the Group's fair value of interest bearing liabilities is set out in Note 30.

(iv) Security

Details of the security relating to each of the secured liabilities and further information on bank loans is set out in Note 24.

21 CURRENT LIABILITIES – Current tax liabilities

Income tax	**2,190**	13,221

22 CURRENT LIABILITIES – Provisions

Annual Leave	**24,287**	24,318
Long Service Leave	**24,194**	21,723
	48,481	46,041

23 CURRENT LIABILITIES – Other Current Liabilities

	CONSOLIDATED	
	2018	**2017**
	$'000	**$'000**
Contract liabilities	**5,862**	5,319
Contingent consideration	**-**	250
	5,862	5,569

Contingent consideration represents the estimated fair value of the contingent consideration relating to the acquisition of Tony Ireland Group. The contingent consideration was payable up to a maximum of $500,000 based on the Tony Ireland Group achieving future earnings performance targets. The Tony Ireland Group achieved an earnings performance target that resulted in a payment of $221,000 in 2018. The remainder of the contingent consideration has been released.

24 NON-CURRENT LIABILITIES – Borrowings (secured)

(a) Borrowings – others

Term facility	**235,700**	170,200
Capital loan	**76,914**	78,144
	312,614	248,344

SECURED LIABILITIES		
Total secured liabilities (current and non-current) are:		
Term facility (i)	**235,700**	170,200
Capital loan (ii)	**78,256**	79,150
Bailment finance (iii)	**570,273**	544,194
	884,229	793,544

(i) The term facility is secured by a general security agreement which includes registered first mortgages held by a security trustee over specific freehold land and buildings and a general charge over assets. This excludes new and used inventory and related receivables, letter of set off given by and on account of the parent entity and its subsidiaries, and a Corporate Guarantee and Indemnity unlimited as to amount given by the parent entity and its subsidiaries.

(ii) The capital loan is secured by registered first mortgages given by subsidiaries over specific freehold land and buildings, letter of set off given by and on account of the parent entity and its subsidiaries, and a Corporate Guarantee and Indemnity unlimited as to amount given by the parent entity and its subsidiaries.

(iii) Vehicle bailment finance reflects a liability payable to the consolidated entity's bailment financiers. This liability is represented by and secured over debtors included in current assets receivables in respect of recent vehicle deliveries to customers, and by new vehicles, demonstrator vehicles and some used vehicles all included in inventories (bailment stock). Refer to Note 10.

(iv) Refer to Note 30 for maturities.

24 NON-CURRENT LIABILITIES – Borrowings (secured) (continued)

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

	CONSOLIDATED	
	2018 $'000	2017 $'000
Non-current assets pledged as security		
Freehold land and buildings - first mortgage	**329,674**	304,456
Other non-current assets	**540,214**	674,645
Current assets pledged as security		
Inventories	**570,273**	544,194
Other current assets	**146,765**	143,416
Total assets pledged as security	**1,586,926**	1,666,711

FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit at balance date:

	2018 $'000	2017 $'000
Total facilities		
Term facility (i)	**290,000**	290,000
Working capital facility (includes bank overdraft) (ii)	**25,000**	25,000
Capital loan (iii)	**78,256**	79,150
Bailment finance (iv)	**767,469**	694,294
Bank guarantees	**27,018**	27,018
	1,187,743	1,115,462
Used at balance date		
Term facility	**235,700**	170,200
Capital loan	**78,256**	79,150
Bailment finance	**570,273**	544,194
Bank guarantees	**15,176**	15,039
	899,405	808,583
Unused at balance date		
Term facility	**54,300**	119,800
Working capital facility (includes bank overdraft)	**25,000**	25,000
Bailment finance	**197,196**	150,100
Bank guarantees	**11,842**	11,979
	288,338	306,879

(i) Term facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants for a fixed term.
(ii) Working capital facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants and an annual review.
(iii) Capital loan facility at balance date was provided on a non-amortisable (interest only) basis for a fixed term.
(iv) Bailment facilities are used to finance the acquisition of new vehicle and some used vehicle trading stock. These facilities include a combination of fixed term and open ended arrangements and are subject to review periods ranging from quarterly to annual. These facilities generally include short term termination notice periods and are disclosed as current liabilities in the statement of financial position.

25 NON-CURRENT LIABILITIES - Provisions

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Long Service Leave	**5,052**	5,988

(a) A make good clause under a long term property lease had been recognised in the financial statements. The lessor of the property had been provided with a bank guarantee of $1,970,000 in respect of the estimated make good cost and rental costs. The provision was derecognised in 2017 upon the execution of a new lease agreement on the leased property.

26 NON-CURRENT LIABILITIES - Other Non-Current Liabilities

Other (contingent consideration)	**19,422**	19,369

Other non-current liabilities represent the estimated fair value of the contingent consideration relating to the acquisitions of Birrell Motors Group. The purchase consideration for the acquisition of Birrell Motors Group included a contingent consideration amount payable up to a maximum value of $19,800,000, contingent on Birrell Motors Group achieving future earnings performance targets for 2018 and 2019. The Directors have judged that the full contingent consideration will be payable in 2020 based on the track record of the acquired businesses, and upside in the business for luxury vehicles. Should the businesses not achieve the expected future milestones, the associated goodwill balance will be reviewed for impairment within the VIC & TAS CGU. There has been no change in the fair value of the contingent consideration since the acquisition date except for unwinding of the discounting.

27 SEGMENT INFORMATION

Segments are identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker, being the Board of Directors, in order to allocate resources to the segment and to assess its performance.

The consolidated entity operates in four operating and reporting segments being (a) Car Retailing (b) Truck Retailing (c) Property and (d) Investments, these being identified on the basis of being the components of the consolidated entity that are regularly reviewed by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Information regarding the consolidated entity's reporting segments is presented below.

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 1 with the exception of all changes in fair value of property and investments being recognised as profit or loss adjustments for segment reporting purposes. This compares to the Group policy of crediting increments to property plant and equipment and investment reserves in equity (refer Note 1(n)). Segment profit represents the profit earned by each segment without allocation of unrecouped corporate / head office costs and income tax. External bailment is allocated to the Car Retailing and Truck Retailing segments. Funding costs in relation to bills payable are allocated to the Car Retailing, Truck Retailing, Property, and Investment segments based on notional market based covenant levels.

This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible, and financial assets attributable to each segment. All assets are allocated to reportable segments.

(a) Car Retailing

Within the Car Retail segment, the consolidated entity offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle maintenance and repair services, vehicle parts, extended service contracts, vehicle brokerage, vehicle protection products and other aftermarket products. They also facilitate financing for vehicle purchases through third-party sources. New vehicles, vehicle parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers. This segment also includes a motor auction business.

(b) Truck Retailing

Within the Truck Retail segment, the consolidated entity offers a diversified range of products and services, including new trucks, used trucks, truck maintenance and repair services, truck parts, extended service contracts, truck protection products and other aftermarket products. They also facilitate financing for truck purchases through third-party sources. New trucks, truck parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers.

(c) Property

Within the Property segment, the consolidated entity acquires commercial properties principally for use as facility premises for its motor dealership operations. The Property segment charges the Car Retailing segment commercial rentals for owned properties occupied by that segment. The Property segment reports property assets at fair value, based on annual assessments by the Directors supported by periodic, but at least triennial valuations by external independent valuers. Revaluation increments arising from fair value adjustments are reported internally and assessed by the chief operating decision maker as profit adjustments in assessing the overall returns generated by this segment to the consolidated entity.

(d) Investments

This segment includes the investments in DealerMotive Limited, Automotive Holdings Group Limited, Smartgroup Corporation Limited (divested in 2017), and Dealercell Holdings Pty Limited.

Geographic Information

The Group operates in one principal geographic location, being Australia.

27 SEGMENT INFORMATION (continued)

(e) Segment results

Segment reporting 2018	Car Retailing $'000	Truck Retailing $'000	Property $'000	Investments $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	3,670,590	427,992	352	13,868	-	4,112,802
Inter-segment sales	-	-	24,014	-	(24,014)	-
Total sales revenue	3,670,590	427,992	24,366	13,868	(24,014)	4,112,802
TOTAL REVENUE	3,670,590	427,992	24,366	13,868	(24,014)	4,112,802
SEGMENT RESULT						
Operating profit before interest	107,742	12,652	17,878	13,868	-	152,140
External interest expense allocation	(14,055)	(1,706)	(7,088)	(3,681)	-	(26,530)
OPERATING CONTRIBUTION	93,687	10,946	10,790	10,187	-	125,610
Share of net profit of equity accounted investments	-	-	-	77	-	77
Business acquisition costs	(680)	-	-	-	-	(680)
Investment revaluation	-	-	-	(181,400)	181,400	-
Property revaluation	-	-	13,699	-	(11,266)	2,433
Profit on sale of property/businesses	2,469	-	3,554	-	-	6,023
Son of Holdback (net of costs)	318	-	-	-	-	318
SEGMENT PROFIT	**95,794**	**10,946**	**28,043**	**(171,136)**	**170,134**	**133,781**
Unallocated corporate expenses						(50)
PROFIT BEFORE TAX						133,731
Income tax expense						(32,556)
NET PROFIT						**101,175**
Depreciation and amortisation	(10,843)	(1,119)	(3,679)	-	-	(15,641)
Non cash expenses (reversal of expenses) other than depreciation and amortisation	1,498	549	-	-	-	2,047
Impairment of trade receivables	(5)	47	-	-	-	42
Write down (back) of inventories to net realisable value	(2,210)	310	-	-	-	(1,900)
ASSETS						
Segment assets	1,154,003	122,457	310,131	181,077	-	1,767,668
LIABILITIES						
Segment liabilities	718,857	108,929	159,785	123,619	-	1,111,190
NET ASSETS	435,146	13,528	150,346	57,458	-	656,478
Acquisitions of non-current assets	23,459	1,363	24,148	43,142	-	92,112

27 SEGMENT INFORMATION (continued)

(e) Segment results (continued)

Segment reporting 2017	Car Retailing $'000	Truck Retailing $'000	Property $'000	Investments $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	3,661,620	381,688	970	14,501	-	4,058,779
Inter-segment sales	-	-	26,554	-	(26,554)	-
Total sales revenue	3,661,620	381,688	27,524	14,501	(26,554)	4,058,779
TOTAL REVENUE	3,661,620	381,688	27,524	14,501	(26,554)	4,058,779
SEGMENT RESULT						
Operating profit before interest	102,514	10,332	18,639	14,500	-	145,985
External interest expense allocation	(13,189)	(1,289)	(7,652)	(2,468)	-	(24,598)
OPERATING CONTRIBUTION	89,325	9,043	10,987	12,032	-	121,387
Share of net profit of equity accounted investments	-	-	-	407	-	407
Business acquisition costs	(62)	-	-	-	-	(62)
Investment revaluation	-	-	-	(22,920)	22,920	-
Property revaluation	-	-	5,590	-	(5,380)	210
Profit on sale of property/businesses	268	-	15,376	2,080	-	17,724
Business restructuring costs	(5,145)	-	-	-	-	(5,145)
SEGMENT PROFIT	**84,386**	**9,043**	**31,953**	**(8,401)**	**17,540**	**134,521**
Unallocated corporate expenses						1,108
PROFIT BEFORE TAX						135,629
Income tax expense						(37,456)
NET PROFIT						98,173
Depreciation and amortisation	(11,303)	(1,079)	(4,269)	-	-	(16,651)
Non cash expenses (reversal of expenses) other than depreciation and amortisation	3,815	(337)	-	-	-	3,478
Impairment of trade receivables	471	43	-	-	-	514
Write down (back) of inventories to net realisable value	(1,330)	161	-	-	-	(1,169)
ASSETS						
Segment assets	1,101,925	102,273	322,747	297,826	-	1,824,771
LIABILITIES						
Segment liabilities	682,749	87,305	190,039	78,903	-	1,038,996
NET ASSETS	419,176	14,968	132,708	218,923	-	785,775
Acquisitions of non-current assets	24,230	1,468	28,957	48,546	-	103,201

28 CONTRIBUTED EQUITY

(a) Paid up capital

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Ordinary shares - Fully paid	**371,405**	369,028

Ordinary shares confer on their holders the right to participate in dividends declared by the Board and to vote at general meetings of the Company.

Included in the share capital is 1,026,077 (2017: Nil) number of ordinary shares held by the Employee Share Trust that were purchased during the period on market.

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
01-Jan-2018	Opening balance	191,008,478	-	369,028
10-Jan-2018	Issue of shares to staff under share incentive schemes	300,823	$7.90	2,377
	Closing balance	191,309,301	-	371,405
01-Jan-2017	Opening balance	190,492,806	-	364,449
16-Jan-2017	Issue of shares to staff under share incentive schemes	50,460	$9.06	457
24-Feb-2017	Issue of shares to staff under share incentive schemes	175,843	$9.28	1,632
27-Mar-2017	Issue of shares to staff under share incentive schemes	116,960	$9.27	1,084
04-Jul-2017	Issue of shares to staff under share incentive schemes	172,409	$8.16	1,406
	Closing balance	**191,008,478**	**-**	**369,028**

29 RESERVES AND RETAINED EARNINGS

(a) Reserves:

	Note	CONSOLIDATED 2018 $'000	2017 $'000
Property, plant and equipment revaluation reserve		**56,820**	52,728
Hedging reserve - cash flow hedge		**(25)**	(97)
Share-based payments reserve		**(49,628)**	(34,368)
Investment revaluation reserve		**(131,473)**	19,868
		(124,306)	38,131

Movements:

	Note	2018 $'000	2017 $'000
Property, plant and equipment revaluation reserve:			
Balance at beginning of the financial year		**52,728**	52,781
Revaluation surplus during the year - gross	15	**11,266**	5,380
Transfer to retained earnings relating to properties sold	29(b)	**(3,794)**	(3,819)
Deferred tax	17	**(3,380)**	(1,614)
Balance at the end of the financial year		**56,820**	52,728
Hedging reserve - cash flow hedge:			
Balance at beginning of the financial year		**(97)**	(291)
Movement during the year		**103**	278
Deferred tax	17	**(31)**	(84)
Balance at the end of the financial year		**(25)**	(97)
Share-based payments reserve:			
Balance at beginning of the financial year		**(34,368)**	(34,486)
Deferred tax	17	**(3,973)**	420
Payments received from employees for exercised options		**4,664**	1,636
Prior period tax adjustment		**-**	536
Shares acquired by the Employee Share Trust		**(13,965)**	-
Employee share schemes - value of employee services		**391**	2,105
Transfer to share capital (shares issued)		**(2,377)**	(4,579)
Balance at the end of the financial year		**(49,628)**	(34,368)
Investment revaluation reserve:			
Balance at beginning of the financial year		**19,868**	37,394
Loss on revaluation of financial assets held at fair value through other comprehensive income		**(181,400)**	(22,920)
Deferred tax	17	**30,059**	6,876
Cumulative gain (net of tax) reclassed to profit or loss on disposal of availabl-for-sale financial assets		**-**	(1,482)
Balance at the end of the financial year		**(131,473)**	19,868

29 RESERVES AND RETAINED EARNINGS (continued)

(b) Retained earnings

	Notes	CONSOLIDATED 2018 $'000	2017 $'000
Retained profits at the beginning of the financial year		**367,855**	**335,779**
Net profit for the year		**101,175**	98,173
Less: NCI Share		**(1,619)**	(2,146)
Transfer from asset revaluation reserve re properties sold		**3,794**	3,819
Dividends provided for or paid	7	**(69,828)**	(67,770)
Retained profits at the end of the financial year		**401,377**	367,855

(c) Nature and purpose of other reserves

(i) Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in Note 1(n).

(ii) Hedging reserve

The hedging reserve contains the effective portion of interest rate hedge arrangements incurred as at the reporting date.

(iii) Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on assets held at FVOCI that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

(iv) Share-based payments reserve

The share-based payment reserve is used to recognise the fair value of performance rights expected to vest and the fair value of equity expected to be issued under various share incentive schemes referred to in Notes 36 and 37.

30 FINANCIAL INSTRUMENTS

Overview

The consolidated entity has exposure to the following key risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (interest rate risk)

This note presents information about the consolidated entity's exposure to each of the above risks, the consolidated entity's objectives, policies and processes for measuring and managing risk, and the consolidated entity's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Directors have overall responsibility for the establishment and oversight of the consolidated entity's risk management framework.

The Directors have established an Audit, Risk and Remuneration Committee which is responsible for monitoring, assessing and reporting on the consolidated entity's risk management system. The Committee will provide regular reports to the Board of Directors on its activities.

The consolidated entity's risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The Audit, Risk and Remuneration Committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks. The Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

30 FINANCIAL INSTRUMENTS (continued)

Overview (continued)

The Group's principal financial instruments comprise bank loans, bailment finance, cash, short-term deposits and interest rate swap contracts. The main purpose of these financial instruments is to raise finance for and fund the Group's operations and to hedge the Group's exposure to interest rate volatility. The Group has various other financial instruments such as trade debtors and trade creditors which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Further, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Trade receivables consist of a large number of customers, spread across geographical areas. The Group applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

With respect to credit risk arising from financial assets of the Group (comprised of cash, cash equivalents, and receivables), the Group's maximum exposure to credit risk at balance date, excluding the value of any collateral or other security, is the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

The Group's credit risk on liquid funds is limited as the counter parties are major Australian banks with favourable credit ratings assigned by international credit rating agencies.

LIQUIDITY RISK

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group's overall objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The Group also manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Information on available facilities can be found in Note 24.

MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and monitor market risk exposures within acceptable parameters, whilst optimising the return on risk.

(i) Interest rate risk

The Group is exposed to interest rate risk as a consequence of its financing facilities set out in Note 20 & 24. Funds are borrowed by the Group at both fixed and floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The Group's policy is to keep between 0% and 50% of its borrowings at fixed rates of interest. As at 31 December 2018, approximately 21% (2017: 29%) of the Group's borrowings were at a fixed rate of interest (excluding bailment finance). The Group hedges part of the interest rate risk (see Note 19) by swapping floating for fixed interest rates.

The consolidated entity classifies interest rate swaps as cash flow hedges.

The net fair value of the swaps at 31 December 2018 was $35,000 liability (2017: $138,000 liability), with the movement being recognised in equity for the consolidated entity.

30 FINANCIAL INSTRUMENTS (continued)

MARKET RISK (continued)

(ii) Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's net profit after tax would increase/decrease by $4,421,000 (2017: $3,923,000) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

(iii) Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting future cash flows using the curves at reporting date and the credit risk inherent in the contract, and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial period.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate		**Notional principal amount**		**Fair value**	
	2018	2017	**2018**	2017	**2018**	2017
	%	%	**$'000**	$'000	**$'000**	$'000
Outstanding floating for fixed contracts						
Less than 1 year	**2.38%**	2.34%	**15,000**	8,000	**(35)**	(20)
Between 1 - 2 years	**-%**	2.38%	**-**	15,000	**-**	(118)
	2.38%	4.72%	**15,000**	23,000	**(35)**	(138)

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is the Australian BBSW. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the consolidated entity's approach to capital management during the period.

30 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

(i) Exposure to Credit Risk

The carrying amount of financial assets (as per Notes 9, 11(b) and 12) represents the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Trade and other receivables	**167,253**	182,174
Less: Allowance for expected credit losses	**(2,664)**	(2,622)
	164,589	179,552

(ii) Impairment Losses

The aging of trade receivables at reporting date is detailed in Note 9.

(iii) Fair values & Exposures to Credit & Liquidity Risk

Detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

	2018	2017
Financial assets		
Trade and other receivables net of expected credit losses	**164,589**	179,552
Cash and cash equivalents	**18,868**	10,827
	183,457	190,379
Financial liabilities		
Bills payable and fully drawn advances	**235,700**	170,200
Capital loan	**78,256**	79,150
Vehicle bailment	**570,273**	544,194
Trade and other payables	**145,919**	152,853
Derivative financial instruments	**35**	138
	1,030,183	946,535

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

30 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

(iii) Fair values & Exposures to Credit & Liquidity Risk (continued)

Maturity profile

The below table provides a maturity profile for the Group's financial instruments that are exposed to interest rate risk at balance date. The amounts disclosed in the table are gross contractual undiscounted cash flows (principal and interest) required to settle the respective liabilities. The interest rate is based on the rate applicable as at the end of the financial period.

Contractual maturities of financial liabilities **At 31 December 2018**	**Less than 1 year $'000**	**1 - 2 years $'000**	**2 - 3 years $'000**	**3 - 4 years $'000**	**4 - 5 years $'000**	**5+ years $'000**	**Total $'000**
INTEREST BEARING							
Floating rate							
Financial assets							
Cash and cash equivalents	18,868	-	-	-	-	-	18,868
Average interest rate	1.81%	-	-	-	-	-	
Financial liabilities							
Vehicle bailment (current)	595,851	-	-	-	-	-	595,851
Fully drawn advances	10,631	10,631	197,705	52,219	50,957	-	322,143
Fully drawn advances [1]	181	-	-	-	-	-	181
Capital loan (Non-current)	2,011	2,346	2,346	7,168	2,151	26,791	42,813
	608,674	12,977	200,051	59,387	53,108	26,791	960,988
Average interest rate	4.13%	3.61%	3.51%	3.67%	3.98%	4.71%	
Fixed rate							
Financial liabilities							
Capital loan (Non-current)	1,957	1,957	1,957	1,957	50,957	-	58,785
Average interest rate	3.84%	-	-	-	-	-	
NON INTEREST BEARING							
Financial assets							
Trade debtors	164,589	-	-	-	-	-	164,589
Financial liabilities							
Trade and other payables	145,919	-	-	-	-	-	145,919

(1) The amount included in fully drawn advances relate to variable rates that are hedged with interest rate swaps to fixed rates.

30 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

(iii) Fair values & Exposures to Credit & Liquidity Risk (continued)

Maturity profile (continued)

At 31 December 2017	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5+ years $'000	Total $'000
INTEREST BEARING							
Floating rate							
Financial assets							
Cash and cash equivalents	10,827	-	-	-	-	-	10,827
Average interest rate	2.46%	-	-	-	-	-	
Financial liabilities							
Vehicle bailment (current)	566,364	-	-	-	-	-	566,364
Fully drawn advances	7,425	6,488	6,733	146,805	31,574	-	199,025
Fully drawn advances (1)	445	181	-	-	-	-	626
Capital loan (Non-current)	3,037	4,335	4,335	4,335	57,373	28,907	102,322
	577,271	11,004	11,068	151,140	88,947	28,907	868,337
Average interest rate	4.00%	3.55%	3.43%	3.45%	3.76%	4.65%	
Fixed rate							
Financial liabilities							
Capital loan (Non-current)	1,305	-	-	-	-	-	1,305
Average interest rate	5.20%	-	-	-	-	-	
NON INTEREST BEARING							
Financial assets							
Property sale receivables	7,145	-	-	-	-	-	7,145
Trade debtors	172,408	-	-	-	-	-	172,408
	179,553	-	-	-	-	-	179,553
Financial liabilities							
Trade and other payables	152,872	-	-	-	-	-	152,872

(1) The amount included in fully drawn advances relate to variable rates that are hedged with interest rate swaps to fixed rates.

Estimation of Fair Value

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments:

Loans and Borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and Other Receivables/Payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Interest Rate Swaps

The fair value of interest rate swaps is calculated based on the present value of the estimated future cash flows of these instruments.

31 INVESTMENTS IN SUBSIDIARIES

Name of entity		EQUITY HOLDING 2018 %	2017 %
Eagers Retail Pty Ltd	*	**100**	100
Eagers MD Pty Ltd		**80**	80
Eagers Finance Pty Ltd	*	**100**	100
Nundah Motors Pty Ltd	*	**100**	100
Eagers Nominees Pty Ltd	*	**100**	100
Austral Pty Ltd	*	**100**	100
E G Eager & Son Pty Ltd	*	**100**	100
A.P. Group Ltd	*	**100**	100
A.P. Ford Pty Ltd	*	**100**	100
A.P. Motors Pty Ltd	*	**100**	100
A.P. Motors (No.1) Pty Ltd	*	**100**	100
A.P. Motors (No.2) Pty Ltd	*	**100**	100
A.P. Motors (No.3) Pty Ltd	*	**100**	100
Associated Finance Pty Limited	*	**100**	100
Leaseline & General Finance Pty Ltd	*	**100**	100
City Automotive Group Pty Ltd	*	**100**	100
PPT Investments Pty Ltd	*	**100**	100
PPT Holdings No 1 Pty Ltd	*	**100**	100
PPT Holdings No 2 Pty Ltd	*	**100**	100
PPT Holdings No 3 Pty Ltd	*	**100**	100
Bill Buckle Holdings Pty Ltd	*	**100**	100
Bill Buckle Autos Pty Ltd	*	**100**	100
Bill Buckle Leasing Pty Ltd	*	**100**	100
Adtrans Group Limited	*	**100**	100
Adtrans Corporate Pty Ltd	*	**100**	100
Adtrans Automotive Group Pty Ltd	*	**100**	100
Stillwell Trucks Pty Ltd	*	**100**	100
Adtrans Trucks Pty Ltd	*	**100**	100
Graham Cornes Motors Pty Ltd		**90**	90
Whitehorse Trucks Pty Ltd	*	**100**	100
Adtrans Used Pty Ltd	*	**100**	100
Adtrans Hino Pty Ltd	*	**100**	100
Adtrans Australia Pty Ltd	*	**100**	100
Melbourne Truck and Bus Centre Pty Ltd	*	**100**	100
Adtrans Truck Centre Pty Ltd	*	**100**	100
Adtrans Trucks Adelaide Pty Ltd	*	**100**	100
Precision Automotive Technology Pty Ltd	*	**100**	100
IB Motors Pty Ltd	*	**100**	100
IB MD Pty Ltd		**80**	80
AP Townsville Pty Ltd	*	**100**	100
South West Queensland Motors Pty Ltd		**80**	80
BASW Pty Ltd		**80**	80
Western Equipment Rentals Pty Ltd	*	**100**	80
Boonarga Welding Pty Ltd		**80**	80
Black Auto CQ Pty Ltd	*	**100**	100
CH Auto Pty Ltd	*	**100**	80
Auto Ad Pty Ltd	*	**100**	100
Motors TAS Pty Ltd	*	**100**	100
WS Motors Pty Ltd	*	**100**	100
MB VIC Pty Ltd	*	**100**	100
Carzoos Pty Ltd	*	**100**	100
Crampton Automotive Pty Ltd	*	**100**	100
Motors Group (Glen Waverley) Pty Ltd		**80**	80

31 INVESTMENTS IN SUBSIDIARIES (continued)

Name of entity		EQUITY HOLDING	
		2018	2017
		%	%
Port City Autos Pty Ltd	*	**100**	100
Adverpro Pty Ltd	*	**100**	100
Cheap Cars QLD Pty Ltd	*	**100**	100
Eurocars (SA) Pty Ltd	*	**100**	100
Finmo Pty Ltd	*	**100**	100

All subsidiaries that are either directly controlled by A.P. Eagers Limited, or are wholly owned within the Group, have ordinary class of shares and are incorporated in Australia.

Information relating to A.P. Eagers Limited ('the parent entity')

	2018	2017
	$'000	$'000
Financial position		
Assets		
Current assets	**-**	-
Non-current assets	**426,334**	519,535
	426,334	519,535
Liabilities		
Current liabilities	**6,480**	11,366
Non-current liabilities	**64,866**	25,975
	71,346	37,341
Equity		
Issued capital	**371,405**	369,028
Retained earnings	**134,428**	122,835
Reserves		
Asset revaluation reserve	**1,683**	1,683
Investment revaluation reserve	**(107,112)**	19,868
Share based payments reserve	**(45,416)**	(31,220)
	354,988	482,194
Financial performance		
Profit for the year	**81,707**	74,230
Other comprehensive income	**(151,341)**	(17,526)

All 100% owned subsidiaries were parties to a deed of cross guarantee with A.P. Eagers Limited pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 which has been lodged with and approved by Australian Securities and Investments Commission as at 31 December 2018. Under the deed of cross guarantee each of these companies guarantee the debts of the other named companies.

As a party to the deed of cross guarantee, each of the wholly-owned subsidiaries (marked *) is relieved from the requirement to prepare and lodge an audited financial report.

Also refer Notes 32(a) and 32(b) in respect of guarantees entered into by the parent entity in relation to debts of its subsidiaries.

31 INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of businesses

The Group acquired the following business during the 2018 year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2018	Southern Vales Nissan	29-Jun-2018	Motor Dealership	100%
2018	Metro Nissan	31-Aug-2018	Motor Dealership	100%
2018	Toowoomba Motor Group	09-Oct-2018	Motor Dealership	100%

During 2018 the acquired businesses contributed revenue of $15,703,000 and a profit before tax of $400,000 to the consolidated result. If the acquisition had occurred on 1 January 2018, the consolidated revenue and the consolidated profit before tax of the Group would have been approximately $4,210,473,000 and $134,931,000 respectively.

Allocation of purchase consideration

The purchase price of the businesses acquired has been allocated as follows:

	Southern Vales Nissan $'000	Metro Nissan $'000	Toowoomba Motor Group $'000	2018 Total Consolidated $'000
Cash consideration	1,901	1,395	1,613	**4,909**
Contingent consideration	-	-	19	**19**
Total purchase consideration	1,901	1,395	1,632	**4,928**

Consolidated fair value at acquisition date	**2018 $'000**
Net assets acquired	
Receivables, prepayments	**44**
Inventory	**4,481**
Property, plant and equipment	**376**
Creditors, borrowings and provisions	**(3,923)**
Net assets acquired	**978**
Acquisition cost	**4,928**
Goodwill on acquisition (i)	**3,950**

(i) Goodwill arose in the business combinations because as at the date of acquisition the consideration paid for the combination included amounts in relation to the benefit of expected synergies and future revenue and profit growth from the businesses acquired. These benefits were not recognised separately from goodwill as the future economic benefits arising from them could not be reliably measured in time for inclusion in these financial statements. Therefore, the amount allocated to goodwill on acquisition has been provisionally determined at the end of the reporting period.

	2018 $'000
Cash consideration on acquisition	**(4,909)**
Net cash flow on acquisition of business	**(4,909)**

31 INVESTMENTS IN SUBSIDIARIES (continued)

(b) Acquisition of businesses in prior year

The Group acquired the following business during the 2017 year, which have been finalised in the 2018 year, as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2017	Fuso Hallam	14-Jul-17	Motor Dealership	100%
2017	Crash Supplies	01-Sep-17	Parts Supplier	100%
2017	Porsche Centre Adelaide	28-Sep-17	Motor Dealership	100%

During 2017 the acquired businesses contributed revenue of $14,974,039 and profit before tax of $230,529 to the consolidated result. If the acquisitions had occurred on 1 January 2017, the consolidated revenue and the consolidated profit before tax of the acquired businesses would have been approximately $51,550,000 and $1,658,000 respectively.

Allocation of purchase consideration

The purchase price of the businesses acquired has been allocated as follows:

	Fuso Hallam $'000	Crash Supplies $'000	Porsche Centre Adelaide $'000	2017 Total Consolidated $'000
Cash consideration	325	1,165	11,376	**12,866**
Total purchase consideration	325	1,165	11,376	**12,866**

Consolidated fair value at acquisition date	**2017 $'000**
Net assets acquired	
Cash	1,496
Receivables, prepayments	536
Inventory	4,868
Property, plant and equipment	512
Deferred tax assets	109
Creditors, borrowings and provisions	(5,255)
Net assets acquired	**2,266**
Acquisition cost	12,866
Goodwill on acquisition (i)	**10,600**

(i) Goodwill arose in the business combinations because as at the date of acquisition the consideration paid for the combination included amounts in relation to the benefit of expected synergies and future revenue and profit growth from the businesses acquired. These benefits were not recognised separately from goodwill as the future economic benefits arising from them could not be reliably measured in time for inclusion in these financial statements. Therefore, the amount allocated to goodwill on acquisition has been provisionally determined at the end of the reporting period.

	2017 $'000
Cash consideration on acquisition	12,866
Cash acquired on acquisition	(1,496)
Net cash flow on acquisition of business	11,370

31 INVESTMENTS IN SUBSIDIARIES (continued)

(c) Disposal of businesses

The Group sold the following business during the 2018 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2018	Surfers City Holden	01-Jun-2018	Motor Dealership	100%
2018	Austral Volvo	22-Jun-2018	Motor Dealership	100%
2018	Eagers Kia	31-Aug-2018	Motor Dealership	100%

	CONSOLIDATED 2018 $'000
Net assets disposed of	
Receivables, Prepayments	4
Inventory	676
Property, plant and equipment	231
Creditors, borrowings and provisions	(573)
Net assets disposed	**338**
Total consideration received (100% Cash)	2,807
Gain on sale	2,469

(d) Disposal of businesses in prior year

The Group sold the following business during the 2017 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2017	Sydney Truck Centre	08-Jun-17	Motor Dealership	100%

	CONSOLIDATED 2017 $'000
Net assets disposed of	
Receivables, Prepayments	324
Inventory	3,106
Creditors, borrowings and provisions	(1,127)
Net assets disposed	**2,303**
Total consideration received (100% Cash)	2,303
Gain on sale	-

31 INVESTMENTS IN SUBSIDIARIES (continued)

(e) Details of non-wholly owned subsidiaries

The table below shows details of non-wholly owned subsidiaries of the Group. The Group have reviewed its subsidiaries that have non-controlling interests and note that they are not material to the reporting entity.

	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Individually immaterial subsidiaries with non-controlling interest	**1,619**	2,146	**8,002**	10,761

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Movement - Non-Controlling Interest		
Balance at the beginning of the financial year	**10,761**	8,166
Profit for the year	**1,619**	2,146
Payment / (Repayment) for shares	**(2,337)**	1,904
Payment of dividend	**(2,041)**	(1,455)
Balance as at the end of the financial year	**8,002**	10,761

32 CONTINGENT LIABILITIES

(a) Parent entity

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial and trade arrangements entered into by its subsidiaries. It is not anticipated that the parent entity will become liable for any amount in respect thereof. At 31 December 2018 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.

(b) Deed of cross guarantee

A.P. Eagers Limited and all of its 100% owned subsidiaries were parties to a deed of cross guarantee lodged with the Australian Securities and Investments Commission as at 31 December 2018. Under the deed of cross guarantee each company within the closed Group guarantees the debts of the other companies. The maximum exposure of the parent entity in relation to the cross guarantees is $1,031,832,000 (2017: $1,012,855,000).

33 COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

Capital expenditure for land, buildings, plant and equipment contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Within one year	**5,292**	218

(b) Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises are payable as follows:

	2018 $'000	2017 $'000
Within one year	**39,895**	39,640
Later than 1 year but not later than 5 years	**157,008**	107,255
Later than 5 years	**62,317**	77,520
	259,220	224,415

Included within our operating lease commitments is the minimum lease payment of $32.8 million committed to within 2-5 years, under a non-cancellable lease that has not yet commenced. The lease relates to vacant land for future development and is expected to commence in December 2020. The lease agreement contains an option to prepay the lease at the end of the first 12 months after commencement instead of regular monthly lease payments. The Directors have not yet made a decision over the rent payment options as outlined in the contract.

The consolidated entity leases property under non-cancellable operating leases with expiry dates between 31 January 2019 and 31 October 2029.

Leases generally provide for a right of renewal at which time the lease is renegotiated. Lease rental payments comprise a base amount plus an incremental contingent rental based on movements in the consumer price index or a fixed percentage increase.

34 REMUNERATION OF AUDITOR

	2018	2017
Amounts received or due and receivable by Deloitte Touche Tohmatsu (“Deloitte”) for: - Audit or review of the financial report of the parent entity and any other entity in the consolidated entity	**816**	745
Amounts received or due and receivable by related entities of Deloitte for: - Other services in relation to the parent entity and any other entity in the consolidated entity	**90**	274
	906	1,019

35 SUBSEQUENT EVENTS

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

36 KEY MANAGEMENT PERSONNEL

The remuneration report included in the Directors' Report sets out the remuneration policies of the consolidated entity and the relationship between these policies and the consolidated entity's performance.

The following have been identified as key management personnel (KMP) with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the financial year:

The specified Executives of A.P. Eagers Limited during the financial year were:

(a) Details of key management personnel

(i) Directors	T B Crommelin	Chairman (non-executive)
	M A Ward	Managing Director and Chief Executive Officer
	S A Moore	Director and Chief Financial Officer
	D A Cowper	Director (non-executive)
	N G Politis	Director (non-executive)
	D T Ryan	Director (non-executive)
	M J Birrell	Director (non-executive)
(ii) Executives	D G Stark	General Counsel & Company Secretary
	K T Thornton	Chief Operating Officer - Cars

(b) Compensation of key management personnel

The aggregate compensation made to key management personnel of the Company and the Group is set out below.

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Short term	**3,903**	3,425
Post employment benefits	**120**	137
Share based payments	**262**	1,238
	4,285	4,800

(c) Option holdings of key management personnel

Details of options held by key management personnel can be found in Note 36(f).

(d) Loans to key management personnel

There are no loans to key management personnel.

(e) Other transactions with key management personnel

Other transactions with key management personnel are detailed in Note 38.

(f) Share Based Payments

Plan C: EPS Performance Rights and Options – Key Executives 2014

The Group commenced an Earnings Per Share (EPS) based performance rights and options compensation scheme for specific executive officers in 2014. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

36 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan C: EPS Performance Rights and Options – Key Executives 2014 (continued)

Performance Rights					
Award date 4 July 2014					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	04-Jul-21	04-Jul-21	04-Jul-21	30-Sep-22	30-Sep-22
Share price at grant date	$ 5.47	$ 5.47	$ 5.47	$ 5.47	$ 5.47
Expected life	1.7 years	2.7 years	3.7 years	4.7 years	5.7 years
Volatility	25%	25%	25%	25%	25%
Risk free interest rate	2.51%	2.63%	2.79%	2.96%	3.13%
Dividend yield	4.2%	4.2%	4.2%	4.2%	4.2%

Performance Options					
Award date 4 July 2014					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	04-Jul-21	04-Jul-21	04-Jul-21	30-Sep-22	30-Sep-22
Share price at grant date	$ 5.47	$ 5.47	$ 5.47	$ 5.47	$ 5.47
Exercise price	$ 5.47	$ 5.47	$ 5.47	$ 5.47	$ 5.47
Expected life	4.4 years	4.9 years	5.4 years	5.9 years	7.0 years
Volatility	25%	25%	25%	25%	25%
Risk free interest rate	2.90%	2.98%	3.06%	3.24%	3.31%
Dividend yield	4.2%	4.2%	4.2%	4.2%	4.2%

The Managing Director, General Manager Queensland and Northern Territory, previous Chief Financial Officer, General Counsel and Company Secretary and four other senior executives have been granted rights and options under the EPS share incentive plan (Plan C). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS and interest cover targets being achieved and vesting occurring. The number of performance rights and options granted under the plan is as follows:

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
137,791	04-Jul-14	31-Dec-15	04-Jul-21	$ 5.08
137,571	04-Jul-14	31-Dec-16	04-Jul-21	$ 4.87
143,464	04-Jul-14	31-Dec-17	04-Jul-21	$ 4.67
149,551	04-Jul-14	31-Dec-18	30-Sep-22	$ 4.48
156,173	04-Jul-14	31-Dec-19	30-Sep-22	$ 4.29

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
769,228	04-Jul-14	31-Dec-15	04-Jul-21	$ 0.91
712,760	04-Jul-14	31-Dec-16	04-Jul-21	$ 0.94
705,258	04-Jul-14	31-Dec-17	04-Jul-21	$ 0.95
663,363	04-Jul-14	31-Dec-18	30-Sep-22	$ 1.01
656,857	04-Jul-14	31-Dec-19	30-Sep-22	$ 1.02

A total of 5,704 rights and 33,403 options were forfeited or expired during the year. A total of 133,829 rights were issued and 31,419 options exercised during the year.

As a result of the partial achievement of specific EPS and interest coverage targets, all of the performance rights and one third of the options relating to the 31 December 2018 performance period have vested.

The value of the performance rights and options expensed during the year was $272,469, with a cumulative expense being recognised at 31 December 2018 of $5,332,261 (2017: $5,059,792).

36 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan J: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and options compensation scheme for two specific executive officers in 2015. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights					
Award date 12 June 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	12-Jun-22	12-Jun-22	12-Jun-22	30-Sep-22	30-Sep-22
Share price at grant date	$9.25	$9.25	$9.25	$9.25	$9.25
Expected life	0.8 years	1.8 years	2.8 years	3.8 years	4.8 years
Volatility	24%	24%	24%	24%	24%
Risk free interest rate	1.98%	1.99%	2.06%	2.18%	2.33%
Dividend yield	3.7%	3.7%	3.7%	3.7%	3.7%
Performance Options					
Award date 12 June 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	12-Jun-22	12-Jun-22	12-Jun-22	30-Sep-22	30-Sep-22
Share price at grant date	$9.25	$9.25	$9.25	$9.25	$9.25
Exercise price	$9.25	$9.25	$9.25	$9.25	$9.25
Expected life	3.9 years	4.4 years	4.9 years	5.5 years	6.1 years
Volatility	24%	24%	24%	24%	24%
Risk free interest rate	2.19%	2.27%	2.35%	2.46%	2.54%
Dividend yield	3.7%	3.7%	3.7%	3.7%	3.7%

Two specific executives have been granted performance rights and options under the EPS share incentive plan (Plan J). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS targets being achieved and vesting occurring. The number of rights and options granted under the plan is as follows:

Performance Rights				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
2,783	12-Jun-15	31-Dec-15	12-Jun-22	$8.98
5,780	12-Jun-15	31-Dec-16	12-Jun-22	$8.65
5,995	12-Jun-15	31-Dec-17	12-Jun-22	$8.34
6,218	12-Jun-15	31-Dec-18	30-Sep-22	$8.04
6,458	12-Jun-15	31-Dec-19	30-Sep-22	$7.74
Performance Options				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
17,605	12-Jun-15	31-Dec-15	12-Jun-22	$1.42
33,783	12-Jun-15	31-Dec-16	12-Jun-22	$1.48
32,678	12-Jun-15	31-Dec-17	12-Jun-22	$1.53
31,645	12-Jun-15	31-Dec-18	30-Sep-22	$1.58
31,250	12-Jun-15	31-Dec-19	30-Sep-22	$1.60

36 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan J: EPS Performance Rights and Options – Key Executives (continued)

No performance rights or options were forfeited or expired during the year. A total of 5,995 performance rights were issued and no options exercised during the year.

As a result of the partial achievement of specific EPS and interest coverage targets, all of the performance rights and one third of the options relating to the 31 December 2018 performance period have vested.

The value of the performance rights and options expensed during the year was $28,569, with a cumulative expense being recognised as at 31 December 2018 of $349,974 (2017: $321,405).

37 OTHER SHARE BASED PAYMENTS

Recognised share-based payments expenses

Refer Note 29(a) for movements in share based payments reserve.

Plan F: EPS Performance Options – Senior Management 2013

The Group commenced an Earnings Per Share (EPS) based share options compensation scheme for 57 specific senior staff, including the Company Secretary/General Counsel. The fair value of these performance options is calculated on grant date and recognised over the period to vesting. The vesting of the performance options granted is based on the achievement of specified earnings per share growth targets. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Options					
Award date 27 March 2013					
Vesting date	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19
Expiry date	31-Mar-20	31-Mar-20	31-Mar-20	31-Mar-20	31-Mar-20
Share price at grant date	$ 4.84	$ 4.84	$ 4.84	$ 4.84	$ 4.84
Exercise price	$ 5.04	$ 5.04	$ 5.04	$ 5.04	$ 5.04
Expected life	4.5 years	4.5 years	5.0 years	5.5 years	6.0 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	3.08%	3.08%	3.13%	3.17%	3.22%
Dividend yield	4.20%	4.20%	4.20%	4.20%	4.20%

Specific executives have been granted options under the EPS share incentive plan (Plan F). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the options at grant date and the probability of the EPS targets being achieved and vesting occurring. The number of options granted under the plan is as follows:

Performance Options				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
951,950	27-Mar-13	31-Dec-14	31-Mar-20	$ 0.93
951,950	27-Mar-13	31-Dec-15	31-Mar-20	$ 0.93
911,510	27-Mar-13	31-Dec-16	31-Mar-20	$ 0.96
892,840	27-Mar-13	31-Dec-17	31-Mar-20	$ 0.98
883,750	27-Mar-13	31-Dec-18	31-Mar-20	$ 0.99

A total of 25,250 options were forfeited or expired during the year. A total of 534,930 options were exercised during the year.

No costs of the share plan were expensed during 2018 (2017: $132,142). The share plan was fully expensed by the end of 2017, with a cumulative expense recognised of $3,607,822.

37 OTHER SHARE BASED PAYMENTS (continued)

Plan H: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and options compensation scheme for four specific executive officers in 2015. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights					
Award date 21 January 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	21-Jan-22	21-Jan-22	21-Jan-22	30-Sep-22	30-Sep-22
Share price at grant date	$5.85	$5.85	$5.85	$5.85	$5.85
Expected life	1.2 years	2.2 years	3.2 years	4.2 years	5.2 years
Volatility	22%	22%	22%	22%	22%
Risk free interest rate	2.20%	2.12%	2.11%	2.15%	2.22%
Dividend yield	4.4%	4.4%	4.4%	4.4%	4.4%
Performance Options					
Award date 21 January 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	21-Jan-22	21-Jan-22	21-Jan-22	30-Sep-22	30-Sep-22
Share price at grant date	$5.85	$5.85	$5.85	$5.85	$5.85
Exercise Price	$5.65	$5.65	$5.65	$5.65	$5.65
Expected life	4.1 years	4.6 years	5.1 years	5.9 years	6.4 years
Volatility	22%	22%	22%	22%	22%
Risk free interest rate	2.15%	2.18%	2.21%	2.28%	2.33%
Dividend yield	4.4%	4.4%	4.4%	4.4%	4.4%

Four specific executives have been granted rights and options under the EPS share incentive plan (Plan H). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS targets being achieved and vesting occurring. The number of rights and options granted under the plan is as follows:

Performance Rights				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
14,412	21-Jan-15	31-Dec-15	21-Jan-22	$5.55
15,065	21-Jan-15	31-Dec-16	12-Feb-22	$5.31
15,746	21-Jan-15	31-Dec-17	12-Feb-22	$5.08
16,459	21-Jan-15	31-Dec-18	12-Feb-22	$4.86
17,202	21-Jan-15	31-Dec-19	30-Sep-22	$4.65
Performance Options				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
95,235	21-Jan-15	31-Dec-15	21-Jan-22	$0.84
93,020	21-Jan-15	31-Dec-16	12-Feb-22	$0.86
93,020	21-Jan-15	31-Dec-17	12-Feb-22	$0.86
91,953	21-Jan-15	31-Dec-18	12-Feb-22	$0.87
93,020	21-Jan-15	31-Dec-19	30-Sep-22	$0.86

No performance rights or options were forfeited or expired during the year. A total of 13,778 performance rights were issued during the year.

As a result of the partial achievement of specific EPS and interest coverage targets, all of the performance rights and one third of the options relating to the 31 December 2018 performance period have vested.

37 OTHER SHARE BASED PAYMENTS (continued)

Plan H: EPS Performance Rights and Options – Key Executives (continued)

The value of the performance rights and options expensed during the year was $34,998, with a cumulative expense being recognised as at 31 December 2018 of $609,291 (2017: $574,293).

Plan I: EPS Performance Rights and Options – Key Executives

The Group commenced in 2015 a new performance rights and options compensation scheme for a specific senior staff member, based on achieving certain defined operating targets for a specific business entity. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights					
Award date 12 February 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	12-Feb-22	12-Feb-22	12-Feb-22	30-Sep-22	30-Sep-22
Share price at grant date	$6.26	$6.26	$6.26	$6.26	$6.26
Expected life	1.1 years	2.1 years	3.1 years	4.1 years	5.1 years
Volatility	22%	22%	22%	22%	22%
Risk free interest rate	1.91%	1.85%	1.87%	1.95%	2.05%
Dividend yield	4.2%	4.2%	4.2%	4.2%	4.2%
Performance Options					
Award date 12 February 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	12-Feb-22	12-Feb-22	12-Feb-22	30-Sep-22	30-Sep-22
Share price at grant date	$6.26	$6.26	$6.26	$6.26	$6.26
Exercise price	$6.26	$6.26	$6.26	$6.26	$6.26
Expected life	4.1 years	4.6 years	5.1 years	5.9 years	6.4 years
Volatility	22%	22%	22%	22%	22%
Risk free interest rate	1.94%	1.99%	2.04%	2.14%	2.20%
Dividend yield	4.2%	4.2%	4.2%	4.2%	4.2%

A specific senior staff member has been granted performance rights and options under the Specific Target share plan (Plan I). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of specific targets being achieved and vesting occurring. The number of rights and options granted under the plan is as follows:

Performance Rights				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
9,045	12-Feb-15	31-Dec-15	12-Feb-22	$5.97
9,440	12-Feb-15	31-Dec-16	12-Feb-22	$5.72
9,836	12-Feb-15	31-Dec-17	12-Feb-22	$5.49
11,406	12-Feb-15	31-Dec-18	30-Sep-22	$5.26
11,881	12-Feb-15	31-Dec-19	30-Sep-22	$5.05
Performance Options				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
97,590	12-Feb-15	31-Dec-15	12-Feb-22	$0.83
95,294	12-Feb-15	31-Dec-16	12-Feb-22	$0.85
94,186	12-Feb-15	31-Dec-17	12-Feb-22	$0.86
102,272	12-Feb-15	31-Dec-18	30-Sep-22	$0.88
102,272	12-Feb-15	31-Dec-19	30-Sep-22	$0.88

37 OTHER SHARE BASED PAYMENTS (continued)

Plan I: EPS Performance Rights and Options – Key Executives (continued)

A total of 23,287 rights and 204,544 options were forfeited or expired during the year. A total of 9,836 performance rights were issued and 287,070 options exercised during the year.

As a result of the specific senior staff member leaving the Group in 2018, all of the performance rights and options that had not yet vested have lapsed.

No costs of the share plan were expensed during 2018 (2017: $161,139), with a cumulative expense being recognised of $512,134.

Plan K: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and options compensation scheme for one specific executive officer in 2016. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights				
Award date 31 March 2016				
Vesting date	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24
Share price at grant date	$9.75	$9.75	$9.75	$9.75
Expected life	1.0 year	2.0 years	3.0 years	4.0 years
Volatility	27%	27%	27%	27%
Risk free interest rate	1.95%	1.88%	1.90%	1.98%
Dividend yield	3.8%	3.8%	3.8%	3.8%

Performance Options				
Award date 31 March 2016				
Vesting date	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24
Share price at grant date	$9.75	$9.75	$9.75	$9.75
Exercise price	$10.34	$10.34	$10.34	$10.34
Expected life	4.5 years	5.0 years	5.5 years	6.0 years
Volatility	27%	27%	27%	27%
Risk free interest rate	2.03%	2.08%	2.13%	2.18%
Dividend yield	3.8%	3.8%	3.8%	3.8%

One specific executive has been granted rights and options under the EPS share incentive plan (Plan K). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS targets being achieved and vesting occurring. The number of rights and options granted under the plan is as follows:

Performance Rights				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
7,987	31-Mar-16	31-Dec-16	31-Mar-24	$9.39
8,296	31-Mar-16	31-Dec-17	31-Mar-24	$9.04
8,620	31-Mar-16	31-Dec-18	31-Mar-24	$8.70
8,960	31-Mar-16	31-Dec-19	31-Mar-24	$8.37

37 OTHER SHARE BASED PAYMENTS (continued)

Plan K: EPS Performance Rights and Options – Key Executives (continued)

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
48,076	31-Mar-16	31-Dec-16	31-Mar-24	$1.56
46,012	31-Mar-16	31-Dec-17	31-Mar-24	$1.63
44,910	31-Mar-16	31-Dec-18	31-Mar-24	$1.67
43,859	31-Mar-16	31-Dec-19	31-Mar-24	$1.71

No performance rights or options were forfeited or expired during the year. No rights were issued and no options were exercised during the year.

As a result of the specific targets not being achieved the performance rights and options relating to the 31 December 2018 performance period have not vested.

The value of the performance rights and options expensed during the year was $54,475, with a cumulative expense being recognised as at 31 December 2018 of $449,986 (2017: $395,511).

38 RELATED PARTIES

Key management personnel

Other information on key management personnel has been disclosed in the Directors' Report.

Remuneration and retirement benefits

Information on the remuneration of key individual management personnel has been disclosed in the Remuneration Report included in the Directors' Report.

Other transactions of Directors and Director related entities

The aggregate amount of "Other transactions" with key management personnel are as follows:

(i) Mr N G Politis is a Director and shareholder of a number of companies involved in the motor industry with whom the consolidated entity transacts business. These transactions, sales of $92,174 (2017: $510,641) and purchases of $159,382 (2017: $398,021) during the last 12 months, are primarily the sale and purchase of spare parts and accessories and are carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

(ii) Mr M Birrell is a Director and owner of a number of properties leased by subsidiaries of A. P. Eagers. The lease transactions of $4,441,343 (2017: $4,351,456) have been carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

Furthermore, during the twelve months ended 31 December 2018, Mr M Birrell purchased stock with a value of $484,888 from one of the subsidiaries. This transaction was carried out under terms and conditions no more favourable than those which is reasonable to expect would have applied if the transactions were at arm's length.

Mr M Birrell is a Director and owner of a company involved in the provision of finance to the motor vehicle industry with whom the consolidated entity transacts business. These transactions, totalling $204,164 (2017: $76,605), are commissions paid to the consolidated entity and are carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length. The company commenced trading on 1 June 2017.

Finally, Mr M Birrell was a party to the Birrell Motors Group business acquisition which is subject to a contingent consideration arrangement whereby an additional amount is payable in 2020 if a specified performance target is met. The contingent consideration has been recognised as a financial liability as at 31 December 2018, refer to Note 26.

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

38 RELATED PARTIES (continued)

Other transactions of Directors and Director related entities (continued)

Wholly-owned Group

The parent entity of the wholly-owned Group is A.P. Eagers Limited. Information relating to the wholly-owned Group is set out in Note 31.

39 EARNINGS PER SHARE

(a) Basic earnings per share

	CONSOLIDATED	
	2018	2017
	Cents	Cents
Earnings attributable to the ordinary equity holders of the Company	**52.0**	50.3

(b) Diluted earnings per share

Earnings attributable to the ordinary equity holders of the Company	**51.7**	49.5

(c) Reconciliation of earnings used in calculating earnings per share

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
Profit for the year	**101,175**	98,173
Less: attributable to non-controlling interest	**(1,619)**	(2,146)
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**99,556**	96,027
Diluted earnings per share		
Profit for the year less attributable to non-controlling interest	**99,556**	96,027
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**99,556**	96,027

	2018	2017
	Number	Number
Weighted average number of ordinary shares outstanding during the year	**191,301,059**	**190,865,298**
Shares deemed to be issued for no consideration in respect of employee options (1)	**1,387,987**	3,167,755
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	**192,689,046**	194,033,053

(1) 329,818 performance options representing potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

40 RECONCILIATION OF NET PROFIT AFTER TAX TO THE NET CASH INFLOWS FROM OPERATIONS

	Notes	CONSOLIDATED 2018 $'000	2017 $'000
Net profit after tax		**101,175**	98,173
Depreciation and amortisation	5	**15,641**	16,651
Net gain on sale of available-for-sale financial assets	4	**-**	(2,080)
Share of profits of associate		**(77)**	(407)
Gain on sale of property, plant & equipment		**(3,554)**	(15,644)
Employee share scheme expense		**391**	2,105
Profit on sale of business		**(2,573)**	-
Property receivable and deposits		**7,145**	2,321
Gain to property revaluation (through P&L)		**(2,433)**	(210)
(Increase)/decrease in assets -			
Receivables		**5,522**	(13,061)
Inventories		**(37,516)**	(27,645)
Prepayments		**(1,445)**	(2,328)
Increase/(decrease) in liabilities -			
Creditors (including bailment finance)		**18,293**	78,225
Provisions		**2,047**	(2,988)
Taxes payable		**(13,627)**	11,864
Net cash inflow from operating activities		**88,989**	144,976

41 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

Investments in associate are accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the associate is set out below:

	OWNERSHIP INTEREST		CONSOLIDATED	
	2018	2017	**2018**	2017
Name of company	**%**	%	**$'000**	$'000
Unlisted securities				
Norna Limited (formerly MTQ Insurance Services Limited)	**20.65**	20.65	**1,620**	1,620
DealerMotive Limited	**25.50**	25.50	**10,457**	10,380
			12,077	12,000

Norna Limited (formerly MTQ Insurance Servers Limited)

In 2014 MTQ Insurance Services Limited changed its name to Norna Limited. On 29 August 2014 MTA Insurance Limited (a wholly owned subsidiary of Norna Limited) was sold to AAI Limited with settlement to take place in instalments, the final of which is expected to be realised in 2019. Once the sale is completed Norna Limited will be liquidated.

AP Eagers Limited will remain a shareholder in Norna Limited with a 20.65% interest (2017: 20.65%) and will continue to equity account the investment in the associate which has been equity accounted from 1 January 2006 (refer Note 14), until the final distributions are received and Norna Limited is liquidated.

Norna Limited is incorporated in Australia. Its principal activities for the period up to the sale remained the sale of consumer credit and insurance products, as well as undertaking investment activities. Since the sale, the entity has ceased operations with the only transactions being related to holding costs and interest until the final terms of the sale agreement are met and the entity is liquidated.

DealerMotive Limited

DealerMotive Limited is incorporated in Australia. Its principal activities for the period is holding a 30% investment in Cox Automotive Australia, a subsidiary of Cox Automotive. Cox Automotive Australia controls and operates Manheim Australia, Dealer Solutions and One Way Traffic (Carsguide) businesses and owns the Auto Traders brand.

41 INVESTMENTS IN ASSOCIATES (continued)

(b) Movement in the carrying amounts of investment in associate

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Carrying amount at the beginning of the financial year	**12,000**	11,893
Equity share of profit from ordinary activities after income tax	**77**	407
Disposal of Investment	**-**	(300)
Carrying amount at the end of the financial year	**12,077**	12,000

(c) Summarised financial information of associates

The aggregate profits, assets and liabilities of associate are:

	2018	2017
Revenue	**50,659**	68,922
Profits from ordinary activities after income tax expense	**371**	3,375
Assets	**50,864**	46,786
Liabilities	**8,712**	6,827

(d) Share of associate profit

Based on the last published results for the 12 months to 30 June 2018 plus unaudited results up to 31 December 2018.

	2018	2017
Profit from ordinary activities after income tax	**77**	407

(e) Reporting date of associates

The associates reporting dates are 30 June annually.

Directors' declaration

The Directors declare that:

(a) 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;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) in the director's opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 1(a) to the financial statements; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

At the date of this declaration, the company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Corporation Instrument applies, as detailed in Note 31 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

M A Ward
Director

Brisbane,
20th February 2019

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Independent Auditor's Report to the Members of A.P. Eagers Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of A.P. Eagers Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidation statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Recoverability of goodwill

As detailed in note 16, the Group has recognised goodwill of $313.3 million at 31 December 2018 as a result of historic acquisitions over a number of years.

As set out in note 2a (ii), the director’s assessment of the recoverability of goodwill requires the exercise of significant judgement, in particular, in estimating future growth rates, discount rates and the expected cash flows of businesses (cash generating units or CGUs) to which the goodwill has been allocated.

Estimating future cash flows requires the exercise of judgement as to the likely impact of:
Competitive pressures in specific markets; and
Technological, legislative and regulatory developments across the automotive industry.
We have focused our testing on the CGUs that were most sensitive to the above mentioned factors.</td><td>Our procedures, performed in conjunction with our valuation specialists included, but were not limited to:
Obtaining an understanding of the key controls and processes associated with the preparation and review of the valuation models used to assess the CGUs.
Reconfirming our previously obtained understanding of the Group’s identification of CGUs.
Evaluating management’s ability to accurately forecast cash flows by assessing the accuracy of the prior year forecasts against actual outcomes.
Testing the mathematical accuracy of the cash flow models.
Challenging the reasonableness of management’s assumptions by:
Evaluating the discount rate utilised by management to an independently calculated discount rate
Assessing forecast cash flows by evaluating them against past results
Comparing growth rates with third party data for the motor industry
Performing sensitivity analysis on the cash flows with a focus on growth and discount rates.
Comparing the CGU’s forecast cash flows to the board approved budget; and
Assessing the appropriateness of the disclosures in note 2a (ii) and note 16 to the financial statements.</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverable amount of used and demonstrator vehicles inventory As disclosed in note 10 the Group has recognised provisions against the cost of its new and used motor vehicle and truck inventory amounting to $13.2 million. As set out in note 2a (v) and (vi) the estimation of net realisable value requires the directors to make certain judgements and estimates based on the age, condition, brand of the vehicle and historic sales outcomes.	Our procedures included, but were not limited to: • Developing an understanding of management's processes and judgements applied in estimating the net realisable value of demonstrator and used vehicles and trucks. • Validating the aging and cost, on a sample basis, of used, demonstrator vehicle and truck inventory at year-end as key inputs into management's calculation of the write down provisions. • Evaluating management's judgements in estimating net realisable value by: o Comparing the carrying value of vehicles and trucks to post year-end sales; and/or o Evaluating the carrying value of vehicle and truck inventory to external third party valuation data; and/or o Comparison to historical sales data. • Assessing the appropriateness of the disclosures in note 2a (v), (vi) and note 10 to the financial statements.
Classification of investment in Automotive Holdings Group Limited As detailed in note 13 the Group holds an investment in Automotive Holdings Group Limited (AHG) of $149.2 million relating to its 28.84% shareholding. As disclosed in note 2a (i), in accounting for its investment in AHG, the Group has exercised judgement in rebutting the presumption of having significant influence over the entity, despite holding more than 20% of the issued share capital of that entity.	Our procedures included, but were not limited to: • Evaluating management's determination that the Group does not exert significant influence over AHG against guidance from the relevant accounting standards. • Assessing whether the Group and its related parties have relationships and/or influence over AHG, including through Board representation, historical voting patterns and additional interests. • Assessing the appropriateness of the disclosures in note 2a (i) and 13 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the annual report (but does not include the financial report and our auditor's report thereon): the Company Profile, the 5 Year Financial Summary and the A.P. Eagers Foundation Report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company Profile, the 5 Year Financial Summary and the A.P. Eagers Foundation Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 17 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of A.P. Eagers Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants
Brisbane, 20 February 2019