27 February 2020

Company Announcements Office
ASX Limited

FULL YEAR ACCOUNTS

Attached are the following documents for the year ended 31 December 2019:

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

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Managing Director
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Authorised for release by the Board.

A.P. EAGERS LIMITED
ABN 87 009 680 013

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Appendix 4E
Preliminary Final Report
year ended 31 December 2019
(ASX listing rule 4.3A)

A.P. Eagers FY19 result reflects year of transformation

Summary

- Completed transformative merger with AHG to create Australia's leading automotive retail group.
- Result includes four months of AHG contribution, transaction costs and restructure activities.
- $244.9 million in non cash impairments to goodwill and assets from continuing operations – the result of acquisition accounting.
- Underlying Operating Profit Before Tax[1] of $100.4 million (2018[2]: $103.5 million), down on 2018 due to challenging market conditions. Statutory Loss Before Tax from continuing operations of $63.3 million following significant items including impairment of goodwill and tangible assets, acquisition and integration costs, employee underpayments and the new lease standard.
- Statutory Loss After Tax from continuing operations of $80.5 million (2018[2]: $97.5 million profit) or $129.1 million when discontinued operations are included.
- Underlying Operating Earnings per Share of 31.5 cents (2018[2]: 36.5 cents). Earnings per Share (basic) is a loss of 62.4 cents (2018[2]: 50.1 cents profit).
- Final Dividend of 22.5 cents per share (2018: 22.5 cents) underscores the Board's confidence in the strength of AP Eagers' business and future strategy.

Operational and strategic highlights

- Parts and service business continues to remain strong, with used car sales and profits outperforming the national market.
- Acquired strategic Adelaide BMW & MINI franchise at an attractive price, divested the Kloster Motor Group to satisfy the ACCC condition for merger authorisation in relation to the AHG transaction, and divested two operations consistent with our active portfolio restructuring approach.
- Executed sale of Newstead properties, acquired strategic site (ex-Bunnings) in Albion (Qld) for multi brand servicing facility.
- Entered advanced design phase on world class 94,047m^2 automotive retailing and mobility hub at Brisbane Airport Auto Mall.
- Purchased Toyota franchise in Albion (QLD) to allow for its inclusion in the Brisbane Airport Auto Mall.
- Transition to new financing model well underway with continued improvement in penetration levels.
- Delivered $20.1 million of annualised pre-tax synergies, ahead of initial target.

(1) Underlying operating results refers to continuing operations, adjusted for significant items and including removal of Kloster Motor Group's (KMG) contribution from 2019 and comparative financial information, outlined and reconciled to statutory results in the investor presentation on slides 35 (FY2019) and 36 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to audit by the company's external auditors
(2) Comparative financial information in the Full Year report and Appendix 4E commentary has been restated for the new lease accounting standard (AASB 16).

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

"2019 was a year of transformation for AP Eagers as we successfully completed the merger of our business with AHG to create a leading, national automotive group. Our rationale for bringing these two businesses together was clear: the industry is undergoing significant structural change and a national business of scale will be better placed to compete and invest as the market continues to rationalise. While the 2019 result reflects the noise of this major acquisition, some select investments and significant restructuring costs, we are clear on our plan to deliver short and medium term synergies and long term competitive advantage from this strategic combination.

"During the period, AP Eagers outperformed the synergy target it set itself for the financial year and is well on track to surpass a total $30 million annual synergy target. Importantly, as we continue our efforts to restructure the business, the team is aligned behind our Next100 strategy.

"We see a future with fewer traditional dealerships and yet more touch-points with the consumer – online, in shopping malls and in service hubs. We know we need to deliver a superior customer experience from a more sustainable and productive cost base. And we know we need to support our manufacturing partners by engaging consumers in cutting-edge design, performance and innovation at every opportunity. This is an exciting time for the industry as we explore connected, electric and even autonomous vehicles. This is where we're focused – on solutions for the future not the model of the past."

A.P. Eagers Limited (ASX: APE) (AP Eagers or "the company") today announced its results for the full year ended 31 December 2019 (FY19). On a continuing basis, the Company delivered Underlying Operating Profit Before Tax[1] of $100.4 million, down 3.0% on the prior corresponding period (pcp). The results include the consolidation of Automotive Holdings Group Limited (AHG) from 19 August 2019, the date on which the Group's ownership interest in AHG exceeded 50% following the offer being declared unconditional on 16 August 2019. APE achieved 100% ownership of AHG on 24 October. AHG's operations contributed $17.6 million to the consolidated underlying operating profit before tax[1] for the four months ended 31 December 2019.

The trading result reflects challenging economic conditions including subdued consumer confidence, a tighter finance market and increasing competitive pressures. According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales in 2019 decreased by 7.8% on the pcp.

On a statutory basis (including discontinued operations), the Company recorded a Statutory Net Loss Before Tax from continuing operations of $63.3 million for 2019 compared to a Net Profit Before Tax of $128.4 million in 2018. The 2019 statutory result was impacted by significant items totalling $163.7 million before tax, predominately non-cash items (net of contributions from Kloster Motor Group divested October 2019). Statutory Net Loss After Tax (including discontinued operations) for 2019 was $129.1 million as compared to a profit of $97.5 million in 2018. Earnings per share (basic) for 2019 is a loss of 62.4 cents compared to a profit of 50.1 cents in the pcp.

Key Financial Highlights

Year to December, from Continuing Operations	Full Year to December 2019 $ Million	Restated Full Year to December 2018[2] $ Million	% Change
Statutory Results			
Revenue	5,817.0	4,112.8	41.4%
EBITDA	97.5	215.3	(54.7%)
Statutory (Loss) / Profit Before Tax	(63.3)	128.4	(149.3%)
Statutory (Loss) / Profit After Tax	(80.5)	97.5	(182.5%)
Statutory EPS (loss) / profit (basic) cents	(39.4)	50.1	(178.6%)
Total Dividend per Share – cents	36.5	36.5	-
Underlying Operating Results[1]			
Revenue[1]	5,478.4	3,689.3	48.5%
EBITDA[1]	163.2	141.2	15.6%
Underlying Profit Before Tax[1]	100.4	103.5	(3.0%)
Underlying Profit After Tax[1]	69.2	71.4	(3.1%)
Earning per Share – cents[1]	31.5	36.5	(13.8%)

The company's Underlying[1] Operating Profit Before Tax from continuing operations reflects a decrease for both the car and truck retailing businesses for APE on a standalone basis. The underlying[1] operational result is impacted by the widely reported challenges on new car sales within automotive retailing during 2019.

The drop in new vehicle sales across the market also impacted AP Eagers F&I division. Notwithstanding the market softness, the result from parts and service was solid and the result from used cars was strong, with profit increasing. AP Eagers also experienced a decline in underlying[1] profit due to the strategic divestment of five properties, with the property segment impacted by loss of internal rent.

Dividend

AP Eagers directors have approved payment of a fully franked final dividend of 22.5 cents per share (2018: 22.5 cents) reflecting their confidence in the strategic direction of the combined business. The final dividend has been approved for payment on 20 April 2020 to shareholders who are registered on 1 April 2020 (Record Date). When combined with the interim dividend of 14.0 cents paid in October 2019, the total dividend based on 2019 earnings is 36.5 cents per share (2018: 36.5 cents) fully franked.

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 -7.8% in 2019 as compared to 2018. The decline in new vehicles sales for the month of December 2019 on pcp represented the 21st consecutive monthly decline in new vehicle sales on pcp.

The challenging market conditions were reflected across the Australian industry, with every State recording a decline on pcp. The larger markets of Queensland, New South Wales and Victoria, recorded sales declines on the pcp of 7.2%, 8.4% and 8.7% respectively. The remaining markets also recorded a decline on the pcp, with South Australia and Western Australia down 5.4%, Tasmania down 2.3%, Northern Territory down 16.0% and Australian Capital Territory down 11.7%.

The decrease in new motor vehicles sales on pcp was experienced across all buyer types, with private sales down 7.6%, business sales down 8.7%, government sales down 5.9% and rental sales down 4.5%. Luxury vehicle segment increased from 10.4% to 10.9% of total market share, finishing 3.8% down, with mixed performance across the brands. While the role of plug-in hybrid and electric vehicles grew 116% it was from a very low base with traditional fuel vehicles accounting for 99% of all new vehicle sales.

Nationally, the Heavy Commercial segment contracted 8.3%, with decreases in light/medium duty trucks and heavy-duty sales of 6.9% and 11.1% respectively.

Strategic Developments

AP Eagers continues to focus on the creation of long term value for shareholders, underpinned by execution of its 'NEXT 100' strategy. During the period, the Company made substantial progress in a number of key areas including:

- Entering into the advanced design phase of our world class automotive retailing and mobility hub at Brisbane Airport Auto Mall as well as our shopping centre plans.
- Active management of APE's property portfolio with a focus on flexibility – during the period AP Eagers executed the sale and leaseback of its Newstead properties and acquired a strategic site in Albion (QLD).
- Transition to new financing model well underway with improvement in penetration evident (shortfall in new vehicle F&I volume related with total new car market down 7.8% and used vehicle F&I still impacted by cyclical credit constraints). However, our progress continues to be slower than anticipated as the government-instigated regulatory intervention into the automotive retail finance model combined with tighter credit conditions following the banking royal commission creates headwinds to not only improved finance penetration but also vehicle sales in general.
- Achieving $20.1 million in annualised pre-tax merger synergies by the end of period as the combined business aims to deliver a more sustainable and productive cost base.
- Significant progress achived in growing volume, revenue and income in our scalable 'fixed price' used car models (EasyAuto123 and Zooper) with plans to simplify the brands and further integrate the Carlins auction business and franchised automotive in 2020.
- AP Eagers remains committed to the divestment of the Refrigerated Logistics business as soon as commercially possible and at a reasonable price. The divestment process is progressing and AP Eagers anticipates being in a position to make an announcement in relation to the divestment in the near future.

Acquisition Accounting for AHG

A key part of accounting for the acquisition of AHG is measuring the fair value of the consideration and the fair value of the asset acquired and liabilities assumed at the date of acquisition, a process referred to as Purchase Price Allocation (PPA) process.

The fair value of acquisition consideration is measured based on (AHG's) share price on the date APE achieved control, being 19 August 2019, for accounting purposes. AHG's share price on the date of the original offer was $1.78 per share (5 April 2019), increasing to $3.09 per share on acquisition date. This resulted in a significant uplift in the value of the offer for accounting purposes, $246 million above our initial offer value.

Based on the work undertaken by management and independent valuation experts, the fair value of the assets acquired and liabilities assumed at the date of acquisition resulted in a reduction in AHG's tangible net asset value of $145 million. The reduction primarily adjusted the value of property, plant and equipment, and reduced the value of Refrigerated Logistics business and assets.

The impact of the PPA process was that goodwill, being the fair value of the acquisition consideration in excess of the fair value of net tangible and identifiable intangible assets, was inflated by this technical accounting treatment.

The goodwill on acquisition of AHG combined with APE's existing goodwill was assessed for impairment at 31 December, resulting in a $209.2 million impairment recorded against goodwill and $35.7 million against property plant and equipment in the Car Retailing and Trucks Retailing segments. A $34.8 million impairment was recorded in discontinued operations, relating to the write-down of Refrigerated Logistics business to reflect market valuation at 31 December 2019.

Financial Performance

Statutory revenue from continuing operations increased by 41.4% to $5,817.0 million. Underlying[1] revenue increased by 48.5% to $5,478.4 million. The increase is primarily driven by AHG's contribution of $1,867.1 million. Excluding AHG and on a like-for-like basis, total underlying[1] segment revenue decreased by 2.9% compared to the pcp, outperforming the national market. Strong trading in the Tasmanian car division was offset by the combined declines in Queensland, New South Wales and South Australia and the trucks division, with these markets impacted by tough trading conditions.

EBITDA from continuing operations decreased by 54.7% to $97.5 million in 2019 (2018: $215.3 million). Underlying[1] EBITDA increased by 15.6% to $163.2 million in 2019 (2018: $141.2 million). AHG contributed $41.5 million for the four months. Excluding AHG, underlying[1] EBITDA decreased by $20.4 million compared to the pcp. Profit margins decreased as indicated by the underlying[1] operating EBITDA/Revenue ratio of 3.0% (2018: 3.9%), with a comparable reduction in underlying[1] operating NPBT/Sales ratio of 1.8% (2018: 2.8%). The reduction in margins was impacted by missed KPIs on new automotive vehicle sales and margin compression, both due to challenging trading conditions and clearance of aged stock in AHG operations.

Statutory borrowing costs from continuing operations increased by 60.9% to $65.6m. Underlying[1] borrowing costs increased by 69.4% to $63.0 million for 2019 (2018: $37.2 million). The increase is predominately from AHG contribution of $24.3 million, which was driven by the impact of the new lease standard which has a greater impact on AHG compared to APE. Excluding AHG, underlying[1] borrowing costs increased $1.5 million (+4.0%) due to the accelerated expensing of capitalised borrowing costs upon refinancing APE's syndicated debt facility to incorporate AHG's senior debt under a single merged facility. The refinance was completed in December 2019, realising a lower cost finance package under the merged facility.

Statutory depreciation and amortisation charges from continuing operations increased by 106.4% to $95.2 million for 2019 (2018: $46.1 million). Underlying[1] depreciation and amortisation charges increased by 117.4% to $93.7 million for 2019 (2018: $37.2 million). The increase is from AHG contributing $50.7 million, impacted by the new lease standard which has a greater impact on AHG compared to APE. Excluding AHG, underlying[1] depreciation and amortisation charges decreased $0.2 million (-0.4%), reflecting the divestment of non-core properties/businesses in 2019.

Statutory loss before tax for 2019 was impacted by impairment charges, merger and integration costs, employee underpayment and restructuring costs, the new lease standard and the AHG Board not declaring a dividend for the six months to 31 December 2018, compared to dividend income of $13.9 million in the pcp. The impact was partially offset by AP Eagers equity accounting its investment in AHG from 1 May 2019 and consolidating from 19 August 2019, the extraordinary non-cash gain on reclassification of the investment in AHG from equity to consolidation and the non-cash release of the contingent consideration.

<u>Segments</u> [3]

The Car Retail segment recorded a statutory loss before tax from continuing operations of $114.1 million compared to a profit of $91.0 million in 2018[4]. Underlying[1] Operating Profit before tax was $93.7 million (excluding one-off items totalling $207.8 million), an increase compared to $85.4 million in 2018. The increase is from AHG contributing $22.1 million underlying[1] operating profit, with APE down $13.8 million (-16%) on pcp on a standalone basis.

AP Eagers standalone underlying[1] operational profit from continuing business was lower across all regions except for Tasmania. The decline is due to the effect of a lower new vehicle market leading to reduced sales volumes generating lower gross KPI income and associated F&I income, partially mitigated by APE's cost reduction strategies. The combined car parts and service businesses continue to excel – flat on record pcp performance in the context of declining new car sales. The reduction in new car market also lead to a corresponding increase in used car performance as new car buyers switched to used and the supply / demand equation was rebalanced with a corresponding lift in income.

AHG's four month trading performance declined across all regions on pcp, with QLD and VIC significantly underperforming. EasyAuto123 and AMCAP recorded an improvement on pcp, with EasyAuto123 in particular making material progress towards breakeven. It is expected that EasyAuto123 will be in consistent profit by the first half of 2020.

Car Retailing statutory revenue from continuing operations increased by 42.3% to $5,225.0 million. Underlying[1] revenue from Car Retailing continuing operations increased by 50.5% to $4,885.6 million. The increase is from AHG contributing $1,674.9 million. Excluding AHG and on a like-for-like basis, underlying[1] revenue decreased by 1.1% compared to the pcp, with the decrease primarily attributable to declines in the Queensland, New South Wales and South Australia markets. The company's parts and service businesses continued to deliver strong trading results, with new car sales impacted by the decline in national new vehicle sales.

The National Truck division delivered a loss before tax from continuing operations of $9.9 million compared to $10.4 million profit for the pcp. Underlying[1] Operating Profit before tax was $7.8m (excluding impairment totalling $11.6 million), a decrease of $3.1 million, reflecting softer trading conditions and a $1.3 million profit contribution from AHG, with APE down $4.4 million on pcp on a standalone basis.

The value of the property portfolio decreased to $267 million at 31 December 2019 compared with $332 million as at 31 December 2018. The sale of four properties at Newstead, QLD during 2019 is a key step in the execution of AP Eagers' 'Next100' future growth strategy, aligning with our move to the Brisbane Auto Mall. The Company also divested a vacant property in Victoria and purchased a property in the inner city suburb of Albion, QLD to use as multi-franchise service centre as part of our 'Next100' strategy. Finally, the Company redeveloped the Southside Toyota showroom (QLD) and Buckles Toyota and VW shared service centre (NSW).

The Property segment profit contribution of $23.3 million before tax for 2019 was lower than the pcp of $28.0 million. Gains on sale and revaluation of properties were $14.5 million, down $2.8 million on the pcp. Underlying[1] Operating Profit Before Tax was $8.9m (excluding gains on sale), down $1.9m on the pcp driven by reduction on internal rental income from properties divested.

The Investment segment registered a profit before tax of $139.6 million for 2019 compared to a loss of $171.1 million for the pcp. The movement was due to an unrealised revaluation gain on the AHG investment of $145.4 million. This reflected an AHG closing share price of $2.40 per share on the date the Company equity accounted its investment compared with $1.56 as at 31 December 2018 with the gain taken to reserves, plus an additional revaluation gain on the date the Company consolidated our investment in AHG reflecting a share price of $3.08 on 19 August 2019 taken to the income statement.

(3) Note: 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 strong, with a substantial property portfolio and asset base underpinning the company's financial position.

Corporate debt (Term and Capital Loan Facility) net of cash on hand increased to $315.8 million as at 31 December 2019, up from $295.1 million at 31 December 2018. The increase was due to refinancing AHG's debt under APE's debt facility, offset by the repayment of APE's existing debt utilising the proceeds from asset sales. Total debt including vehicle bailment and lease liabilities, net of cash on hand, is $2,790.3 million as compared to $1,137.4 million as at 31 December 2018. The increase is due to the floorplan and lease liabilities of $1,713.5 million relating to AHG businesses.

Total inventory levels increased to $1,462.7 million at 31 December 2019, up from $690.2 million at 31 December 2018. The increase is from AHG businesses contributing inventories of $880.5 million. APE inventory was down on pcp, due to stock management and divestment of KMG.

Net tangible assets were $1.02 per share as at 31 December 2019, as compared to $1.99 per share as at 30 June 2019 and $1.68 per share at 31 December 2018, due to the dilutionary effect of the share issuance for the acquisition of AHG and the associated goodwill recognised, and divestment of property and KMG's business and assets.

The Company maintained a strong cash position with net cash provided by operating activities increasing by $56.7 million to $170.8 million in the twelve months to December 2019 (2018: $114.2 million). In addition to the strong cash flow from operations, the increase was driven by five key items totalling $64.9 million. Firstly, the contribution from AHG operating cash inflows of $50.1 million. Secondly, tax payments decreased by $4.0 million to $36.9 million in 2019, primarily driven by a large balancing tax payment made in the first half of 2018 which arose from a lower tax instalment rate in 2017. Thirdly, in 2019, the Company utilised a used vehicle floorplan facility, which had a favourable impact on operating cashflows. These favourable movements were offset with the unfavourable impact of no AHG dividend received (June 2018: $13.9 million), combined with a decrease in insurance payments received of $10.8 million to $5.3 million in 2019 and the payment of $23.0 million of merger and integration costs.

The balance sheet reflects a net current liability position of $140.7 million, impacted by three key items:

- Firstly, the application of the new lease standard resulted in the recognition of a $171.7 million current lease liability as at 31 December 2019, reflecting property rental charges for the next 12 months. AHG's represents $126.0 million of the lease liability. This commitment was previously recorded off balance sheet under the previous accounting standard.
- Secondly, the sale of property and KMG business and current assets resulted in a current tax liability, with the proceeds used to pay down non-current term debt instead of retained in cash.
- Thirdly, the identification of AP Eager's and AHG staff underpayment impacted current liabilities, with the Group recording a provisional estimate at 31 December 2019 for underpayments from a six-year period.

Removing the impact of these items results in a net current asset position for the Group. The group expects to continue to generate significant cash inflows from operating to fund its obligations and also has available debt capacity.

New Lease Standard

The Company's financial position remains strong. The application of the new lease standard (AASB 16), effective from 1 January 2019, has resulted in significant changes to the Company's corporate debt and liquidity ratios, driven by the first-time recognition of lease liabilities, and rent expense on long term leases now being recognised as interest and depreciation charges. The new standard does not impact underlying shareholder value, cash flows, or the Company's bank covenants.

At 1 January 2019, AP Eager's elected to adopt the full retrospective method to account for the leases for the Company, meaning the lease liability was discounted to the present value of the lease at lease inception date with the movement since that date to 1 January 2019 taken to the retained earnings. APE's lease liability and right of use asset at 31 December 2019 is $270.5 million and $193.2 million respectively, with PBT reduced by $1.0 million in 2019 as a result of the new standard.

AHG's relative contribution to the impact of IFRS 16 on the Group is significant given the relative size and tenor of their external leased property portfolio compared to AP Eagers'. In addition, AP Eagers does not receive the benefit of applying the full retrospective approach to the initial application of AASB 16. For the AHG leases acquired by AP Eagers as part of the merger, the lease liability is determined on the basis that the lease was executed on the business acquisition date, 19 August 2019. This has resulted in a recognition of a lease liability and right of use asset at 31 December 2019 relating to AHG is $922.1 million and $819.9 million respectively, with PBT reduced by $10.6 million for the four months ended 31 December 2019 as a result of the new standard.

For continuing operations, the total impact of the new standard on the 31 December 2019 consolidated financial report is the recognition of a $1,192.6 million lease liability, a $1,013.1 million right of use asset and a deferred tax asset $54.0 million, with PBT reduced by $11.4 million in 2019.

Outlook

Following the merger with AHG, AP Eagers has the scale and competitive advantage to withstand the challenging external conditions and benefit from the accelerating industry transition.

The underlying core automotive result for January 2020 demonstrated strong profit growth on the prior corresponding period, representing a good start to the year for the combined group, particularly in the context of a 12.5% decline in the national new vehicle market for the same month.

In the near term, AP Eagers is focused on delivering improved operational performance through:

- Ongoing integration of AHG including realisation of its targeted $30m in synergies ($24.2m achieved);
- Divestment of non-core assets to improve the statutory result; and
- Effectively managing the exit of Holden / GM from the Australian market.

In the short to medium term, the Group is focused on driving EPS growth by prioritising the following initiatives:

- Scaling our fixed price used car business;
- Unlocking value in its property including transitioning to the Brisbane Airport Auto Mall to support enhanced customer experience on a lower cost base;
- Increasing F&I penetration rates toward levels present in US and UK markets; and
- Restructuring, rationalisation and consolidation opportunities.

-ENDS-

MartinWard

Martin Ward
Managing Director

27 February 2020

For more information, contact: Martin Ward, Managing Director, (07) 3608 7100
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 2019 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 (2014 to present). 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 Alexandra 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.

Greg James Duncan OAM, Bec, FCA
Director

Independent, non-executive Director since December 2019. Chairman of Cox Automotive Australia Board of Management (2016 to present). Director of advisory and investment firm JWT Bespoke Pty Ltd (2013 to present). Former owner and Executive Chairman of Trivett Automotive Group, Australia's largest prestige automotive business. Former Director of Automotive Holdings Group Ltd (2015 to 2019)

David Scott Blackhall BCom, MBA, FAICD
Director

Independent, non-executive Director since December 2019. Over half a century of automotive industry experience with manufacturers, including at Managing Director level, as dealer principal and owner of various automotive franchises, and as Chief Executive of Australian Automotive Dealer Association (2016 to 2019). Managing Director of corporate advisory firm Raglan Ridge Advisors. Former Director of Automotive Holdings Group Ltd (2019).

Michelle Victoria Prater BBus, CPA, ACIS, AICD
Director

Non-executive Director since February 2020. Executive Chairman of APPL Group (2004 to present), a property development and investment group with an extensive automotive property portfolio including significant properties leased to AP Eagers dealerships. Former executive roles at corporate and operational levels with Automotive Holdings Group Ltd (1993 to 2004) including as an executive Director (2002 to 2004).

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 administration. 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	
	Attended	Held	Attended	Held
T B Crommelin (1)	10	10	4	4
N G Politis	9	10	-	-
M A Ward	10	10	-	-
D T Ryan	10	10	-	-
D A Cowper (1)	9	10	4	4
M J Birrell (1)	9	10	4	4
S A Moore	10	10	-	-
G J Duncan (2)	1	1	-	-
D S Blackhall (2)	1	1	-	-
M V Prater (3)	-	-	-	-

(1) *Audit, Risk & Remuneration Committee members*
(2) *Appointed as a Director on 6 December 2019*
(3) *Appointed as a Director on 3 February 2020*

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

A.P. Eagers Limited (ASX: APE) (AP Eagers or "the company") today announced its results for the full year ended 31 December 2019 (FY19). On a continuing basis, the Company delivered Underlying Operating Profit Before Tax[1] of $100.4 million, down 3.0% on the prior corresponding period (pcp). The results include the consolidation of Automotive Holdings Group Limited (AHG) from 19 August 2019, the date on which the Group's ownership interest in AHG exceeded 50% following the offer being declared unconditional on 16 August 2019. APE achieved 100% ownership of AHG on 24 October. AHG's operations contributed $17.6 million to the consolidated underlying operating profit before tax[1] for the four months ended 31 December 2019.

The trading result reflects challenging economic conditions including subdued consumer confidence, a tighter finance market and increasing competitive pressures. According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales in 2019 decreased by 7.8% on the pcp.

On a statutory basis (including discontinued operations), the Company recorded a Statutory Net Loss Before Tax from continuing operations of $63.3 million for 2019 compared to a Net Profit Before Tax of $128.4 million in 2018. The 2019 statutory result was impacted by significant items totalling $163.7 million before tax, predominately non-cash items (net of contributions from Kloster Motor Group divested October 2019). Statutory Net Loss After Tax (including discontinued operations) for 2019 was $129.1 million as compared to a profit of $97.5 million in 2018. Earnings per share (basic) for 2019 is a loss of 62.4 cents compared to a profit of 50.1 cents in the pcp.

Key Financial Highlights

Year to December, from Continuing Operations	Full Year to December 2019 $ Million	Restated Full Year to December 2018[2] $ Million	% Change
Statutory Results			
Revenue	5,817.0	4,112.8	41.4%
EBITDA	97.5	215.3	(54.7%)
Statutory (Loss) / Profit Before Tax	(63.3)	128.4	(149.3%)
Statutory (Loss) / Profit After Tax	(80.5)	97.5	(182.5%)
Statutory EPS (loss) / profit (basic) cents	(39.4)	50.1	(178.6%)
Total Dividend per Share – cents	36.5	36.5	-
Underlying Operating Results[1]			
Revenue[1]	5,478.4	3,689.3	48.5%
EBITDA[1]	163.2	142.1	14.9%
Underlying Profit Before Tax[1]	100.4	103.5	(3.0%)
Underlying Profit After Tax[1]	69.2	71.4	(3.1%)
Earning per Share – cents[1]	31.5	36.5	(13.8%)

(1) Underlying operating results refers to continuing operations, adjusted for significant items and including removal of Kloster Motor Group's (KMG) contribution from 2019 and comparative financial information, outlined and reconciled to

statutory results in the investor presentation on slides 35 (FY2019) and 36 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to audit by the company's external auditors

(2) Comparative financial information in the Full Year report and Appendix 4E commentary has been restated for the new lease accounting standard (AASB 16).

The company's Underlying[1] Operating Profit Before Tax from continuing operations reflects a decrease for both the car and truck retailing businesses for APE on a standalone basis. The underlying[1] operational result is impacted by the widely reported challenges on new car sales within automotive retailing during 2019.

The drop in new vehicle sales across the market also impacted AP Eagers F&I division. Notwithstanding the market softness, the result from parts and service was solid and the result from used cars was strong, with profit increasing. AP Eagers also experienced a decline in underlying[1] profit due to the strategic divestment of five properties, with the property segment impacted by loss of internal rent.

Dividend

A fully franked final dividend of 22.5 cents per share (2018: 22.5 cents) has been approved for payment on 20 April 2020 to shareholders who are registered on 1 April 2020 (Record Date). When combined with the interim dividend of 14.0 cents paid in October 2019, the total dividend based on 2019 earnings is 36.5 cents per share (2018: 36.5 cents) fully franked.

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	**2019**	**2018**
	$'000	**$'000**
Final ordinary dividend for the year ended 31 December 2018 of 22.5 cents (2017: 22.5 cents) per share paid on 18 April 2019	43,045	43,045
Interim ordinary dividend of 14.0 cents (2018: 14.0 cents) per share paid on 17 October 2019	35,037	26,783
	78,082	69,828

External Environment

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales decreased by -7.8% in 2019 as compared to 2018. The decline in new vehicles sales for the month of December 2019 on pcp represented the 21st consecutive monthly decline in new vehicle sales on pcp.

The challenging market conditions were reflected across the Australian industry, with every State recording a decline on pcp. The larger markets of Queensland, New South Wales and Victoria, recorded sales declines on the pcp of 7.2%, 8.4% and 8.7% respectively. The remaining markets also recorded a decline on the pcp, with South Australia and Western Australia down 5.4%, Tasmania down 2.3%, Northern Territory down 16.0% and Australian Capital Territory down 11.7%.

The decrease in new motor vehicles sales on pcp was experienced across all buyer types, with private sales down 7.6%, business sales down 8.7%, government sales down 5.9% and rental sales down 4.5%. Luxury vehicle segment increased from 10.4% to 10.9% of total market share, finishing 3.8% down, with mixed performance across the brands. While the role of plug-in hybrid and electric vehicles grew 116% it was from a very low base with traditional fuel vehicles accounting for 99% of all new vehicle sales.

Nationally, the Heavy Commercial segment contracted 8.3%, with decreases in light/medium duty trucks and heavy-duty sales of 6.9% and 11.1% respectively.

Strategic Developments

AP Eagers continues to focus on the creation of long term value for shareholders, underpinned by execution of its 'NEXT 100' strategy. During the period, the Company made substantial progress in a number of key areas including:

- Entering into the advanced design phase of our world class automotive retailing and mobility hub at Brisbane Airport Auto Mall as well as our shopping centre plans.
- Active management of APE's property portfolio with a focus on flexibility – during the period AP Eagers executed the sale and leaseback of its Newstead properties and acquired a strategic site in Albion (QLD).
- Transition to new financing model well underway with improvement in penetration evident (shortfall in new vehicle F&I volume related with total new car market down 7.8% and used vehicle F&I still impacted by cyclical credit constraints). However, our progress continues to be slower than anticipated as the government-instigated regulatory intervention into the automotive retail finance model combined with tighter credit conditions following the banking royal commission creates headwinds to not only improved finance penetration but also vehicle sales in general.
- Achieving $20.1 million in annualised pre-tax merger synergies by the end of period as the combined business aims to deliver a more sustainable and productive cost base.
- Significant progress achived in growing volume, revenue and income in our scalable 'fixed price' used car models (EasyAuto123 and Zooper) with plans to simplify the brands and further integrate the Carlins auction business and franchised automotive in 2020.
- AP Eagers remains committed to the divestment of the Refrigerated Logistics business as soon as commercially possible and at a reasonable price. The divestment process is progressing and AP Eagers anticipates being in a position to make an announcement in relation to the divestment in the near future.

Acquisition Accounting for AHG

A key part of accounting for the acquisition of AHG is measuring the fair value of the consideration and the fair value of the asset acquired and liabilities assumed at the date of acquisition, a process referred to as Purchase Price Allocation (PPA) process.

The fair value of acquisition consideration is measured based on (AHG's) share price on the date APE achieved control, being 19 August 2019, for accounting purposes. AHG's share price on the date of the original offer was $1.78 per share (5 April 2019), increasing to $3.09 per share on acquisition date. This resulted in a significant uplift in the value of the offer for accounting purposes, $246 million above our initial offer value.

Based on the work undertaken by management and independent valuation experts, the fair value of the assets acquired and liabilities assumed at the date of acquisition resulted in a reduction in AHG's tangible net asset value of $145 million. The reduction primarily adjusted the value of property, plant and equipment, and reduced the value of Refrigerated Logistics business and assets.

The impact of the PPA process was that goodwill, being the fair value of the acquisition consideration in excess of the fair value of net tangible and identifiable intangible assets, was inflated by this technical accounting treatment.

The goodwill on acquisition of AHG combined with APE's existing goodwill was assessed for impairment at 31 December, resulting in a $209.2 million impairment recorded against goodwill and $35.7 million against property plant and equipment in the Car Retailing and Trucks Retailing segments. A $34.8 million impairment was recorded in discontinued operations, relating to the write-down of Refrigerated Logistics business to reflect market valuation at 31 December 2019.

Financial Performance

Statutory revenue from continuing operations increased by 41.4% to $5,817.0 million. Underlying[1] revenue increased by 48.5% to $5,478.4 million. The increase is primarily driven by AHG's contribution of $1,867.1

million. Excluding AHG and on a like-for-like basis, total underlying[1] segment revenue decreased by 2.9% compared to the pcp, outperforming the national market. Strong trading in the Tasmanian car division was offset by the combined declines in Queensland, New South Wales and South Australia and the trucks division, with these markets impacted by tough trading conditions.

EBITDA from continuing operations decreased by 54.7% to $97.5 million in 2019 (2018: $215.3 million). Underlying[1] EBITDA increased by 14.9% to $163.2 million in 2019 (2018: $142.1 million). AHG contributed $41.5 million for the four months. Excluding AHG, underlying[1] EBITDA decreased by $20.4 million compared to the pcp. Profit margins decreased as indicated by the underlying[1] operating EBITDA/Revenue ratio of 3.0% (2018: 3.9%), with a comparable reduction in underlying[1] operating NPBT/Sales ratio of 1.8% (2018: 2.8%). The reduction in margins was impacted by missed KPIs on new automotive vehicle sales and margin compression, both due to challenging trading conditions and clearance of aged stock in AHG operations.

Statutory borrowing costs from continuing operations increased by 60.9% to $65.6m. Underlying[1] borrowing costs increased by 69.4% to $63.0 million for 2019 (2018: $37.2 million). The increase is predominately from AHG contribution of $24.3 million, which was driven by the impact of the new lease standard which has a greater impact on AHG compared to APE. Excluding AHG, underlying[1] borrowing costs increased $1.5 million (+4.0%) due to the accelerated expensing of capitalised borrowing costs upon refinancing APE's syndicated debt facility to incorporate AHG's senior debt under a single merged facility. The refinance was completed in December 2019, realising a lower cost finance package under the merged facility.

Statutory depreciation and amortisation charges from continuing operations increased by 106.4% to $95.2 million for 2019 (2018: $46.1 million). Underlying[1] depreciation and amortisation charges increased by 117.4% to $93.7 million for 2019 (2018: $37.2 million). The increase is from AHG contributing $50.7 million, impacted by the new lease standard which has a greater impact on AHG compared to APE. Excluding AHG, underlying[1] depreciation and amortisation charges decreased $0.2 million (-0.4%), reflecting the divestment of non-core properties/businesses in 2019.

Statutory loss before tax for 2019 was impacted by impairment charges, merger and integration costs, employee underpayment and restructuring costs, the new lease standard and the AHG Board not declaring a dividend for the six months to 31 December 2018, compared to dividend income of $13.9 million in the pcp. The impact was partially offset by AP Eagers equity accounting its investment in AHG from 1 May 2019 and consolidating from 19 August 2019, the extraordinary non-cash gain on reclassification of the investment in AHG from equity to consolidation and the non-cash release of the contingent consideration.

<u>Segments</u> [(3)]

The Car Retail segment recorded a statutory loss before tax from continuing operations of $114.1 million compared to a profit of $91.0 million in 2018(4). Underlying[1] Operating Profit before tax was $93.7 million (excluding one-off items totalling $207.8 million), an increase compared to $85.4 million in 2018. The increase is from AHG contributing $22.1 million underlying[1] operating profit, with APE down $13.8 million (-16%) on pcp on a standalone basis.

AP Eagers standalone underlying[1] operational profit from continuing business was lower across all regions except for Tasmania. The decline is due to the effect of a lower new vehicle market leading to reduced sales volumes generating lower gross KPI income and associated F&I income, partially mitigated by APE's cost reduction strategies. The combined car parts and service businesses continue to excel – flat on record pcp performance in the context of declining new car sales. The reduction in new car market also lead to a corresponding increase in used car performance as new car buyers switched to used and the supply / demand equation was rebalanced with a corresponding lift in income.

AHG's four month trading performance declined across all regions on pcp, with QLD and VIC significantly underperforming. EasyAuto123 and AMCAP recorded an improvement on pcp, with EasyAuto123 in particular making material progress towards breakeven. It is expected that EasyAuto123 will be in consistent profit by the first half of 2020.

Car Retailing statutory revenue from continuing operations increased by 42.3% to $5,225.0 million. Underlying[1] revenue from Car Retailing continuing operations increased by 50.5% to $4,885.6 million. The increase is from AHG contributing $1,674.9 million. Excluding AHG and on a like-for-like basis, underlying[1] revenue decreased by 1.1% compared to the pcp, with the decrease primarily attributable to declines in the Queensland, New South Wales and South Australia markets. The company's parts and service businesses continued to deliver strong trading results, with new car sales impacted by the decline in national new vehicle sales.

The National Truck division delivered a loss before tax from continuing operations of $9.9 million compared to $10.4 million profit for the pcp. Underlying[1] Operating Profit before tax was $7.8m (excluding impairment totalling $11.6 million), a decrease of $3.1 million, reflecting softer trading conditions and a $1.3 million profit contribution from AHG, with APE down $4.4 million on pcp on a standalone basis.

The value of the property portfolio decreased to $267 million at 31 December 2019 compared with $332 million as at 31 December 2018. The sale of four properties at Newstead, QLD during 2019 is a key step in the execution of AP Eagers' 'Next100' future growth strategy, aligning with our move to the Brisbane Auto Mall. The Company also divested a vacant property in Victoria and purchased a property in the inner city suburb of Albion, QLD to use as multi-franchise service centre as part of our 'Next100' strategy. Finally, the Company redeveloped the Southside Toyota showroom (QLD) and Buckles Toyota and VW shared service centre (NSW).

The Property segment profit contribution of $23.3 million before tax for 2019 was lower than the pcp of $28.0 million. Gains on sale and revaluation of properties were $14.5 million, down $2.8 million on the pcp. Underlying[1] Operating Profit Before Tax was $8.9m (excluding gains on sale), down $1.9m on the pcp driven by reduction on internal rental income from properties divested.

The Investment segment registered a profit before tax of $139.6 million for 2019 compared to a loss of $171.1 million for the pcp. The movement was due to an unrealised revaluation gain on the AHG investment of $145.4 million. This reflected an AHG closing share price of $2.40 per share on the date the Company equity accounted its investment compared with $1.56 as at 31 December 2018 with the gain taken to reserves, plus an additional revaluation gain on the date the Company consolidated our investment in AHG reflecting a share price of $3.08 on 19 August 2019 taken to the income statement.

(3) Note: 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 strong, with a substantial property portfolio and asset base underpinning the company's financial position.

Corporate debt (Term and Capital Loan Facility) net of cash on hand increased to $315.8 million as at 31 December 2019, up from $295.1 million at 31 December 2018. The increase was due to refinancing AHG's debt under APE's debt facility, offset by the repayment of APE's existing debt utilising the proceeds from asset sales. Total debt including vehicle bailment and lease liabilities, net of cash on hand, is $2,790.3 million as compared to $1,137.4 million as at 31 December 2018. The increase is due to the floorplan and lease liabilities of $1,713.5 million relating to AHG businesses.

Total inventory levels increased to $1,462.7 million at 31 December 2019, up from $690.2 million at 31 December 2018. The increase is from AHG businesses contributing inventories of $880.5 million. APE inventory was down on pcp, due to stock management and divestment of KMG.

Net tangible assets were $1.02 per share as at 31 December 2019, as compared to $1.99 per share as at 30 June 2019 and $1.68 per share at 31 December 2018, due to the dilutionary effect of the share issuance for the acquisition of AHG and the associated goodwill recognised, and divestment of property and KMG's business and assets.

The Company maintained a strong cash position with net cash provided by operating activities increasing by $56.7 million to $170.8 million in the twelve months to December 2019 (2018: $114.2 million). In addition to the strong cash flow from operations, the increase was driven by five key items totalling $64.9 million. Firstly, the contribution from AHG operating cash inflows of $50.1 million. Secondly, tax payments decreased by $4.0 million to $36.9 million in 2019, primarily driven by a large balancing tax payment made in the first half of 2018 which arose from a lower tax instalment rate in 2017. Thirdly, in 2019, the Company utilised a used vehicle floorplan facility, which had a favourable impact on operating cashflows. These favourable movements were offset with the unfavourable impact of no AHG dividend received (June 2018: $13.9 million), combined with a decrease in insurance payments received of $10.8 million to $5.3 million in 2019 and the payment of $23.0 million of merger and integration costs.

The balance sheet reflects a net current liability position of $140.7 million, impacted by three key items:

- Firstly, the application of the new lease standard resulted in the recognition of a $171.7 million current lease liability as at 31 December 2019, reflecting property rental charges for the next 12 months. AHG's represents $126.0 million of the lease liability. This commitment was previously recorded off balance sheet under the previous accounting standard.
- Secondly, the sale of property and KMG business and current assets resulted in a current tax liability, with the proceeds used to pay down non-current term debt instead of retained in cash.
- Thirdly, the identification of AP Eager's and AHG staff underpayment impacted current liabilities, with the Group recording a provisional estimate at 31 December 2019 for underpayments from a six-year period.

Removing the impact of these items results in a net current asset position for the Group. The group expects to continue to generate significant cash inflows from operating to fund its obligations and also has available debt capacity.

New Lease Standard

The Company's financial position remains strong. The application of the new lease standard (AASB 16), effective from 1 January 2019, has resulted in significant changes to the Company's corporate debt and liquidity ratios, driven by the first-time recognition of lease liabilities, and rent expense on long term leases now being recognised as interest and depreciation charges. The new standard does not impact underlying shareholder value, cash flows, or the Company's bank covenants.

At 1 January 2019, AP Eager's elected to adopt the full retrospective method to account for the leases for the Company, meaning the lease liability was discounted to the present value of the lease at lease inception date with the movement since that date to 1 January 2019 taken to the retained earnings. APE's lease liability and right of use asset at 31 December 2019 is $270.5 million and $193.2 million respectively, with PBT reduced by $1.0 million in 2019 as a result of the new standard.

AHG's relative contribution to the impact of IFRS 16 on the Group is significant given the relative size and tenor of their external leased property portfolio compared to AP Eagers'. In addition, AP Eagers does not receive the benefit of applying the full retrospective approach to the initial application of AASB 16. For the AHG leases acquired by AP Eagers as part of the merger, the lease liability is determined on the basis that the lease was executed on the business acquisition date, 19 August 2019. This has resulted in a recognition of a lease liability and right of use asset at 31 December 2019 relating to AHG is $922.1 million and $819.9 million respectively, with PBT reduced by $10.6 million for the four months ended 31 December 2019 as a result of the new standard.

For continuing operations, the total impact of the new standard on the 31 December 2019 consolidated financial report is the recognition of a $1,192.6 million lease liability, a $1,013.1 million right of use asset and a deferred tax asset $54.0 million, with PBT reduced by $11.4 million in 2019.

Outlook

Following the merger with AHG, AP Eagers has the scale and competitive advantage to withstand the challenging external conditions and benefit from the accelerating industry transition.

The underlying core automotive result for January 2020 demonstrated strong profit growth on the prior corresponding period, representing a good start to the year for the combined group, particularly in the context of a 12.5% decline in the national new vehicle market for the same month.

In the near term, AP Eagers is focused on delivering improved operational performance through:

- Ongoing integration of AHG including realisation of its targeted $30m in synergies ($24.2m achieved);
- Divestment of non-core assets to improve the statutory result; and
- Effectively managing the exit of Holden / GM from the Australian market.

In the short to medium term, the Group is focused on driving EPS growth by prioritising the following initiatives:

- Scaling our fixed price used car business;
- Unlocking value in its property including transitioning to the Brisbane Airport Auto Mall to support enhanced customer experience on a lower cost base;
- Increasing F&I penetration rates toward levels present in US and UK markets; and
- Restructuring, rationalisation and consolidation opportunities.

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 executive Directors) 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:

	2019	2018	2017	2016	2015
Statutory NPAT ($ million)	(129.1)	97.5	98.2	105.5	87.0
Statutory Earnings per share - basic (c)	(62.4)	50.1	50.3	55.4	47.6
Dividend per share (c)	36.5	36.5	36.0	35	32
Share Price at year end ($)	10.24	6.00	7.97	9.22	12.70

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	$100,000 per annum
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 or the Chief Executive Officer, nor is it available to the Chief Operating Office – Cars (as his remuneration is commission based).

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

(ii) Commission Structure

A commission incentive is included in the remuneration for the Chief Operating Officer - 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 or waived 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 for the performance period. This is the only performance hurdle for the rights granted to the Chief Financial Officer in February 2020 as a retention incentive.

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, except as noted in this report. 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.

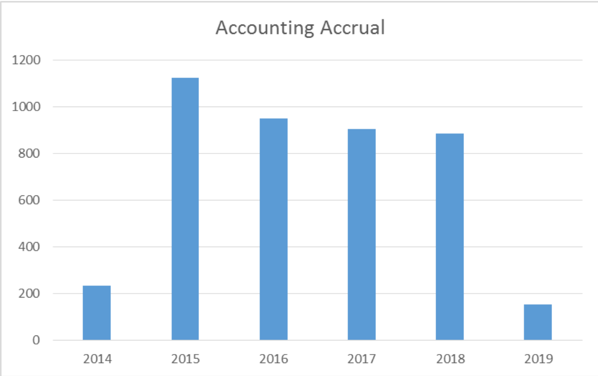
(iii) CEO's Participation in EIP

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:

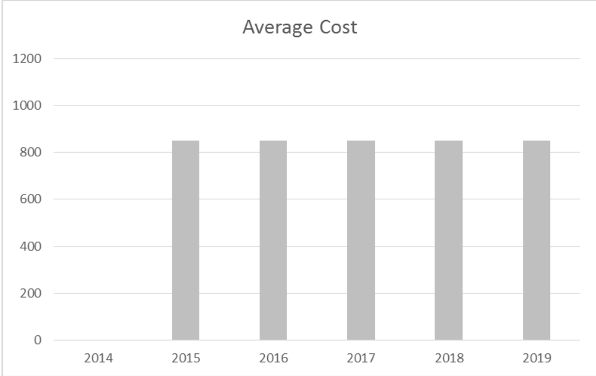
- Mr Ward's performance hurdles are measured over the five year period 2015 to 2019.
- Before any of Mr Ward's performance rights or options will vest for an individual year, the Company must achieve at least 7% annual compound growth in diluted EPS above the base-line EPS. The base-line was set at the 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 board retains discretion to waive hurdles in exceptional circumstances where it is believed to be in the Company's best interests to do so.

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 16, 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 below.

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 vested on 27 February 2020
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 vested on 27 February 2020
5	4 July 2014	99,067	-	99,067	$4.29	416,666	-	-	$1.02	31 Dec 2019	Vested without re-testing

(1) Performance rights are automatically exercised upon vesting. 94,866 rights that were granted for 2018 were exercised during the year under review and these were valued at $660,267 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 vested on 27 February 2020
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 vested on 27 February 2020
5	4 July 2014	23,310	-	23,310	$4.29	98,039	-	-	$1.02	31 Dec 2019	Vested without re-testing

(1) Performance rights are automatically exercised upon vesting. 22,321 rights that were granted for 2018 were exercised during the year under review and these were valued at $155,354 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	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 vested on 27 February 2020
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 vested on 27 February 2020
5	4 July 2014	2,913	-	2,913	$4.29	12,254	-	-	$1.02	31 Dec 2019	Vested without re-testing

(1) Performance rights are automatically exercised upon vesting. 2,790 rights that were granted for 2018 were exercised during the year under review and these were valued at $19,418 on the day of exercise.
(*) 25,000 of 130,560 options granted to the General Counsel & Company Secretary on 27 March 2013 were exercised during the year under review at an exercise price of $5.0375 and these were valued at $222,813 on the day of exercise. As previously reported, these options fully vested without re-testing at the end of their initial performance periods, the last of which ended on 31 December 2017.

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(2)	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 vested on 27 February 2020
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 vested on 27 February 2020
5	12 June 2015	5,167	-	5,167	$7.74	25,000	-	-	$1.60	31 Dec 2019	Vested without re-testing
6	17 Feb 2020	30,000(3)	-	-	$9.00	-	-	-	-	31 Dec 2019	Vested
7	17 Feb 2020	35,000(3)	-	-	$9.00	-	-	-	-	31 Dec 2020	Unvested
8	17 Feb 2020	35,000(3)	-	-	$9.00	-	-	-	-	31 Dec 2021	Unvested

(1) Performance rights are automatically exercised upon vesting. 4,975 rights that were granted for 2018 were exercised during the year under review and these were valued at $34,626 on the day of exercise.
(2) No options were exercised during the year under review.
(3) These rights will convert to ordinary shares in March 2020 and remain subject to a trading restriction for five years and one month.

Further details of the performance rights and options granted under the EIP are specified in notes 38 and 39 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 to six 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.

2019	**Short-term benefits**			**Post-employment benefits**	**Share-based payments**		
	Salary & fees	**Bonus & commission**	**Non-monetary & other benefits (1)**	**Superannuation benefits**	**Performance Rights & Options (2) (3)**	**Total**	**Performance-related percentage**
	$	**$**	**$**	**$**	**$**	**$**	**%**
Directors							
T B Crommelin *Chairman*	100,000	-	628	9,500	-	110,128	-
M A Ward *Managing Director & CEO*	1,210,000	-	140,548	25,000	849,986	2,225,534	38
N G Politis *Non-executive Director*	85,000	-	628	8,075	-	93,703	-
D T Ryan *Non-executive Director*	85,000	-	628	8,075	-	93,703	-
D A Cowper *Non-executive Director*	100,000	-	628	9,500	-	110,128	-
M J Birrell *Non-executive Director*	85,000	-	628	8,075	-	93,703	-
G J Duncan (5) *Non-executive Director*	6,055	-	52	575	-	6,682	-
D S Blackhall (5) *Non-executive Director*	6,055	-	52	575	-	6,682	-
M V Prater (6) *Non-executive Director*	-	-	-	-	-	-	
S A Moore *Executive Director & CFO*	500,001	150,000	51,892	20,767	385,062	1,107,722	48
	2,177,111	**150,000**	**195,684**	**90,142**	**1,235,048**	**3,847,985**	
Executives							
K T Thornton *Chief Operating Officer – Cars*	250,005	938,710(4)	82,068	20,767	199,997	1,491,546	76
D G Stark *General Counsel & Company Secretary*	335,547	355,000(4)	36,014	19,319	25,000	770,879	49
	585,551	**1,293,710**	**118,082**	**40,086**	**224,996**	**2,262,426**	

(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 market prices, and where these are not available, the 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 12 under the heading "CEO's Participation in EIP" of which the treatment of share plan expense is applicable to all key management personnel.
(4) Includes bonus for outstanding contribution in relation to merger with Automotive Holdings Group Ltd, and also a commission for Mr Thornton representing a percentage of net profit before tax of relevant business units which is therefore based on measurable business performance and designed to improve shareholder value. No commission is included for any key management personnel other than Mr Thornton.
(5) Mr Duncan and Mr Blackhall were appointed as non-executive Directors on 6 December 2019.

(6) Ms Prater was appointed as a non-executive Director on 3 February 2020.

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 12 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.

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

2019	1 January 2019	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	31 December 2019
Directors						
M A Ward	2,389,661	-	94,866	88	-	2,484,615
N G Politis	69,503,581	-	-	32,935	-	69,536,516
D T Ryan	-	-	-	1,200	-	1,200
T B Crommelin	392,286	-	-	-	-	392,286
D A Cowper	15,053	-	-	-	-	15,053
M J Birrell	2,000,000	-	-	-	-	2,000,000
S A Moore	11,647	-	4,975	-	-	16,622
G J Duncan (1)	242,775	-	-	41,667	-	284,442
D S Blackhall (1)	17,500	-	-	5,556	-	23,056
Executives						
K T Thornton	470,531	-	22,321	-	100,000	392,852
D G Stark	145,816	-	27,790	-	-	173,606
	75,188,850	**-**	**149,952**	**1,652,275**	**100,000**	**76,891,077**

(1) Mr Duncan and Mr Blackhall were appointed as non-executive Directors on 6 December 2019.

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**

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	69,536,516	-	-
M A Ward	2,484,615	2,153,985	99,067
D T Ryan	1,200	-	-
D A Cowper	15,053	-	-
M J Birrell	2,000,000	-	-
S A Moore	16,622	117,570	105,167
G J Duncan	284,442	-	-
D Blackhall	23,056	-	-
M V Prater	2,540,096	-	-

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

Shares Under Option

No options and 100,000 performance rights were granted by the Company over unissued fully paid ordinary shares during or since the year under review.

No shares were issued as a result of the exercise of options or performance rights during or since the year under review.

At the date of this report, there are 5,841,986 unissued shares under option and no 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 36 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, 27 February 2020

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Australia

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

27 February 2020

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 2019, 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

A.P. Eagers Limited

ABN 87 009 680 013

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 December 2019

	Notes	CONSOLIDATED 2019 $'000	Restated 2018 $'000
Revenue	3	**5,816,979**	4,112,802
Other Gains	4	**125,616**	8,492
Share of net profits of associate	43(c)	**407**	77
Raw materials and consumables purchased		**(4,827,210)**	(3,400,165)
Employee benefits expense		**(480,219)**	(330,622)
Finance costs	5	**(65,569)**	(40,744)
Depreciation and amortisation expense	5	**(95,217)**	(46,137)
Impairment of non-current assets	5(b)	**(244,925)**	-
Other expenses		**(293,166)**	(175,301)
(Loss)/Profit before tax		**(63,304)**	128,402
Income tax expense	6	**(17,176)**	(30,906)
(Loss)/Profit from continuing operations		**(80,480)**	97,496
Loss from discontinued operations		**(48,644)**	-
(Loss)/Profit for the year		**(129,124)**	97,496
Attributable to:			
Owners of A.P. Eagers Limited		**(131,913)**	95,877
Non-controlling interests	33(f)	**2,789**	1,619
	31(b)	**(129,124)**	97,496
		Cents	Cents
(Loss)/Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share	41(a)	**(62.4)**	50.1
From continuing operations		**(39.4)**	50.1
From discontinued operation		**(23.0)**	-
Diluted (loss)/earnings per share	41(b)	**(62.4)**	49.8
From continuing operations		**(39.4)**	49.8
From discontinued operation		**(23.0)**	-

The above Statement of Profit or Loss should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of the initial application of AASB 16 as disclosed in Note 1 (aa).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2019

		CONSOLIDATED	
			Restated
		2019	2018
	Notes	**$'000**	$'000
(Loss)/Profit for the year		**(129,124)**	97,496
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value gain arising from cash flow hedges during the year	31(a)	**36**	103
Income tax expense	31(a)	**(11)**	(31)
Exchange differences on translation of foreign operations	31(a)	**1,153**	-
		1,178	72
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property	31(a)	**13,769**	11,266
Income tax expense	31(a)	**(4,131)**	(3,380)
Changes in the fair value of financial assets at fair value through other comprehensive income	31(a)	**80,331**	(181,400)
Income tax (expense)/benefit	31(a)	**(21,544)**	30,059
		68,425	(143,455)
Total other comprehensive income/(loss) for the year		**69,603**	(143,383)
Total comprehensive loss for the year		**(59,521)**	(45,887)
Total comprehensive loss attributable to:			
Owners of the parent		**(62,310)**	(47,506)
Non-controlling interests		**2,789**	1,619
		(59,521)	(45,887)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of the initial application of AASB 16 as disclosed in Note 1(aa).

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2019

		CONSOLIDATED		
			Restated	Restated
			31 December	1 January
		2019	2018	2018
	Notes	**$'000**	$'000	$'000
Current assets				
Cash and cash equivalents	8	**94,172**	18,868	10,827
Trade and other receivables	9	**310,155**	156,286	161,807
Inventories	10	**1,462,675**	690,167	652,652
Prepayments and deposits	11	**23,214**	12,617	11,172
		1,890,216	**877,938**	**836,458**
Assets classified as held for sale		**507,155**	-	-
Property sale receivable		**-**	-	7,145
Total current assets		**2,397,371**	877,938	843,603
Non-current assets				
Other loans receivable	12	**30,893**	8,303	10,600
Financial assets at fair value through other comprehensive income	13	**2,366**	149,774	288,033
Investments in associates	14	**16,806**	12,077	12,000
Property, plant and equipment	16	**475,415**	388,407	361,121
Intangible assets	17	**758,737**	313,325	309,414
Deferred tax assets	18	**167,531**	26,766	5,073
Other non-current assets		**13,030**	-	-
Right-of-use assets	15(a)	**1,013,101**	222,759	231,903
Total non-current assets		**2,477,879**	1,121,411	1,218,144
Total assets		**4,875,250**	1,999,349	2,061,747
Current liabilities				
Trade and other payables	19	**371,447**	145,917	153,103
Derivative financial instruments		**-**	35	20
Borrowings - bailment and other current loans	21(a)	**1,310,153**	571,615	545,200
Current tax liabilities	22	**25,224**	2,190	13,221
Provisions	23	**107,146**	48,481	46,041
Deferred revenue	24(a)	**43,739**	5,862	5,319
Lease liabilities	15(a)	**171,675**	44,596	39,380
		2,029,384	**818,696**	**802,284**
Liabilities directly associated with assets classified as held for sale		**508,666**	-	-
Total current liabilities		**2,538,050**	818,696	802,284
Non-current liabilities				
Borrowings	25(a)	**381,885**	312,614	248,344
Deferred revenue	27	**43,804**	-	-
Provisions	26	**50,017**	5,052	6,106
Other	28	**-**	19,422	19,369
Lease liabilities	15(a)	**1,020,882**	207,906	217,009
Total non-current liabilities		**1,496,588**	544,994	490,828
Total liabilities		**4,034,638**	1,363,690	1,293,112
Net assets		**840,612**	635,659	768,635
Equity				
Contributed equity	30	**1,173,069**	371,405	369,028
Reserves	31(a)	**(551,813)**	(124,306)	38,131
Retained earnings	31(b)	**209,933**	380,558	350,715
		831,189	627,657	757,874
Non-controlling interests	33(f)	**9,423**	8,002	10,761
Total equity		**840,612**	635,659	768,635

The above Statement of Financial Position should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of the initial application of AASB 16 as disclosed in Note 1(aa).

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2019

Consolidated entity	Notes	**Issued capital $'000**	**Asset revaluation reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Hedging reserve $'000**	**Share-based payments reserve $'000**	**Investment revaluation reserve $'000**	**Business Combination Reserve $'000**	**Retained earnings $'000**	**Attributable to owners of the parent $'000**	**Non-controlling interests $'000**	**Total $'000**
Restated balance at 1 January 2019		371,405	56,820	-	(25)	(49,628)	(131,473)	-	380,558	627,657	8,002	635,659
Loss for the year		-	-	-	-	-	-	-	(131,913)	(131,913)	2,789	(129,124)
Other comprehensive income		-	9,638	1,153	25	-	58,787	-	-	69,603	-	69,603
Total comprehensive income for the year		**-**	**9,638**	**1,153**	**25**	**-**	**58,787**	**-**	**(131,913)**	**(62,310)**	**2,789**	**(59,521)**
Transfer to retained earnings		-	(38,146)	-	-	-	-	-	39,368	1,222	-	1,222
Transactions with owners in their capacity as owners:												
Shares acquired by employee share trust	31(a)	-	-	-	-	(2,598)	-	-	-	(2,598)	-	(2,598)
Share based payments expense		-	-	-	-	1,906	-	-	-	1,906	-	1,906
Payments received from employees for exercised shares		-	-	-	-	4,890	-	-	-	4,890	-	4,890
Income tax on items taken to or transferred directly from equity		-	-	-	-	7,567	-	-	-	7,567	-	7,567
Issue of ordinary shares as purchase consideration on acquisition	33(a)	344,509	-	-	-	-	-	-	-	344,509	-	344,509
Dividends provided for or paid		-	-	-	-	-	-	-	(78,080)	(78,080)	(1,368)	(79,448)
Purchase of shares for non-controlling interests		457,155	-	-	-	-	-	(470,729)	-	(13,574)	13,574	-
Recognition of NCI on acquisition	33(a)	-	-	-	-	-	-	-	-	-	(13,574)	(13,574)
		801,664	-	-	-	11,765	-	(470,729)	(78,080)	264,620	(1,368)	263,252
Balance at 31 December 2019		**1,173,069**	**28,312**	**1,153**	**-**	**(37,863)**	**(72,686)**	**(470,729)**	**209,933**	**831,189**	**9,423**	**840,612**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of the initial application of AASB 16 as disclosed in Note 1 (aa).

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2018

Consolidated entity		Issued capital $'000	Asset revaluation reserve $'000	Foreign Currency Translation Reserve $'000	Hedging reserve $'000	Share-based payments reserve $'000	Investment revaluation reserve $'000	Business Combination Reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Restated balance at 1 January 2018		**369,028**	**52,728**	**-**	**(97)**	**(34,368)**	**19,868**	**-**	**367,855**	**775,014**	**10,761**	**785,775**
Adjustment on adoption of AASB 16 (net of tax)		-	-	-	-	-	-	-	(17,140)	(17,140)	-	(17,140)
Restated total equity at the beginning of the financial year		**369,028**	**52,728**	**-**	**(97)**	**(34,368)**	**19,868**	**-**	**350,715**	**757,874**	**10,761**	**768,635**
Restated profit for the year		-	-	-	-	-	-	-	95,877	95,877	1,619	97,496
Other comprehensive income		-	7,886	-	72	-	(151,341)	-	-	(143,383)	-	(143,383)
Total comprehensive income for the year		**-**	**7,886**	**-**	**72**	**-**	**(151,341)**	**-**	**95,877**	**(47,506)**	**1,619**	**(45,887)**
Transfer to retained earnings		-	(3,794)	-	-	-	-	-	3,794	-	-	-
Transactions with owners in their capacity as owners:												
Share based payments expense	31(c)(iv)	-	-	-	-	391	-	-	-	391	-	391
Dividends provided for or paid		-	-	-	-	-	-	-	(69,828)	(69,828)	(2,041)	(71,869)
Shares acquired by employee share trust	30	-	-	-	-	(13,965)	-	-	-	(13,965)	-	(13,965)
Shares issued pursuant to staff share plan	31(a)	2,377	-	-	-	(2,377)	-	-	-	-	-	-
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)
		2,377	-	-	-	(15,260)	-	-	(69,828)	(82,711)	(4,378)	(87,089)
Restated balance at 31 December 2018		**371,405**	**56,820**	**-**	**(25)**	**(49,628)**	**(131,473)**	**-**	**380,558**	**627,657**	**8,002**	**635,659**

Opening balance at 1 January 2018 has been restated as a result of the initial application of AASB 16 as disclosed in Note 1(aa).

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of the initial application of AASB 16 as disclosed in Note 1 (aa).

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2019

	Notes	CONSOLIDATED **2019** **$'000**	Restated 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**7,166,300**	4,495,529
Payments to suppliers and employees (inclusive of GST)		**(6,891,865)**	(4,329,850)
Receipts from insurance claims		**5,324**	16,139
Interest and other costs of finance paid		**(73,588)**	(40,744)
Income taxes paid		**(36,860)**	(40,983)
Dividends received		**100**	13,868
Interest received		**1,385**	196
Net cash provided by operating activities	42	**170,796**	114,155
Cash flows from investing activities			
Payment for acquisition of businesses - net of cash acquired		**63,903**	(5,138)
Payments for property, plant and equipment		**(72,687)**	(38,891)
Proceeds from sale of businesses		**64,366**	2,807
Proceeds from sale of property, plant and equipment		**177,673**	19,456
Payments for shares in other corporations		**-**	(43,142)
Net cash provided by/(used in) investing activities		**233,255**	(64,908)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	31(a)	**4,890**	4,664
Proceeds from borrowings		**65,798**	95,000
Payments for shares acquired by the trust	31(a)	**(2,598)**	(13,965)
Repayment of borrowings		**(247,039)**	(30,394)
Transactions with non-controlling interests		**734**	(1,100)
Dividends paid to members of A.P. Eagers Limited	7	**(78,080)**	(69,828)
Dividends paid to minority shareholders of a subsidiary		**(288)**	(417)
Repayment of lease liabilities		**(64,801)**	(25,166)
Net cash used in financing activities		**(321,384)**	(41,206)
Net increase in cash and cash equivalents		**82,667**	8,041
Cash and cash equivalents at the beginning of the financial year		**18,868**	10,827
Cash and cash equivalents at the end of the financial year	8	**101,535**	18,868

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 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 27th of February 2020.

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.

Going Concern

The financial statements have been prepared on the basis that the Group is a going concern, able to realise assets in the ordinary course of business and settle liabilities as and when they fall due. The Group had net current liabilities of $141 million at the 31 December 2019 which is primarily due to the impact of AASB16 leasing standard. The Group generates strong operating cashflows and has available facilities of $96 million at 31 December 2019 on which it can draw down.

(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;

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

- 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.

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 accounting standards). 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.

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 the Group increases its ownership interest such that an existing associate becomes a subsidiary, the Group remeasures its previously held interest at its acquisition-date fair value and recognises the resulting gain or loss in profit or loss. The acquisition of the investment in the subsidiary is recognised in accordance with Note 1(h).

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 (i.e. commission 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 1997. Automotive Holdings Group Limited and its wholly owned Australian entities became part of the A.P. Eagers Limited tax consolidated group on 24 October 2019. 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. For completeness we note that Automotive Holdings Group Limited and its wholly-owned Australian entities become parties to the A.P. Eagers Tax Funding Agreement on 24 October 2019. 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.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(i) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security over the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability is presented as a separate line in the consolidated statement of financial position.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduce for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liabilities are remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

(ii) Right-of-use assets

The Group recognises right-of-use assets at cost at the commencement date of the lease (i.e. the date the underlying asset is available for use).

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Right-of-use assets are subject to impairment in accordance with AASB 136 *Impairment of Assets*. Any identified impairment loss is accounted for in line with our accounting policy for ‘Property, plant and equipment’.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of Property, Machinery/Equipment and Motor Vehicles (i.e., those leases that have a lease of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(iv) Sale and Leaseback transactions

Where the Group enters into a sale and leaseback transaction, the Group firstly applies the requirements of AASB 15 *Revenue from Contracts with Customers* to determine whether control has passed, and whether the transfer is accounted for as a sale. Further, when the Group enters into a sale and leaseback transaction and the fair value of the consideration for the sale of the property does not equal the fair value of the asset, or the payments for the lease are not at market rates, the following adjustments are made to measure the sale proceeds at fair value:

(i) any below market terms are accounted for as a prepayment of lease payments; and
(ii) any above market terms are accounted for as additional financing provided by the buyer-lessor to the Group.

(v) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its property leases to lease the asset for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

(vi) Incremental Borrowing Rate

The Group has determined its incremental borrowing rate by considering the interest rate on their financing facility and applying, where considered necessary, adjustments to align this with an asset specific rate. The adjustments consider the term of the agreement, security of asset and the funds necessary to obtain the asset of a similar value in a similar economic environment. Significant judgement is required to assess and apply these adjustments.

The application of the incremental borrowing rate impacts the initial valuation of the lease liability and associates interest expense.

(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 acquisition unless, in rare circumstances, it can be demonstrated that the published price at the date of acquisition 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.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in the profit or loss.

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(q)). 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.

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 independent cash inflows (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)).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

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.

(ii) 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.

(iii) 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.

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:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

(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.

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.

(o) Customer relationships

Customer relationships acquired in a business combination where management believes there are contracted relationships in place that generate repeat transactions which creates future economic benefits and are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years. Customer relationships are made up of fleet customer arrangements in place for the new vehicle and servicing business.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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 acquired and liabilities assumed 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 17(a)).

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee benefits (continued)

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.

(w) 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.

(x) 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.

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(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.

(y) 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.

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.

(z) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) 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 2019, which have not had any material impacts:

• AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation

• AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interest in Associates and Joint Ventures

• AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle

• AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement

• AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements

• Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments

The Group has applied the following standards for the first time for the annual reporting period commencing 1 January 2019:

• AASB 16 - Leases *(AASB 16)*

The impact of adopting this standard has been assessed below.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1.1 Application of new and revised accounting standards

1.1.1 AASB 16 *Leases*

In the current year, the Group has applied AASB 16 *Leases* (“AASB 16”) for the first time.

AASB 16 supersedes AASB 117 *Leases* (“AASB 117”). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remain largely unchanged. The impact of the adoption of AASB 16 on the Group’s consolidated financial statements is described below.

The Group adopted AASB 16 using the full retrospective method of adoption. AASB 16 has been applied for the first time on 1 January 2019 with retrospective restatement from 1 January 2018.

Impact of the new definition of a lease

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases, applying AASB 117 at the date of initial application. Therefore, the definition of a lease in accordance with AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* will continue to be applied for those leases entered into or modified before 1 January 2019.

The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short term leases’), and the lease contracts for which the underlying asset is of low value (‘low-value assets’).

The change to the definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact on lessee accounting

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

(i) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
(ii) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
(iii) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value asset (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within other expenses in the consolidated statement of profit or loss, and cash flows associated with these leases are presented in payments to suppliers and employees in operating cashflows.

Former finance leases

The main difference between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by the lessee to a lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have a material effect on the Group’s consolidated financial statements.

Impact on lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as AASB 117. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. The Group is not party to any material lease agreements as lessor, and therefore implementation of AASB 16 has not resulted in any required changes to the financial statements and its disclosures.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial impact of the initial application of AASB 16

The Group holds the following types of leases

(1) Property Leases
(2) Machinery/Equipment Leases
(3) Motor Vehicle Leases

The Group has determined that the impact of applying AASB 16 is immaterial for Motor Vehicle Leases, and therefore the only transition adjustments made to the Groups financial statements and its disclosures relate to Property and Equipment Leases.

As the Group have elected to use the full retrospective method, comparatives have been restated to adjust for the impact of AASB 16. The tables below show the impact of AASB 16 on the originally reported balances:

Consolidated Statement of Profit or Loss For the year ended 31 December 2018		**As originally presented $'000**	**Adjustments arising from AASB 16 $'000**	**Restated $'000**
Depreciation and amortisation expense	(1)	(15,641)	(30,496)	(46,137)
Finance costs	(1)	(26,530)	(14,214)	(40,744)
Aggregated other expenses	(1)	(214,681)	39,381	(175,300)
Income tax expense	(1)	(32,556)	1,650	(30,906)
Profit after income tax		**101,175**	**(3,679)**	**97,496**
Earnings per share for profit attributable to the ordinary equity holders of the Company:				
Basic earnings per share	(2)	**52.0**	**(1.9)**	**50.1**
Diluted earnings per share (cents)	(2)	**51.7**	**(1.9)**	**49.8**

(1) AASB 16 changed the amount and presentation of lease related expenses. Under AASB 117, operating lease expenses were presented as operating expenses, whereas AASB 16 splits the lease expenses into depreciation of the right of use assets recognised and finance costs on lease liabilities. This has driven a decrease in the operating lease expense and increased in depreciation and finance costs.

(2) The adjusted profit has led to a marginal change in the Group's basic and diluted earnings per share.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Consolidated Statement of Financial Position

		As at 31 December 2018			As at 1 January 2018		
		As originally presented $'000	Adjustments arising from AASB 16 $'000	Restated $'000	As originally presented $'000	Adjustments arising from AASB 16 $'000	Restated $'000
Non-current assets							
Right-of-use assets	(1)	-	222,759	222,759	-	231,903	231,903
Deferred tax assets	(2)	17,844	8,922	26,766	-	5,073	5,073
Total assets		**1,767,668**	**231,681**	**1,999,349**	**1,824,771**	**236,976**	**2,061,747**
Current liabilities							
Lease liabilities	(1)	-	44,596	44,596	-	39,380	39,380
Non-current liabilities							
Lease liabilities	(1)	-	207,906	207,906	-	217,009	217,009
Deferred tax liabilities	(2)	-	-	-	2,273	(2,273)	-
Total liabilities		**1,111,190**	**252,502**	**1,363,692**	**1,038,996**	**254,116**	**1,293,112**
Net assets		**656,478**	**(20,820)**	**635,659**	**785,775**	**(17,140)**	**768,635**
Equity							
Retained earnings	(3)	401,377	(20,820)	380,558	367,855	(17,140)	350,715
Total equity		**656,478**	**(20,820)**	**635,659**	**785,775**	**(17,140)**	**768,635**

(1) AASB 16 has led to recognised amounts for right of use assets and lease liabilities on the face of the balance sheet representing the Group's portfolio of leased assets made up by property and equipment utilised by the Group.

(2) Adjustments under AASB 16 are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

(3) Given the Group applied the full retrospective method of transitioning to AASB 16, retained earnings has been adjusted on 1st January 2018 of $17.1 million to reflect a decrease in equity. At 31 December 2018, the retained earnings adjustment has increased by a further $3.6 million to $20.8 million. The difference represents the 2018 profit and loss impact of the new standard.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Consolidated Statement of Cash Flows For the year ended 31 December 2018		As originally presented $'000	Adjustments arising from AASB 16 $'000	Restated $'000
Cash flows from operating activities				
Payments to suppliers and employees	(1)	(4,369,230)	39,380	(4,329,850)
Interest and other costs of finance paid	(1)	(26,530)	(14,214)	(40,744)
Net cash provided by operating activities		**88,989**	**25,166**	**114,155**
Cash flows from financing activities				
Repayment of lease liabilities	(1)		(25,166)	(25,166)
Net cash used in financing activities		**(16,040)**	**(25,166)**	**(41,206)**

(1) Lease payments are now classified within financing activities which were previously operating cash flows. This has led to an increase in cash flows from operating activities and an increase in net cash outflows from financing activities.

Consolidated Statement of Changes in Equity For the year ended 31 December 2018	As originally presented $'000	Adjustments arising from AASB 16 $'000	Restated $'000
Balance at 1 January 2018	367,855	(17,140)	350,715
Profit after tax for the period	99,556	(3,679)	49,276
Closing balance 31 December 2018	**401,377**	**(20,819)**	**380,558**

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) Acquisition of Automotive Holdings Group (AHG) and provisional fair values

The Group completed the acquisition of Automotive Holdings Group Limited (AHG Limited) via an all scrip offer during the year ended 31 December 2019. On the 19 August 2019 AP Eagers declared a relevant interest of 62.5% in the shares of AHG. On the 16 September 2019 (the Offer close date) the Group held an interest of 91.11%. The Group went on to purchase the remaining shares it did not own by 24 October 2019.

The acquisition of AHG falls under the scope of AASB 3 *Business Combinations*. Accounting for acquisitions of businesses is complex and requires judgements and/or estimates to be made in determining a number matters including but not limited to
i) the date on which the Group achieved control over AHG;
ii) which identifiable assets and liabilities were acquired as part of the transaction including consideration of intangible assets and contingencies not previously recognised in AHG's books;
iii) fair values to be attributed to the identifiable assets and liabilities assumed .

The determination of fair values requires the use of various valuation techniques depending on the nature of the asset or liability under consideration and often require assumptions and estimates to be made. Assumptions required may include but not be limited to: revenue growth rates, cash flows, margins and customer retention rates and weighted average cost of capital (e.g. for intangibles), replacement cost, residual values and useful economic lives as well as physical technological and functional obsolescence (e.g. for tangible fixed assets). In addition to some of the judgements and estimates required in relation to leases noted in Note 2(iv) below, judgements have also been made as to whether any "off market" leases exist. Over arching this, due to the proximity of acquisition to Group's year end, various balances have been accounted for in the Statement of Financial position on a provisional basis as at 31 December 2019. See Note 33(a).

(ii) Fair value of assets and liabilities acquired in business combinations other than the acquisition of AHG

Other 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. 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.

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

Goodwill and other intangibles with indefinite useful lives of $749,752,000 (2018: $313,325,000) 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 discount rates based on the current cost of capital. Fair value less costs of disposal is assessed by the Directors based on their knowledge of the industry and any recent market transactions. The above figures therefore reflect the estimates of the recoverable amounts post any impairment recognised during the year. Further information on the impairment test and impairments recognised in respect of goodwill and other assets can be found in Note 17(a).

(iv) Leases

The Group adopted AASB 16 Leases from the 1 January 2019 (see Note 1(aa)). On application the Group has recognised right of use assets and lease liabilities in the consolidated statement of financial position and depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit or loss. Material right of use assets and lease liabilities have also been recognised on acquisition of AHG (see note 33(a)).
In applying the standard the directors have made certain assumptions and judgements including but not limited to the appropriate discount rate on incremental borrowing rates and likely exercise of the renewal options. See Note 1(g).

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Critical accounting estimates, assumptions and judgements (continued)

(v) Staff underpayment provision/liability

On 17 December 2019, AP Eagers announced on the Australian Stock Exchange that it had self reported the underpayment of employees to Fair Work. AP Eagers engaged independent experts to undertake an assessment of AP Eagers' payroll to determine the extent to which past and present employees had been impacted. Following the assessment, AP Eagers has determined that approximately 6,200 employees have been impacted over a seven-year period. The total payment shortfall equates to approx $4.5 million plus interest charges.

AP Eagers has commenced a review of AHG's payments to employees following its acquisition of the business in August 2019. AP Eagers has recorded a provisional contingency on acquisition of AHG based on preliminary procedures performed and insights gained in assessing its self reported underpayment at AP Eagers and certain findings at AHG. The provision has been captured as part of the provisional purchase price allocation process, with a provision raised on acquisition with a corresponding adjustment against goodwill. Given the proximity of the acquisition to 31 December 2019, AP Eagers management has had to a make a number of judgements and estimates in relation to assessing this provision. See Note 33 (a).

(vi) Fair value estimation of land and buildings

Land and buildings (including construction in progress) with a carrying value of $267,197,000 (2018: $331,674,000) 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 16.

(vii) Deferred Tax Asset

As set out in Note 18 the Group has recorded a provisional deferred tax asset of $167,531,000 (2018: $26,800,000) at 31 December 2019. 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 sufficient profits available in the future (refer to Note 18).

(viii) 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.

(ix) 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.

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 2019 for Continuing Operations				
	Retailing $'000	**Property $'000**	**Investments $'000**	**Total $'000**
Type of goods or service				
New Vehicles	3,533,450	-	-	3,533,450
Used Vehicles	1,148,797	-	-	1,148,797
Parts	682,358	-	-	682,358
Service	417,451	-	-	417,451
Other	33,804	1,054	65	34,923
Revenue from external customers	**5,815,860**	**1,054**	**65**	**5,816,979**
Timing of revenue recognition				
At a point in time	5,398,409	1,054	65	5,399,528
Over time	417,451	-	-	417,451
Total revenue from external customers	**5,815,860**	**1,054**	**65**	**5,816,979**
Geographical markets				
Australia	5,639,298	1,054	65	5,640,417
New Zealand	176,562			176,562

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

4 OTHER GAINS

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Gain on disposal of non-financial assets	**6,715**	-
Gain on remeasurement of previously held equity accounting investment in AHG	**65,061**	-
Derecognition of contingent consideration	**19,674**	-
Reversal of impairment of land and buildings	**-**	2,433
Gains on disposal of properties	**14,457**	3,554
Gain on disposal of businesses	**19,709**	2,505
	125,616	8,492

5 EXPENSES

(a) Profit before income tax includes the following specific expenses:

	Notes	CONSOLIDATED 2019 $'000	Restated 2018 $'000
Depreciation			
Buildings	16	**3,344**	3,679
Plant and equipment	16	**22,270**	9,867
Leasehold improvements	16	**1,695**	2,056
Right-of-use asset depreciation	15(a)	**67,908**	30,496
Total depreciation		**95,217**	46,098
Amortisation			
Brand names	17	**-**	39
Total amortisation		**-**	39
Total Depreciation and Amortisation		**95,217**	46,137
Finance costs			
Vehicle bailment		**24,603**	14,631
Interest on lease liabilities		**27,475**	14,214
Other		**13,491**	11,899
Total finance expense		**65,569**	40,744
Superannuation		**49,100**	29,119
Provision expenses			
Inventory		**4,256**	3,159
Allowance for expected credit losses		**114**	188
		4,370	3,347
Share-based payments		**1,906**	391
Business acquisition costs		**12,520**	680
Business restructuring costs		**4,442**	-

5 EXPENSES (continued)

(b) Impairment of non-current assets

	CONSOLIDATED 2019 $'000	2018 $'000
Impairment of goodwill	**209,238**	-
Impairment of right-of-use Asset	**32,800**	-
Impairment of fixed Assets	**2,887**	-
	244,925	-
Amount attributable to discontinued operations (refer to note 33(d))	34,267	-

6 INCOME TAX

(a) Income tax expense

	Notes	CONSOLIDATED 2019 $'000	2018 $'000
Current income tax expense		**58,059**	29,888
Deferred income tax expense/(benefit)		**(40,883)**	1,018
		17,176	30,906
Deferred income tax expense/(benefit) included in income tax expense comprises:			
In respect of the current year		**(40,883)**	1,018
Closing balance	18	**(40,883)**	1,018

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2019 $'000	2018 $'000
Profit before income tax expense	**(63,304)**	128,402
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	**(18,991)**	38,521
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non current asset impairment	**62,915**	-
Derecognition of carry forward losses	**3,113**	-
Non deductible accounting adjustments	**(3,336)**	-
Non assessable accounting gain on derecognition of contingent consideration	**(5,902)**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(40)**	-
Non deductible capital expenditure	**2,366**	173
Non-taxable dividends	**(2,460)**	(4,161)
Non allowable expenses	**759**	532
Property (revaluation) / impairment	**-**	(730)
Non assessable accounting gain on remeasurement of previously held equity interest in AHG	**(19,518)**	-
Application of current year capital losses against current year capital gains	**(264)**	(2,760)
Sundry items	**(1,466)**	(669)
Income tax expense	**17,176**	30,906

6 INCOME TAX (continued)

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

	CONSOLIDATED 2019 $'000	2018 $'000
Aggregate deferred tax arising in the reporting period and recognised in other comprehensive income	**(25,686)**	26,648

7 DIVIDENDS

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

	CONSOLIDATED 2019 $'000	2018 $'000
Final dividend for the year ended 31 December 2018 of 22.5 cents per share (2017: 22.5 cents) paid on 18 April 2019	**43,045**	43,045
Interim dividend of 14.0 cents (2018: 14.0 cents) per share paid on 17 October 2019	**35,035**	26,783
Total dividends paid	**78,080**	69,828
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2019 and 2018 were as follows:		
Paid in cash	**78,080**	69,828

(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 20 April 2020 out of the retained profits at 31 December 2019 but not recognised as a liability at year end is:	**57,810**	43,045

(c) Franked dividends

The final dividend recommended after 31 December 2019 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 2019.

Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2018: 30.0%)	**312,042**	181,877

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

(a) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(b) 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	**(24,776)**	(18,448)

8 CURRENT ASSETS – Cash and cash equivalents

	2019 $'000	2018 $'000
Current assets		
Cash at bank and on hand	**94,170**	18,868
Short term deposits	**2**	-
	94,172	18,868
Cash flows of discontinued operations	**7,363**	-
Total cash and cash equivalents	**101,535**	18,868

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	
	2019 $'000	2018 $'000
Trade and other receivables	**314,411**	158,950
Allowance for expected credit losses	**(4,256)**	(2,664)
	310,155	156,286

(a) The ageing of trade receivables at 31 December 2019 is detailed below:

	CONSOLIDATED			
	2019		2018	
	Gross $'000	**Provision $'000**	Gross $'000	Provision $'000
Not past due	**265,983**	**2,403**	147,220	2,004
Past due 0-30 days	**30,232**	**171**	6,837	171
Past due 31 days plus	**18,196**	**1,682**	4,893	489
Total	**314,411**	**4,256**	158,950	2,664

Included in the Group's trade receivables balance are debtors with a net carrying amount of $46,575,000 (2018: $11,070,000) 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 63 days (2018: 62 days).

(b) Movement in expected credit losses

	CONSOLIDATED	
	2019 $'000	2018 $'000
Opening balance	**2,664**	2,622
Additional provisions	**653**	188
Addition due to acquisitions	**1,214**	-
Amounts written off during the year	**(275)**	(146)
Closing balance	**4,256**	2,664

9 CURRENT ASSETS – Trade and other receivables (continued)

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	
	2019	2018
	$'000	$'000
New and demonstrator motor vehicles & trucks - bailment stock - at cost	**1,077,479**	519,795
Less: Write-down to net realisable value	**(31,525)**	(8,022)
	1,045,954	511,773
Used vehicles & trucks - at cost	**287,923**	110,379
Less: Write-down to net realisable value	**(21,112)**	(5,209)
	266,811	105,170
Parts and other consumables - at cost	**160,396**	75,653
Less: Write-down to net realisable value	**(10,486)**	(2,429)
	149,910	73,224
Total inventories	**1,462,675**	690,167

11 CURRENT ASSETS – Other current assets

Prepayments and deposits	**23,214**	12,617

12 NON-CURRENT ASSETS – Receivables

Other loans receivable	**30,893**	8,303

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

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Financial assets at fair value through other comprehensive income		
Shares in a listed company - Automotive Holdings Group Limited (1)	**-**	149,186
Shares in an unlisted company - Dealercell Holdings Pty Limited (2)	**588**	588
Shares in an unlisted company - AHG Property Syndicate No. 1 Unit Trust (3)	**1,778**	-
	2,366	149,774

(1) The Directors 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 2019 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.

(3) The Directors have assessed the fair value of the investment as at 31 December 2019 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 2019 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	**Carrying Amount 31/12/19 $'000**	**Carrying Amount 31/12/18 $'000**	**Valuation Technique**	**Key Input**
Level 1 Financial assets at fair value through other comprehensive income - Listed entities	**-**	149,186	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	**2,366**	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	
	2019	2018
	$'000	$'000
Shares in associate - Norna Limited	**-**	1,620
Shares in associate - Vehicle Parts (WA) Pty Ltd	**1,127**	-
Shares in associate - DealerMotive Limited	**15,629**	10,457
Shares in associate - Mazda Parts	**50**	-
	16,806	12,077

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer Note 43).

Reconciliation of the carrying amount of investment in associate is set out in Note 43(b).

15 Right-of-use assets and lease liabilities

(a) Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Right-of-use assets		
Property	**999,822**	222,759
Equipment	**13,279**	-
	1,013,101	222,759

Consolidated entity	Note	Property $'000	Equipment $'000	Total $'000
Year ended 31 December 2019				
Opening net book amount		**222,759**	-	222,759
Exchange differences		**(58)**	-	(58)
Rent Reviews		**2,808**	-	2,808
Additions		**887,253**	14,091	901,344
Disposals/Transfers		**(13,044)**	-	(13,044)
Depreciation/amortisation charge		**(67,096)**	(812)	(67,908)
Impairment loss		**(32,800)**	-	(32,800)
Closing net book amount		999,822	13,279	1,013,101

Consolidated entity	Property $'000	Equipment $'000	Total $'000
Year ended 31 December 2018			
Opening net book amount	231,903	-	231,903
Rent Reviews	3,745	-	3,745
Additions	17,607	-	17,607
Depreciation/amortisation charge	(30,496)	-	(30,496)
Closing net book amount	222,759	-	222,759

Right-of-use assets and lease liabilities (continued)

(a) Leases (continued)

(i) Amounts recognised in the balance sheet (continued)

	2019 $'000	Restated 2018 $'000
Lease liabilities		
Current	**171,675**	44,596
Non-current	**1,020,882**	207,906
	1,192,557	252,502

(ii) Maturity Analysis of contracted undiscounted cashflows

Maturity Analysis

	2019 $'000	Restated 2018 $'000
Not later than one year	**171,675**	44,596
Later than 1 year and not later than 5 years	**627,756**	148,445
Later than 5 years	**674,365**	119,587
Total	**1,473,796**	312,628

(iii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2019 $'000	Restated 2018 $'000
Depreciation charge of right-of-use assets			
Properties		**67,096**	30,496
Equipment		**812**	-
	5	**67,908**	30,496
Interest expense (included in finance cost)	5	27,475	14,214
Expense relating to short-term leases (included in other expenses)		2,064	1,432

In addition to the above lease payments is a 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.

(iv) The group's leasing activities and how these are accounted for

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

Right-of-use assets and lease liabilities (continued)

(a) Leases (continued)

(iv) The group's leasing activities and how these are accounted for (continued)

- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

16 NON-CURRENT ASSETS - Property, plant and equipment

	2019 **$'000**	2018 $'000
Freehold land and buildings - at fair value		
Directors' valuation		
Land	**176,031**	220,304
Buildings	**76,713**	107,018
Total land and buildings	**252,744**	327,322
Construction in progress - at cost		
Construction in progress	**14,453**	4,352
Leasehold improvements		
At cost	**100,566**	22,874
Accumulated depreciation	**(60,363)**	(9,020)
Total leasehold improvements	**40,203**	13,854
Plant and equipment		
At cost	**326,519**	96,033
Accumulated depreciation	**(158,504)**	(53,154)
Total plant and equipment	**168,015**	42,879
Total property, plant and equipment	**475,415**	388,407

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 2019 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.

16 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 2019 are as follows:

Unobservable inputs used in determination of fair values										
Class of Assets & Liabilities	**Carrying Amount 31/12/19 $'000**	**Carrying Amount 31/12/18 $'000**	**Valuation Technique**	**Key Input**	**Input**	**Average / Range 2019**	**Average / Range 2018**	**Other Key Information**	**Range (weighted avg) 2019**	**Range (weighted avg) 2018**
Level 3 Car – HBU Alternate Use	**46,055**	74,821	Direct comparison	External valuations	Price/sqm land	**Average $3,054/sqm**	Average $2,261/sqm	Land size	**Average 3,005 sqm**	Average 5,516 sqm
						Range $1,239 - $5,064/sqm	Range $1,240 - $3,990/sqm		**Range 2,015 - 4,853 sqm**	Range 2,015 - 18,070 sqm
Level 3 Car Dealership	**179,294**	210,566	Summation method, income capitalisation and direct comparison	External valuations industry benchmarks	Capitalisation rate	**Average 6.5%**	Average 7.2%	Net rent / sqm Land	**Average $94/sqm**	Average $98/sqm
						Range 4.9% - 9.3%	Range 3.3% - 12.3%		**Range $28 - $330/sqm**	Range $25 - $297/sqm
								Net rent /sqm GBA	**Average $209/sqm Range $93 - $1,662/sqm**	Average $211/sqm Range $106 - $1,573/sqm
Level 3 Truck Dealership	**20,233**	24,778	Direct comparison	External valuations	Price/sqm land Price/sqm GBA	**Average $415/sqm**	Average $443/sqm	Land size	**Average 24,353 sqm**	Average 18,641 sqm
						Range $278 - $538/sqm	Range $282 - $596/sqm		**Range 23,006 - 25,700 sqm**	Range 7,218 - 25,700 sqm
								Net rent/sqm land	**Average $29/sqm**	Average $22/sqm
									Range $18 - $39/sqm	Range $17 - $27/sqm
								Capitalisation rate	**Average 6.9% Range 6.4% - 7.2%**	Average 4.9% Range 4.4% - 6.2%
Level 3 Other Logistics	**7,162**	17,157	Income capitalisation method supported by market comparison	External valuations	Capitalisation Rate	**Average 6.7%**	Average 5.6%	Net rent /sqm GBA	**Average $191/sqm**	Average $109/sqm
						Range 7.8% - 8.0%	Range 3.9% - 7.9%		**Range $144 - $215/sqm**	Range $79 - $179/sqm
Total	**252,744**	**327,322**								

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.

16 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 $134,562,000 (2018: $146,186,000). If freehold buildings were carried at historical cost, its current carrying value (after depreciation) would be $76,713,000 (2018: $107,018,000).

Non-current assets pledged as security

Refer to Note 25 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 2019	Freehold Land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Opening net book amount	220,304	107,018	4,352	13,854	42,879	388,407
Transfers	-	5,042	(16,260)	10,722	496	-
Exchange differences	-	-	6	143	85	234
Additions	18,945	182	30,570	24,163	159,933	233,793
Revaluation gain recognised in asset revaluation reserve	13,769	-	-	-	-	13,769
Disposals/Transfers	(76,987)	(32,185)	(4,215)	(4,097)	(13,108)	(130,592)
Depreciation/amortisation charge	-	(3,344)	-	(1,695)	(22,270)	(27,309)
Impairment loss	-	-	-	(2,887)	-	(2,887)
Carrying amount at end of year	176,031	76,713	14,453	40,203	168,015	475,415

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
Revaluation gain recognised in asset revaluation reserve	11,266	-	-	-	-	11,266
Revaluation recognised in profit and loss	2,433	-	-	-	-	2,433
Disposals/Transfers	(6,902)	(1,092)	(1,071)	(5,252)	(1,513)	(15,830)
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

17 NON-CURRENT ASSETS – Intangibles

	CONSOLIDATED 2019 $'000	2018 $'000
Goodwill	**742,787**	306,783
Trade marks/brand names	**6,965**	6,542
Customer Relationships	**8,985**	-
	758,737	313,325

	2019 $'000	2018 $'000
Movement - Goodwill		
Balance at the beginning of the financial year	**306,783**	302,833
Additional amounts recognised:		
Acquired through business combinations during the year (Note 33 (a) and (b))	**670,495**	3,950
Less: Impairment during the year	**(209,238)**	-
Less: Disposal of businesses	**(25,253)**	-
Balance at the end of the financial year	**742,787**	306,783

	2019 $'000	2018 $'000
Movement - Trade marks/brand names		
Balance at the beginning of the financial year	**6,542**	6,581
Amortisation of brand names	**-**	(39)
Acquired through business combinations during the year (Note 33 (a))	**423**	-
Balance at the end of the financial year	**6,965**	6,542

	2019 $'000	2018 $'000
Movement - Customer Relationships		
Acquired through business combinations during the year (Note 33 (a))	**8,985**	-
Balance at the end of the financial year	**8,985**	-

(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. Prior to the acquisition of AHG, the Group had 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.

Subsequent to the acquisition of AHG, the number of CGU's within the Car Retailing segment has expanded to eight, grouped by the operating regions (QLD & NT, NSW, VIC & TAS, SA, WA, NZ), National Used and Finance. APE's existing CGU's remained unchanged, with the lowest level for which there are independent cash inflows determined to be on an operating region or State basis. The acquisition of AHG brought two further regions into the Group, being WA and NZ. AHG also has a National Used and Finance business which APE has determined as separate CGU's.

The Trucks segment remains as one CGU.

AHG's Refrigerated Logistics business has been classified as a Non-Current Asset Held for Sale immediately upon acquisition. No Goodwill was allocated to this CGU on acquisition based on the estimated fair value of the business at that date (refer to Note 32).

17 NON-CURRENT ASSETS – Intangibles (continued)

(a) Impairment tests for goodwill (continued)

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

	CONSOLIDATED 2019 $'000	2018 $'000
Car retailing operations:		
Goodwill	**705,055**	298,633
Trade marks/brand names	**5,915**	5,492
Customer Relationships	**8,985**	-
	719,955	304,125
Truck retailing operations:		
Goodwill	**37,732**	8,150
Trade marks/brand names	**1,050**	1,050
	38,782	9,200
	758,737	313,325

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 arm's 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. With the exception of the National Used CGU, the value in use assessment is conducted using a discounted cash flow (DCF) methodology requiring the Directors to estimate the discounted future cash flows expected to arise from the cash generating units. The recoverable amount for the National Used CGU was determined based on the Directors' estimate of the fair value less costs of disposal.

The DCF models adopted by Directors were based on the CGUs last twelve months performance, forecast for 5 years with a growth rate ranging from 0% to 1.5% and a terminal growth rate of 1.5% applied to year 5. The forecast growth rate and terminal growth rate have been based on consideration of historical performance and expected future operating conditions and growth rates are not deemed to exceed the long term average growth rate for the industry. A pre-tax discount rate of 11.3% (2018: 11.0%) was applied to the cashflows. Downside sensitivity analysis has been performed on the assumptions used in the model, including increasing discount rates by up to 2% and flexing growth scenarios to no growth and -3% growth.

17 NON-CURRENT ASSETS – Intangibles (continued)

(a) Impairment tests for goodwill (continued)

Car Retailing Operations

Impairment testing identified that the carrying value of the VIC & TAS, WA and National Used CGUs exceeded their recoverable amount. A $197.6 million impairment expense was recognised in the current period against goodwill in respect of goodwill allocated to those CGUs; VIC & TAS ($83.3 million), WA ($104.0 million) and National Used ($10.3 million). An impairment loss of $2.9 million and $33.3 million was additionally recorded against certain property, plant and equipment and right-of-use assets respectively in the National Used CGU and Finance CGU, refer to Note 5. The total impairment expense of $234.1 million in the Car Retailing segment reflects challenging trading conditions and was impacted by a higher fair value of consideration on acquisition compared to the fair value of consideration on the date of the offer, driven by a significant increase in AHG's share price subsequent to the original offer.

For the Car Retailing operations, the Directors believe that any reasonable change in the key assumptions on which the recoverable amount is based may cause the carrying amount to exceed the recoverable amount for the CGUs impaired in 2019 may result in further impairment.

The Directors believe that there is sufficient headroom on the other CGUs to absorb reasonable changes in key assumptions subject to the below.

Management are still assessing the impact on the Car Retailing segment and its CGUs of General Motors announcement on 18 February 2020 to wind down Holden vehicle sales in Australia and New Zealand by 2021, whilst maintaining Holden service outlets to support existing Holden customers with warranty claims, spare parts, servicing and recalls for ten years. Given the proximity of the announcement to the release of the 31 December 2019 financial statements and the uncertainty of any compensation arrangements, management is not able to reliably determine the financial impact or reasonably adjust our key assumptions (refer to Note 37). Notwithstanding, should the compensation arrangements offered by General Motors and other future mitigating initiatives undertaken by the Group, such as substitution of other franchises into affected dealerships, not sufficiently replace the cash flows assumed in the appropriate time frame, then it is possible that additional impairment could result in the Car Retailing segment.

Truck Retailing Operations

Impairment testing identified the carrying value of the National Trucks CGU exceeded the recoverable amount. An $11.6 million impairment expense was recognised in the current period against goodwill, refer to Note 5. The impairment loss in the Truck Retailing segment is as a result of challenging trading conditions. For the Truck operations, the Directors also believe that any reasonable change in the key assumptions on which the recoverable amount is based may cause the carrying amount to exceed the recoverable amount of the segment and may result in further impairment.

(b) Impairment charge

The Directors' assessment in 2019 determined that goodwill was impaired in the Car and Truck Retailing segments to the extent of $197.6m (2018: $nil) and $11.6 million (2018: $nil) respectively. Additionally, an impairment loss of $2.9 million (2018: $nil) and $33.3 million (2018: $nil) was recorded against certain property, plant and equipment and right-of-use assets respectively, resulting in a total impairment loss for the year of $244.9 million, refer to Note 5.

18 NON-CURRENT ASSETS - Deferred Tax Assets

	Notes	CONSOLIDATED 2019 $'000	2018 $'000
Deferred tax assets		**167,531**	26,766
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Book versus tax carrying value of plant and equipment		**32,279**	754
Leases		**53,954**	8,922
Deferred Income		**6,687**	-
Blackhole Costs		**3,890**	-
Inventory valuation		**5,722**	(6,274)
Prepayments		**(1,659)**	(1,931)
Tax losses		**17,332**	-
Provisions			
Expected credit losses		**1,187**	808
Employee benefits		**33,018**	15,889
Other		**11,598**	-
Sundry items		**12,064**	5,456
Total amounts recognised in profit or loss		**176,072**	23,624
Amounts recognised directly in equity			
Revaluation of financial assets at fair value through other comprehensive income		**(257)**	21,434
Revaluation of property, plant and equipment		**(17,190)**	(20,763)
Hedge liability		**-**	10
Share options trust		**8,906**	2,461
Total amounts recognised directly in equity		**(8,541)**	3,142
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 2019		**26,766**	5,073
Deferred tax (expense)/benefit	6(a)	**40,883**	(1,018)
Current year adjustments related to prior year deferred tax		**(161)**	(78)
Deferred tax recognised directly in equity			
Revaluation of financial assets at fair value through other comprehensive income	31(a)	**(21,544)**	30,059
Revaluation of property, plant and equipment	31(a)	**(4,131)**	(3,380)
Movement in fair value of cash flow hedge	31(a)	**(11)**	(31)
Share options trust	31(a)	**7,567**	(3,973)
Deferred tax recognised through a business combination			
Deferred tax assets relating to business combinations		**69,516**	114
Deferred tax assets relating to PPA adjustments		**48,646**	-
Closing balance at 31 December 2019		**167,531**	26,766

(i) Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Deferred tax liabilities	**(19,106)**	(28,968)
Deferred tax assets	**186,637**	55,734
Net deferred tax asset	167,531	**26,766**

18 NON-CURRENT ASSETS - Deferred Tax Assets (continued)

(ii) At the reporting date, the Group has unused revenue tax losses of $57.5 million (2018: $ nil) available for offset against future profits. A deferred tax asset has been recognised in respect of $17.3 million (2018: $ nil) of such losses. No deferred tax asset has been recognised in respect of capital losses of $27.8 million (2018: $ nil) as it is not considered probable that there will be future capital gains available. Other losses may be carried forward indefinitely.

19 CURRENT LIABILITIES – Trade and other payables

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Trade and other payables		
Trade payables (1)	**166,760**	66,853
Other payables	**204,687**	79,064
	371,447	145,917

(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.

20 Derivative financial instruments

	2019	2018
Current liabilities		
Interest rate swap contracts - cash flow hedges	**-**	35
Total current derivative financial instrument liabilities	**-**	35
Total non-current derivative financial instrument liabilities	**-**	-
	-	35

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 32).

Bailment finance of the Group currently bears an average variable interest rate at 31 December 2019 of 3.06% (2018: 4.43%). 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 0% (2018: 6%) 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 $nil (2018: $35,000) has been recognised in equity in the hedging reserve (Note 30 (iii)). No portion was ineffective.

20 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 2019 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	**Carrying Amount 31/12/19 $'000**	**Carrying Amount 31/12/18 $'000**	**Valuation Technique**	**Key Input**
Level 2 Cash flow hedges – Interest rate swaps	-	**35**	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.

21 CURRENT LIABILITIES - Borrowings - bailment and other current loans

(a) Bailment finance and other current loans

	CONSOLIDATED	
	2019 $'000	2018 $'000
Bailment finance	**1,281,947**	570,273
Bank loans	**26,000**	-
Capital loan	**2,206**	1,342
	1,310,153	571,615

(i) Bailment finance

Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 3.06% p.a. applicable at 31 December 2019 (2018: 4.43%). 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 32.

(iii) Fair value disclosures

Details of the Group's fair value of interest bearing liabilities is set out in Note 32.

(iv) Security

Details of the security relating to each of the secured liabilities and further information on bank loans is set out in Note 25.

22 CURRENT LIABILITIES – Current tax liabilities

Income tax	**25,224**	2,190

23 CURRENT LIABILITIES – Provisions

	2019 $'000	2018 $'000
Annual Leave	**56,603**	24,287
Long Service Leave	**50,543**	24,194
	107,146	48,481

24 CURRENT LIABILITIES – Other Current Liabilities

(a) Current liabilities - Deferred revenue

	CONSOLIDATED	
	2019 $'000	2018 $'000
Deferred revenue	**43,739**	5,862

Deferred revenue relates to recognition of revenue in accordance with the performance obligations in certain Warranty and Buyback contracts.

25 NON-CURRENT LIABILITIES – Borrowings (secured)

(a) Borrowings – others

	2019 $'000	2018 $'000
Term facility	**306,313**	235,700
Capital loan	**75,572**	76,914
	381,885	312,614

SECURED LIABILITIES

Total secured liabilities (current and non-current) are:		
Term facility (i)	**332,313**	235,700
Capital loan (ii)	**77,778**	78,256
Bailment finance (iii)	**1,281,947**	570,273
	1,692,038	884,229

(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.

Refer to Note 32 for maturities.

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

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Non-current assets pledged as security		
Freehold land and buildings - first mortgage	**265,089**	329,674
Other non-current assets	**771,815**	540,214
Current assets pledged as security		
Inventories	**1,281,947**	570,273
Other current assets	**688,817**	146,765
Total assets pledged as security	**3,007,668**	1,586,926

FINANCING ARRANGEMENTS

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

Total facilities		
Term facility (i)	**398,000**	290,000
Working capital facility (includes bank overdraft) (ii)	**31,500**	25,000
Capital loan (iii)	**76,914**	78,256
Bailment finance (iv)	**1,452,374**	767,469
Bank guarantees	**61,453**	27,018
	2,020,241	1,187,743
Drawn at balance date		
Term facility	**332,125**	235,700
Capital loan	**76,914**	78,256
Bailment finance	**1,281,946**	570,273
Bank guarantees	**53,841**	15,176
	1,744,826	899,405
Undrawn at balance date		
Term facility	**65,875**	54,300
Working capital facility (includes bank overdraft)	**31,500**	25,000
Bailment finance	**170,428**	197,196
Bank guarantees	**7,612**	11,842
	275,415	288,338

(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.

26 NON-CURRENT LIABILITIES - Provisions

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Long Service Leave	**6,234**	5,052
Other provisions	**43,783**	-
	50,017	5,052

Other provisions balance held at reporting date relates to certain buyback arrangements within the Group.

27 NON-CURRENT LIABILITIES - Deferred Revenue

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Deferred revenue	**43,804**	-

Deferred revenue relates to recognition of revenue in accordance with the performance obligations in certain Warranty and Buyback contracts.

28 NON-CURRENT LIABILITIES - Other Non-Current Liabilities

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

Other non-current liabilities represent the estimated fair value of the contingent consideration relating to the acquisition 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 business did not achieve the earnings performance targets for 2018 and 2019, therefore the contingent consideration has been released as an extraordinary gain in the financial year ended 31 December 2019, refer to Note 4. The associated goodwill balance was reviewed for impairment within the VIC & TAS CGU, refer to Note 17(a).

29 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 Groups investments in DealerMotive Limited, Automotive Holdings Group Limited and Dealercell Holdings Pty Limited.

Geographic Information

The Group operates in two principal geographic locations, being Australia and New Zealand.

29 SEGMENT INFORMATION (continued)

(e) Segment results

Segment reporting 2019	Car Retailing $'000	Truck Retailing $'000	Property $'000	Investments $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	5,224,977	590,751	1,054	197	-	5,816,979
Inter-segment sales	-	-	20,869	-	(20,869)	-
Total sales revenue	5,224,977	590,751	21,923	197	(20,869)	5,816,979
TOTAL REVENUE	5,224,977	590,751	21,923	197	(20,869)	5,816,979
SEGMENT RESULT						
Operating profit before interest	138,613	10,253	15,874	197	-	164,937
External interest expense allocation	(47,618)	(8,520)	(6,996)	(2,435)	-	(65,569)
OPERATING CONTRIBUTION	90,995	1,733	8,878	(2,238)	-	99,368
Share of net profit of equity accounted investments	-	-	-	339	-	339
Business acquisition costs	(8,617)	-	-	(3,903)	-	(12,520)
Impairment of Non-Current Assets	(233,323)	(11,602)	-	-	-	(244,925)
Investment revaluation	-	-	-	145,392	(80,331)	65,061
Profit on sale of property/businesses	23,250	-	14,457	-	-	37,707
Business Integration Costs	(4,442)	-	-	-	-	(4,442)
Closure & Restructure Costs	(1,667)	-	-	-	-	(1,667)
Derecognition of contingent consideration	19,674	-	-	-	-	19,674
SEGMENT PROFIT	**(114,130)**	**(9,869)**	**23,335**	**139,590**	**(80,331)**	**(41,405)**
Unallocated corporate expenses						(21,899)
PROFIT BEFORE TAX						(63,304)
Income tax expense						(17,176)
NET PROFIT						**(80,480)**
Depreciation and amortisation	(68,756)	(23,098)	(3,363)	-	-	(95,217)
ASSETS						
Segment assets	3,641,683	462,580	252,568	11,264	-	4,368,095
LIABILITIES						
Segment liabilities	2,971,009	458,082	96,884	-	-	3,525,975
NET ASSETS	670,674	4,498	155,684	11,264	-	842,120

29 SEGMENT INFORMATION (continued)

(e) Segment results (continued)

Segment reporting 2018 Restated	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	116,048	13,231	17,878	13,868	-	161,025
External interest expense allocation	(27,183)	(2,792)	(7,088)	(3,681)	-	(40,744)
OPERATING CONTRIBUTION	88,865	10,439	10,790	10,187	-	120,281
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	90,972	10,439	28,043	(171,136)	170,134	128,452
Unallocated corporate expenses						(50)
PROFIT BEFORE TAX						128,402
Income tax expense						(30,906)
NET PROFIT						97,496
Depreciation and amortisation	(39,388)	(3,070)	(3,679)	-	-	(46,137)
ASSETS						
Segment assets	1,370,505	137,636	310,131	181,077	-	1,999,349
LIABILITIES						
Segment liabilities	953,060	127,226	159,785	123,619	-	1,363,690
NET ASSETS	417,445	10,410	150,346	57,458	-	635,659

30 CONTRIBUTED EQUITY

(a) Paid up capital

	CONSOLIDATED 2019 $'000	2018 $'000
Ordinary shares - Fully paid	**1,173,069**	371,405

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.

At the reporting date, the Employee Share Trust held 164,204 shares, which are reported in share capital (2018: 1,026,077).

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
01-Jan-2019	Opening balance	191,309,301	-	371,405
26-Aug-2019	Issue of shares to AHG shareholders	33,334,047	$11.44	381,342
30-Aug-2019	Issue of shares to AHG shareholders	5,110,248	$12.37	63,214
05-Sep-2019	Issue of shares to AHG shareholders	2,242,568	$13.30	29,826
11-Sep-2019	Issue of shares to AHG shareholders	4,632,943	$13.40	62,081
17-Sep-2019	Issue of shares to AHG shareholders	5,242,610	$13.21	69,255
23-Sep-2019	Issue of shares to AHG shareholders	8,392,874	$13.55	113,723
24-Oct-2019	Issue of shares to AHG shareholders	6,668,515	$12.33	82,223
31-Dec-2019	**Closing balance**	256,933,106	-	1,173,069
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
31-Dec-2018	**Closing balance**	**191,309,301**	**-**	**371,405**

31 RESERVES AND RETAINED EARNINGS

(a) Reserves:

	Note	CONSOLIDATED 2019 $'000	2018 $'000
Property, plant and equipment revaluation reserve		**28,312**	56,820
Hedging reserve - cash flow hedge		**-**	(25)
Share-based payments reserve		**(37,862)**	(49,628)
Foreign currency translation reserve		**1,153**	-
Business combination reserve		**(470,729)**	-
Investment revaluation reserve		**(72,687)**	(131,473)
		(551,813)	(124,306)

	Note	2019 $'000	2018 $'000
Movements:			
Property, plant and equipment revaluation reserve:			
Balance at beginning of the financial year		**56,820**	52,728
Revaluation surplus during the year - gross	16	**13,769**	11,266
Transfer to retained earnings relating to properties sold	31(b)	**(38,146)**	(3,794)
Deferred tax	18	**(4,131)**	(3,380)
Balance at the end of the financial year		**28,312**	56,820
Hedging reserve - cash flow hedge:			
Balance at beginning of the financial year		**(25)**	(97)
Movement during the year		**36**	103
Deferred tax	18	**(11)**	(31)
Balance at the end of the financial year		**-**	(25)
Share-based payments reserve:			
Balance at beginning of the financial year		**(49,628)**	(34,368)
Deferred tax	18	**7,567**	(3,973)
Payments received from employees for exercised options		**4,890**	4,664
Shares acquired by the Employee Share Trust		**(2,598)**	(13,965)
Employee share schemes - value of employee services		**1,906**	391
Transfer to share capital (shares issued)		**-**	(2,377)
Balance at the end of the financial year		**(37,863)**	(49,628)
Investment revaluation reserve:			
Balance at beginning of the financial year		**(131,473)**	19,868
Gain/(Loss) on revaluation of financial assets held at fair value through other comprehensive income		**80,331**	(181,400)
Deferred tax	18	**(21,544)**	30,059
Balance at the end of the financial year		**(72,686)**	(131,473)
Business combination reserve:			
Balance at beginning of the financial year		**-**	-
Movement during the period		**(470,729)**	-
Balance at the end of the financial year		(470,729)	-

31 RESERVES AND RETAINED EARNINGS (continued)

(a) Reserves: (continued)

	2019 $'000	2018 $'000
Foreign currency translation reserve:		
Balance at beginning of the financial year	**-**	-
Currency translation differences arising during the year	**1,153**	-
Balance at the end of the financial year	1,153	-

(b) Retained earnings

	Notes	CONSOLIDATED 2019 $'000	2018 $'000
Retained profits at the beginning of the financial year		**380,558**	**350,715**
Net (loss)/profit for the year		**(129,124)**	97,496
Less: NCI Share		**(2,789)**	(1,619)
Transfer from asset revaluation reserve re properties sold		**39,368**	3,794
Dividends provided for or paid	7	**(78,080)**	(69,828)
Retained profits at the end of the financial year		**209,933**	380,558

(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.

(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 38 and 39.

32 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.

32 FINANCIAL INSTRUMENTS (continued)

Overview (continued)

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.

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's ability to manage liquidity risk is not effected by the net current liability position at 31 December 2019, which is impacted by the recognition of a current liability equivalent to the present value of the lease payments under the remaining term of each lease in accordance with AASB 16. The cash commitments in relation to each lease remain unchanged. Management are of the view that the Group will continue to generate sufficient operating cash flows to meeting its financial obligations as they fall due.

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 25.

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.

32 FINANCIAL INSTRUMENTS (continued)

MARKET RISK (continued)

(i) Interest rate risk

The Group's policy is to keep between 0% and 50% of its borrowings at fixed rates of interest. As at 31 December 2019, 12% (2018: 21%) of the Group's borrowings were at a fixed rate of interest (excluding bailment finance).

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

The net fair value of the swaps at 31 December 2019 was $0 (2018: $35,000 liability), with the movement being recognised in equity for the consolidated entity.

(ii) Interest rate sensitivity

The sensitivity analysis below has 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 $4,290,000 (2018: $4,421,000) 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**	
	2019	2018	**2019**	2018	**2019**	2018
	%	%	**$'000**	$'000	**$'000**	$'000
Outstanding floating for fixed contracts						
Less than 1 year	**-%**	2.38%	**-**	15,000	**-**	(35)
	-%	2.38%	**-**	15,000	**-**	(35)

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.

32 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

(i) Exposure to Credit Risk

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

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Trade and other receivables	**345,304**	167,253
Less: Allowance for expected credit losses	**(4,256)**	(2,664)
	341,048	164,589

(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.

Financial assets		
Trade and other receivables net of expected credit losses	**341,048**	164,589
Cash and cash equivalents	**94,172**	18,868
	435,220	183,457
Financial liabilities		
Bills payable and fully drawn advances	**332,313**	235,700
Capital loan	**77,778**	79,598
Vehicle bailment	**1,281,947**	570,273
Trade and other payables	**371,447**	145,917
Derivative financial instruments	**-**	35
	2,063,485	1,031,523

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.

32 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 2019**	**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	94,172	-	-	-	-	-	94,172
Average interest rate	.50%	-	-	-	-	-	
Financial liabilities							
Vehicle bailment (current)	1,281,947	-	-	-	-	-	1,281,947
Fully drawn advances	36,596	9,786	9,786	221,598	97,652	15,560	390,978
Capital loan (Non-current)	1,875	2,211	7,053	2,038	2,038	24,713	39,928
	1,320,418	11,997	16,839	223,636	99,690	40,273	1,712,853
Average interest rate	3.20%	4.05%	4.05%	3.87%	3.92%	4.06%	
Fixed rate							
Financial liabilities							
Capital loan (Non-current)	2,375	2,187	2,187	49,958	-	-	56,707
Average interest rate	4.34%	-	-	-	-	-	
NON INTEREST BEARING							
Financial assets							
Trade debtors	341,048	-	-	-	-	-	341,048
Financial liabilities							
Trade and other payables	371,447	-	-	-	-	-	371,447

32 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

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

Maturity profile (continued)

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.

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.

33 INVESTMENTS IN SUBSIDIARIES

Name of entity		EQUITY HOLDING 2019 %	2018 %
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
PPT Holdings No 1 Pty Ltd	*	**-**	100
PPT Holdings No 2 Pty Ltd	*	**-**	100
PPT Holdings No 3 Pty Ltd	*	**-**	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**	100
Boonarga Welding Pty Ltd		**80**	80
Black Auto CQ Pty Ltd	*	**100**	100
CH Auto Pty Ltd	*	**100**	100
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
Port City Autos Pty Ltd	*	**100**	100

33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of entity		EQUITY HOLDING 2019 %	2018 %
Adverpro Pty Ltd	*	**100**	100
Cheap Cars QLD Pty Ltd	*	**100**	100
Eurocars (SA) Pty Ltd	*	**100**	100
Finmo Pty Ltd	*	**100**	100
360 Finance Pty Ltd	*	**100**	-
360 Financial Services Australia Pty Ltd	*	**100**	-
360 Insurance Services Pty Ltd	*	**100**	-
ACN 132 712 111 Pty Ltd	*	**100**	-
ACM Autos Holdings Pty Ltd		**80**	-
ACM Autos Pty Ltd		**100**	-
ACM Liverpool Pty Ltd	*	**100**	-
AHG 1 Pty Ltd	*	**100**	-
AHG Automotive Mining and Industrial Solutions Pty Ltd	*	**100**	-
AHG Coatings Pty Ltd	*	**100**	-
AHG Finance 2005 Pty Ltd	*	**100**	-
AHG Finance Pty Ltd	*	**100**	-
AHG Franchised Automotive Pty Ltd	*	**100**	-
AHG International Pty Ltd	*	**100**	-
AHG Management Company Pty Ltd	*	**100**	-
AHG Newcastle Pty Ltd	*	**100**	-
AHG Property Pty Ltd	*	**100**	-
AHG Services (NSW) Pty Ltd	*	**100**	-
AHG Services (QLD) Pty Ltd	*	**100**	-
AHG Services (VIC) Pty Ltd	*	**100**	-
AHG Services (WA) Pty Ltd	*	**100**	-
AHG Trade Parts Pty Ltd	*	**100**	-
AHG Training Pty Ltd	*	**100**	-
AHG WA (2015) Pty Ltd	*	**100**	-
AHGCL 2016 Pty Ltd	*	**100**	-
AHGSW 2018 Pty Ltd	*	**100**	-
Auckland Auto Collection Limited	*	**100**	-
AUT 6. Pty Ltd	*	**100**	-
Automotive Holdings Group (Queensland) Pty Ltd	*	**100**	-
Automotive Holdings Group (Victoria) Pty Ltd	*	**100**	-
Automotive Holdings Group Limited	*	**100**	-
Big Rock 2005 Pty Ltd		**80**	-
Big Rock Pty Ltd	*	**100**	-
Bradstreet Motors Holdings Pty Ltd		**80**	-
Bradstreet Motors Pty Limited		**100**	-
Cardiff Car City Holdings Pty Ltd		**80**	-
Cardiff Car City Pty Limited		**100**	-
Carlin Auction Services (NSW) Pty Ltd		**100**	-
Carlin Auction Services (QLD) Pty Ltd		**100**	-
Carlins Automotive Auctioneers (WA) Pty Ltd		**100**	-
Carlins Automotive Auctioneers Pty Ltd		**100**	-
Carlins Corporate Vehicle Services Pty Ltd		**100**	-
Carlins Group Holdings Pty Ltd		**53**	-
Carsplus Australia Pty Ltd	*	**100**	-
Castle Hill Autos No. 1 Pty Ltd	*	**100**	-
Castlegate Enterprises Pty Ltd	*	**100**	-
CFD (2012) Pty Ltd	*	**100**	-
Chellingworth Pty Ltd	*	**100**	-
City Auto (2016) Holdings Pty Ltd		**80**	-
City Auto (2016) Pty Ltd		**100**	-
City Motors (1981) Pty Ltd	*	**100**	-
Doncaster Auto (2016) Pty Ltd	*	**100**	-

33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of entity		EQUITY HOLDING 2019 %	2018 %
Drive A While Pty Ltd	*	**100**	-
Dual Autos Pty Ltd	*	**100**	-
Duncan Autos 2005 Pty Ltd	*	**100**	-
Duncan Autos Pty Ltd	*	**100**	-
Easy Auto 123 Pty Ltd	*	**100**	-
Essendon Auto (2017) Pty Ltd	*	**100**	-
Falconet Pty Ltd	*	**100**	-
Ferntree Gully Autos Holdings Pty Ltd		**80**	-
Ferntree Gully Autos Pty Ltd		**100**	-
Geraldine Nominees Pty Ltd	*	**100**	-
Giant Autos (1997) Pty Ltd	*	**100**	-
Giant Autos Pty Ltd	*	**100**	-
Grand Autos 2005 Pty Ltd		**80**	-
Highland Autos Pty Ltd		**80**	-
Highland Kackell Pty Ltd	*	**100**	-
HM (2015) Holdings Pty Ltd		**80**	-
HM (2015) Pty Ltd		**100**	-
Janasen Pty Ltd	*	**100**	-
Janetto Holdings Pty Ltd	*	**100**	-
JAT Refrigerated Road Services Pty Ltd	*	**100**	-
Kingspoint Pty Ltd	*	**100**	-
Knox Auto (2016) Pty Ltd	*	**100**	-
Laverton Auto (2016) Pty Ltd	*	**100**	-
Lionteam Pty Ltd	*	**100**	-
LWC International Limited	*	**100**	-
LWC Limited	*	**100**	-
Maitland City Motor Group Holdings Pty Ltd		**80**	-
Maitland City Motor Group Pty Ltd		**100**	-
Matchacar Pty Ltd	*	**100**	-
MBSA Motors Pty Ltd	*	**100**	-
MCM Autos Pty Ltd		**80**	-
MCM Sutherland Pty Ltd	*	**100**	-
Melbourne City Autos (2012) Pty Ltd	*	**100**	-
Melville Autos 2005 Pty Ltd	*	**100**	-
Melville Autos Pty Ltd	*	**100**	-
Mornington Auto Group (2012) Pty Ltd	*	**100**	-
Newcastle Commercial Vehicles Pty Ltd	*	**100**	-
North City (1981) Pty Ltd	*	**100**	-
North City 2005 Pty Ltd	*	**100**	-
Northside Autos 2005 Pty Ltd	*	**100**	-
Northside Nissan (1986) Pty Ltd	*	**100**	-
Northwest (WA) Pty Ltd	*	**100**	-
Novated Direct Pty Ltd	*	**100**	-
NSW Vehicle Wholesale Pty Ltd	*	**100**	-
Nuford Ford Pty Ltd	*	**100**	-
OPM (2012) Holdings Pty Ltd		**80**	-
OPM (2012) Pty Ltd		**100**	-
Osborne Park Autos Pty Ltd	*	**100**	-
Penrith Auto (2016) Pty Ltd	*	**100**	-
Perth Auto Alliance Pty Ltd	*	**100**	-
PT (2013) Pty Ltd		**99**	-
Rand Transport (1986) Pty Ltd	*	**100**	-
Rand Transport Pty Ltd	*	**100**	-
Rent Two Buy Pty Ltd	*	**100**	-
Sabalan Holdings Pty Ltd		**80**	-
Sabalan Pty Ltd		**100**	-

33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of entity		EQUITY HOLDING 2019 %	2018 %
Scott's Refrigerated Freightways Pty Ltd	*	**100**	-
Shemapel 2005 Pty Ltd	*	**100**	-
Skipper Trucks Pty Ltd	*	**100**	-
Southeast Automotive Group Pty Ltd	*	**100**	-
Southern Automotive Group Pty Ltd	*	**100**	-
Southside Autos (1981) Pty Ltd	*	**100**	-
Southside Autos 2005 Pty Ltd	*	**100**	-
Southwest Automotive Group Pty Ltd	*	**100**	-
SWGT Pty Ltd	*	**100**	-
Total Autos (1990) Pty Ltd	*	**100**	-
Total Autos 2005 Pty Ltd	*	**100**	-
VMS Pty Ltd	*	**100**	-
Vehicle Storage & Engineering Pty Ltd	*	**100**	-
WA Trucks Pty Ltd	*	**100**	-
Widevalley Pty Ltd	*	**100**	-
Zupp Holdings Pty Ltd	*	**100**	-
Zupps Aspley Pty Ltd	*	**100**	-
Zupps Gold Coast Pty Ltd	*	**100**	-
Zupps Mt Gravatt Pty Ltd	*	**100**	-
Zupps Parts Pty Ltd	*	**100**	-
Zupps Southside Pty Ltd	*	**100**	-
Submo Pty Ltd	*	**100**	-
APE Cars Mgmt Pty Ltd	*	**100**	-
Webster Trucks Mgmt Pty Ltd	*	**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 or New Zealand.

33 INVESTMENTS IN SUBSIDIARIES (continued)

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

	2019 $'000	2018 $'000
Financial position		
Assets		
Current assets	1,104	-
Non-current assets	634,831	426,334
	635,935	426,334
Liabilities		
Current liabilities	-	6,480
Non-current liabilities	72,827	64,866
	72,827	71,346
Equity		
Issued capital	1,173,069	371,405
Retained earnings	(55,410)	134,428
Reserves		
Asset revaluation reserve	1,683	1,683
Business Combination Reserve	(474,258)	-
Investment revaluation reserve	(48,326)	(107,112)
Share based payments reserve	(33,650)	(45,416)
	563,108	354,988
Financial performance		
Profit for the year	(148,944)	81,707
Other comprehensive income	58,787	(151,341)

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 2019. 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.

33 INVESTMENTS IN SUBSIDIARIES (continued)

AHG became a wholly-owned subsidiary of A.P. Eagers on or about on 24 October 2019 (Acquisition) pursuant to a compulsory acquisition by A.P. Eagers of all of the remaining shares in AHG that were not already owned by A.P. Eagers following the close of A.P. Eagers' off-market takeover bid for AHG on 16 September 2019.

Under ASIC Instrument 20-0106 (Instrument), Automotive Holdings Group Limited (AHG), the directors of AHG and AP Eagers were granted relief from compliance with certain provisions of the Corporations Act. The effect of this Instrument Is that subject to certain conditions

(a) AHG is not required to:

• prepare a separate audited financial report and directors' report; or
• report to its member under section 314 of the Corporations Act; or
• send a report to its member in accordance with a request under subsection 316(1) of the Corporations Act, in relation to the financial year ended 31 December 2019;

(b) the directors of AHG do not have to comply with:

• the requirement under section 317 of the Corporations Act to lay reports before the AGM of AHG following the year ended 31 December 2019;
• a requirement (if any) in relation to the appointment of an auditor following any casual vacancy occurring before 31 March 2020;

(c) AP Eagers does not have to comply with subsection 292(1) of the Corporations Act in relation to the year ended 31 December 2019 to the extent that any non-compliance would result merely from AP Eagers preparing financial reports that includes notes that have been prepared for the purposes of compliance with the Instrument and section of 6 of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785;

(d) AHG does not have to comply with a requirement (if any) to appoint an auditor of AHG at its AGM for the 2020 calendar year.

Refer Notes 34(a) and 34(b) in respect of guarantees entered into by the parent entity in relation to debts of its subsidiaries.

33 INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of AHG

AHG is a diversified automotive retailing and logistics group with operations in Western Australia, New South Wales, Queensland, Victoria and New Zealand. AHG currently operates three main business divisions: automotive retailing; refrigerated logistics and other logistics. The acquisition combines the two highly complementary businesses of AP Eagers and AHG to create Australia's leading automotive retail group.

At 31 December 2018 the Group owned over 20% of the voting power of Automotive Holdings Group Limited ("AHG Limited"). The Directors rebutted the presumption of exercising significant influence at that date on the basis that the Group had no representation on the Board of Directors of AHG Limited, no material transactions with AHG Limited, and no participation in policy-making decisions. As a result, and in line with our election made on application of AASB 9, the investment in AHG Limited was accounted for as an asset held at fair value through other comprehensive income (FVOCI).

On 5 April 2019, AP Eagers offered to acquire all of the ordinary shares in AHG that AP Eagers did not already own. The original offer was structured as an all-scrip offer of 1 AP Eagers Share for every 3.8 AHG Shares owned. Following negotiations between representatives from AP Eagers and AHG, the offer was subsequently varied to 1 AP Eagers Share for every 3.6 AHG Shares owned. The varied offer was announced on 8 May 2019 with the AHG Board unanimously recommending AHG Shareholders accept APE's improved offer.

At that time, the directors reassessed the ability of the Group to influence the operating and financial policies of its investee, AHG Limited, during the period to 30 June 2019. On the basis of all the relevant facts and circumstances, the directors have concluded that evidence of significant influence existed from 1 May 2019. Therefore, in line with AASB 128 *Investments in Associates and Joint Ventures*, APE's 28.84% investment in AHG Limited was accounted for as an investment in associate from that date.

A non-cash fair value adjustment of $58,787,000 (after tax) was recognised on reclassification from FVOCI to an investment in associate as a result of remeasuring the fair value at the date of reclassification. The increase in fair value is recognised as a permanent reserve balance.

APE recognised our share of AHG's profit after tax for the period 1 May to 19 August 2019, with a total contribution of $0.6 million to APE's 2019 profit or loss.

	$'000
Acquisition during the period - reclassification from FVOCI to an investment in associate	229,518
Share of investees' net profit recognised in the financial period	554
Equity accounted investment in associate immediately before control obtained	**230,072**
Fair value of equity accounted investment on date control was obtained	295,133
Total profit recognised upon remeasurement of equity accounted investment on date control was obtained.	**65,061**

The offer was subject to a number of conditions, including regulatory approval from the Australian Competition and Consumer Commission (ACCC). AP Eagers applied to the ACCC to obtain merger authorisation for the acquisition of AHG and the ACCC granted authorisation for AP Eagers merger with AHG on 16 August 2019.

AHG shareholders had the ability to accept the offer (either via outright acceptance or via an acceptance facility for sophisticated investors) from the date of announcement of the offer. However, the acceptance of the offer did not represent a binding contract for the sale of shares until the offer was declared free of conditions. Once the bid is declared free of conditions and upon processing of the acceptance instructions, APE obtains power of attorney relating for the voting rights for each share acceptance, otherwise referred to as a 'relevant interest'.

On 16 August 2019, the bid was declared free of conditions and AP Eagers received acceptances from AHG shareholders such that APE held a relevant interest of 44.59% in AHG.

On 19 August 2019, APE had received acceptance instructions resulting in APE having a relevant interest of 62.53% in AHG, providing the Group power to control AHG's via its voting rights. From 19 August 2019 AP Eagers proceeded to issue shares in exchange for the AHG shares held by AHG shareholders who had accepted the offer. The issue of shares required a number of days to satisfy the administrative requirements.

33 INVESTMENTS IN SUBSIDIARIES (continued)

A non-cash gain on reclassification was recognised on derecognition of the equity accounted investment and commencement of consolidation accounting. The gain was due to the fact the equity accounted investment, carried at $2.40 per share, was disposed of for a fair value of $3.08 per share on the date of consolidation.

On 16 September 2019 (offer close date), AP Eagers had acquired an additional 28.58% relevant interest in AHG, which was represented by AHG shareholders who had accepted the offer and received AP Eagers shares, or AHG shareholders who had accepted the offer but were yet to be issued AP Eagers shares. On 16 September 2019 AP Eager's ownership increased to 91.11%. Subsequent to this date, AP Eagers exercised their right in accordance with the Corporations Act 2001 (Cth) as a shareholder who held at least 90% of the shares in AHG to compulsorily acquire the remaining shares. Under the compulsory acquisition process, AP Eagers obtained 100% ownership of the shares on issue in AHG on 24 October 2019.

AP Eagers elected to recognise the non-controlling interest as the proportionate share in AHG's identifiable net assets acquired, resulting in a non-controlling interest of $13.6 million being recognised at 19 August 2019.

Subsequent to the date control was obtained, a progressive buyout of non-controlling interests was undertaken, resulting in APE owning 100% of AHG shares at year end.

The financial report includes the result of AHG for the four-month period from acquisition date. The acquisitions contributed revenue of $1.8 billion and a loss before tax of $37.6 million to the consolidated continued operations result.

The Group incurred acquisition related costs of $8.1 million on legal and advisory fees and stamp duty costs. These costs have been included in 'acquisition costs' in the Statement of Profit or Loss, and in 'operating cash flows' in the Statement of Cash Flows.

On consolidation, the investment in AHG and pre-acquisition equity balances have been eliminated with a preliminary goodwill of $662.3 million recognised. Due to the proximity of the acquisition to the financial year end, the accounting for the AHG acquisition will remain provisionally determined at 31 December 2019 with the determination of the fair value of the acquired identifiable assets and liabilities to be finalised during the measurement period ending 18 August 2020, as allowed by AASB 3 *Business Combinations*.

33 INVESTMENTS IN SUBSIDIARIES (continued)

On date of control, 19th August 2019, the Goodwill arising from the acquisition is detailed below:

	$'000
Purchase consideration - Ordinary shares issued to obtain controlling interest	344,509
Previously held equity investment, at fair value	295,131
Non-controlling interest	(13,574)
	626,066
Less: Net identified liabilities acquired at fair value	36,199
Goodwill arising on acquisition	**662,265**

The provisional fair values of the identifiable assets and liabilities as at the date of acquisition were:

	$'000
Cash and cash equivalents	66,745
Trade and other receivables	202,611
Inventories	911,984
Prepayments and deposits	13,924
Deferred tax assets	128,570
Property, plant and equipment	155,906
Right of use assets	873,787
Other assets	41,839
Assets classified as held for sale	571,548
Total Assets	**2,966,914**
Trade and other payables	247,045
Lease liabilities	936,381
Other liabilities	1,279,779
Liabilities directly associated with assets classified as held for sale	549,317
Total Liabilities	**3,012,522**
Total identified tangible liabilities acquired at fair value	**(45,608)**
Intangible assets recognised on acquisition	9,409
Total identified liabilities acquired at fair value	**(36,199)**

Goodwill represents the value of the workforce of AHG, in addition to the car and truck dealership network and any premium from synergies and future growth opportunities that cannot be recognised separately. Goodwill has been allocated across the combined Group's cash generating units (refer note 17).

At reporting date, accounting for the acquisition of AHG remains provisional. Work is ongoing in respect of a number of balances, including but not limited to the following:

1. Fair value of property, plant and equipment (including buy back arrangements);
2. Right-of-use assets; and
3. Contingent liabilities.

33 INVESTMENTS IN SUBSIDIARIES (continued)

(b) Acquisition of other businesses

The Group acquired the following business during the 2019 year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2019	Adelaide BMW	April 2019	Motor Dealership	100%

During 2019 the acquired businesses contributed revenue of $61,515,000 and a profit before tax of $429,000 to the consolidated result. If the acquisition had occurred on 1 January 2019, the consolidated revenue and the consolidated profit before tax of the acquired businesses would have been approximately $92,273,000 and $644,000 respectively.

Allocation of purchase consideration

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

	Adelaide BMW $'000
Cash consideration	8,651
Total purchase consideration	8,651

Consolidated fair value at acquisition date	**2019 $'000**
Net assets acquired	
Cash	**4**
Receivables, prepayments	**74**
Inventory	**2,163**
Property, plant and equipment	**1,509**
Right-of-use assets	**12,468**
Lease liabilities	**(12,468)**
Creditors, borrowings and provisions	**(1,411)**
Net assets acquired	**2,339**
Acquisition cost	**8,651**
Goodwill on acquisition (i)	**6,312**

(i) Goodwill arose on 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.

33 INVESTMENTS IN SUBSIDIARIES (continued)

(c) Acquisition of businesses in prior year

The Group acquired the following business during the 2018 year, which have been finalised in the 2019 year, as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2018	Southern Vales Nissan	June 2018	Motor Dealership	100%
2018	Metro Nissan	August 2018	Motor Dealership	100%
2018	Toowoomba Motor Group	October 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 occured 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)

33 INVESTMENTS IN SUBSIDIARIES (continued)

(d) Business disposal and discontinued operations

The Group sold the following business during the 2019 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2019	Austral Motor Group	May 2019	Motor Dealership	100%
2019	Kloster Motor Group	October 2019	Motor Dealership	100%
2019	Mornington Auto Group	December 2019	Motor Dealership	100%

(i) Net Assets and Liabilities disposed of

	CONSOLIDATED 2019 $'000
Net assets disposed of	
Receivables, Prepayments	18,623
Inventory	71,913
Property, plant and equipment	3,784
Intangible assets	25,253
Creditors, borrowings and provisions	(74,327)
Net assets disposed	**45,246**
Total consideration received (100% Cash)	64,954
Gain on sale	19,708

(ii) Kloster Motor Group

On 5 July 2019, AP Eagers Limited announced the proposal to divest Kloster Motor Group to assist in securing regulatory authorisation for AP Eagers' merger with Automotive Holdings Group Limited. Binding sale agreements for Kloster Motor Group were executed with Tony White Group on 10 September 2019 and the sale subsequently completed on 31 October 2019 along with the sale of freehold properties related to Kloster Motor Group.

Further information regarding the financial performance is presented below for the ten months ended 31 October 2019 and the year ended 31 December 2018.

	2019 $'000	2018 $'000
Revenue from contracts with customers	339,354	423,544
Expenses	(333,392)	(415,495)
Profit before income tax	5,962	8,049
Income tax expense	(831)	(2,229)
Profit after income tax from Kloster Motor Group	**5,131**	**5,820**

Refrigerated Logistics

Refrigerated Logistics (RL) is classified as a discontinued operation in the statement of profit and loss, on the basis that it was classified as held for sale on acquisition of AHG and is a subsidiary acquired exclusively with a view to resale. Therefore, the Group has elected to apply the reduced disclosure in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. RL recorded a loss after tax of $14.4 million post acquisition. In addition, the Group recognised an impairment loss of $34.3 million (refer note 5) representing a reassessment of the Group’s best estimate of market value fooling a formal sale process post acquisition.

33 INVESTMENTS IN SUBSIDIARIES (continued)

(e) Disposal of businesses in prior year

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	June 2018	Motor Dealership	100%
2018	Austral Volvo	June 2018	Motor Dealership	100%
2018	Eagers Kia	August 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

33 INVESTMENTS IN SUBSIDIARIES (continued)

(f) 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	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Individually immaterial subsidiaries with non-controlling interest	**2,789**	1,619	**9,423**	8,002

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Movement - Non-Controlling Interest		
Balance at the beginning of the financial year	**8,002**	10,761
Profit for the year	**2,789**	1,619
Acquisition of non-controlling interest	**12,651**	-
Payment / (Repayment) for shares	**-**	(2,337)
Payment of dividend	**(1,368)**	(2,041)
Disposal of non-controlling interest	**(12,651)**	-
Balance as at the end of the financial year	**9,423**	8,002

34 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 2019 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 2019. 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 $3,947,518,000 (2018: $1,031,832,000).

35 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	
	2019	2018
	$'000	$'000
Within one year	**3,885**	5,292

36 REMUNERATION OF AUDITOR

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	**1,376**	816
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for: Audit and other assurance services	**500**	-
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	**974**	90
	2,850	906

(i) Non audit services include $57,500 of Other Assurance Services (Investigating Accountants reports) and $504,000 of Advisory Services (integration support services) performed for the Group in relation to the acquisition of AHG in addition to $80,000 for tax compliance services. The balance also includes $294,000 billed in respect of non-audit work performed for AHG prior to acquisition but billed thereafter.

37 SUBSEQUENT EVENTS

On 18 February 2020, General Motors announced its intentions to wind down Holden vehicle sales in Australia and New Zealand by 2021, whilst maintaining Holden service outlets to support existing Holden customers with warranty claims, spare parts, servicing and recalls for ten years. Given the proximity of the announcement to the release of the 31 December 2019 financial statements, and the uncertainty surrounding exactly how General Motors compensation arrangements will impact the Group management is not able to reliably estimate the financial impact on the Group's operations and state of affairs.

38 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)
	G J Duncan	Director (non-executive), appointed 6 December 2019
	D S Blackhall	Director (non-executive), appointed 6 December 2019
	M V Prater	Director (non-executive), appointed 3 February 2020
(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	
	2019	2018
	$'000	$'000
Short term	**4,520**	3,903
Post employment benefits	**130**	120
Share based payments	**1,446**	262
	6,096	4,285

(c) Option holdings of key management personnel

Details of options held by key management personnel can be found in Note 38(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 40.

(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:

38 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

No rights or options were forfeited or expired during the year. A total of 136,717 rights were issued and nil options exercised during the year.

As a result of the application of discretion by the Board, all of the performance rights options relating to the 31 December 2019 performance period have vested. Furthermore, the Board has used its discretion to vest all remaining tranches of performance rights and options relating to the 2017 and 2018 performance periods.

The value of the performance rights and options expensed during the year was $1,224,986, with a cumulative expense being recognised at 31 December 2019 of $6,557,247 (2018: $5,332,261).

38 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan J: EPS Performance Rights and Options - Key Executive

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

38 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan J: EPS Performance Rights and Options - Key Executive (continued)

No performance rights or options were forfeited or expired during the year. A total of 6,218 performance rights were issued and no options exercised during the year.

As a result of the application of discretion by the Board, all of the performance rights options relating to the 31 December 2019 performance period have vested. Furthermore, the Board has used its discretion to vest all remaining tranches of performance rights and options relating to the 2017 and 2018 performance periods.

The value of the performance rights and options expensed during the year was $99,985 with a cumulative expense being recognised as at 31 December 2019 of $449,959 (2018: $349,974).

Plan L: Executive incentive plan - Grant of performance rights - Key Executive

The Group commenced a new performance rights compensation scheme for a specific executive officer in 2020. The fair value of these performance rights is calculated on grant date and recognised over the period to vesting. The performance rights are automatically exercised and converted to vested restricted shares on the Conversion Date, being the date that is one week after release of the Company's full-year financial results. The vesting of the performance rights granted is based on continued employment at the relevant vesting dates. The fair value was estimated by taking the market price of the company's shares on the grant date less the present value of expected dividends that will not be received during the period.

Performance Rights			
Award date 17 February 2020			
Vesting date	31/12/19	31/12/20	31/12/21
Share price at grant date	$9.00	$9.00	$9.00
Expected life	0.0 years	0.87 years	1.87 years
Risk free interest rate	0.81%	0.81%	0.75%
Dividend yield	4.056%	4.056%	4.056%

The number of performance rights granted under the plan is as follows:

Performance Rights			
Number	**Grant Date**	**End Performance Period**	**Fair Value at Grant Date**
30,000	17/02/20	31/12/19	$9.00
35,000	17/02/20	31/12/20	$9.00
35,000	17/02/20	31/12/21	$9.00

No performance rights were forfeited or expired during the year. No performance rights were issued during the year.

The value of the performance rights expensed during the year was $305,069 with a cumulative expense being recognised as at 31 December 2019 of $305,069 (2018: $Nil).

39 OTHER SHARE BASED PAYMENTS

Recognised share-based payments expenses

Refer Note 31(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

No options were forfeited or expired during the year. A total of 970,810 options were exercised during the year.

No costs of the share plan were expensed during 2019 (2018: $Nil). The share plan was fully expensed by the end of 2017 with a cumulative expense recognised of $3,607,822.

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%

39 OTHER SHARE BASED PAYMENTS (continued)

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

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 14,402 performance rights were issued during the year.

As a result of the application of discretion by the Board, all of the performance rights options relating to the 31 December 2019 performance period have vested. Furthermore, the Board has used its discretion to vest all remaining tranches of performance rights and options relating to the 2017 and 2018 performance periods.

The value of the performance rights and options expensed during the year was $139,990, with a cumulative expense being recognised as at 31 December 2019 of $749,281 (2018: $609,291).

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:

39 OTHER SHARE BASED PAYMENTS (continued)

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

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

No rights or options were forfeited or expired during the year. No performance rights or 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 2019 (2018: $Nil), with a cumulative expense being recognised of $512,134.

39 OTHER SHARE BASED PAYMENTS (continued)

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

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 application of discretion by the Board, all of the performance rights options relating to the 31 December 2019 performance period have vested. Furthermore, the Board has used its discretion to vest all remaining tranches of performance rights and options relating to the 2017 and 2018 performance periods.

39 OTHER SHARE BASED PAYMENTS (continued)

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

The value of the performance rights and options expensed during the year was $149,994 with a cumulative expense being recognised as at 31 December 2019 of $449,986 (2018: $395,511).

40 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 $85,314 (2018: $92,174) and purchases of $71,337 (2018: $159,382) 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 $3,820,621 (2018: $4,441,343) 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 2019, Mr M Birrell purchased stock with a value of $580,096 (2018: $484,888) from one of the subsidiaries and sold goods and services of $170,830 (2018: $Nil). 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 arms 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 $210,071 (2018: $204,164), 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.

(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.

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 33.

41 EARNINGS PER SHARE

(a) Basic earnings per share

	CONSOLIDATED 2019 Cents	2018 Cents
From continuing operations attributable to the ordinary equity holders of the company	**(62.4)**	50.1
From continuing operations	**(39.4)**	50.1
From discontinued operation	**(23.0)**	-

(b) Diluted earnings per share

	2019 Cents	2018 Cents
From continuing operations attributable to the ordinary equity holders of the company	**(62.4)**	49.8
From continuing operations	**(39.4)**	49.8
From discontinued operation	**(23.0)**	-

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

	CONSOLIDATED 2019 $'000	2018 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
(Loss)/profit for the year	**(129,124)**	97,496
Less: attributable to non-controlling interest	**(2,789)**	(1,619)
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(131,913)**	95,877
Diluted earnings per share		
(Loss)/Profit for the year attributable to share holders of the parent	**(131,913)**	95,877
Loss from discontinued operations	**(48,644)**	-
(Loss)/Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(180,557)**	95,877

	2019 Number	2018 Number
Weighted average number of ordinary shares outstanding during the year	**211,306,958**	**191,301,059**
Shares deemed to be issued for no consideration in respect of employee options (1)	**2,728,331**	1,387,987
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	**214,035,289**	192,689,046

(1) 182,857 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.

(2) In 2019, the options of 2,728,331 are considered to be anti-dilutive due to the current period loss.

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

		CONSOLIDATED	
			Restated
		2019	2018
	Notes	**$'000**	$'000
Net profit after tax		**(129,124)**	97,496
Depreciation and amortisation	5	**109,061**	46,137
Impairment of non-current assets		**279,672**	-
Gain on reclassification of investment in AHG		**(65,061)**	-
Gain on contingent consideration release		**(19,674)**	-
Share of profits of associate		**(407)**	(77)
Gain on sale of property, plant & equipment		**(14,457)**	(3,554)
Employee share scheme expense		**1,906**	391
Profit on sale of business		**(19,709)**	(2,573)
Property receivable and deposits		**-**	7,145
Impact of AASB 16		**-**	(2,433)
(Gain)/Loss on disposal of non-financial assets		**(6,715)**	-
(Increase)/decrease in assets -			
Receivables		**57,521**	5,522
Inventories		**169,718**	(37,516)
Prepayments		**(1,779)**	(1,445)
Increase/(decrease) in liabilities -			
Creditors (including bailment finance)		**(231,422)**	15,275
Provisions		**(11,301)**	2,047
Taxes payable		**52,567**	(12,260)
Net cash inflow from operating activities		**170,796**	114,155

43 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	
	2019	2018	**2019**	2018
Name of company	**%**	%	**$'000**	$'000
Unlisted securities				
Norna Limited (formerly MTQ Insurance Services Limited)	**-**	20.65	**-**	1,620
DealerMotive Limited	**39.37**	25.50	**15,629**	10,457
Vehicle Parts (WA) Pty Ltd	**50.00**	-	**1,127**	-
Mazda Parts	**16.67**	-	**50**	-
AHG Limited (1)	**-**	28.87	**-**	-
			16,806	12,077

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. Settlement took place in instalments, the final of which was realised in 2019.

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.

Vehicle Parts (WA) Pty Ltd

Vehicle Parts (WA) Pty Ltd provides warehousing and distribution of automotive parts and accessories for Subaru in Western Australia.

(1) AHG Limited

Refer to Note 33 (a) for the acquisition of AHG Limited.

43 INVESTMENTS IN ASSOCIATES (continued)

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

	CONSOLIDATED	
	2019	2018
	$'000	$'000
Carrying amount at the beginning of the financial year	**12,077**	12,000
Equity share of profit from ordinary activities after income tax	**407**	77
Equity accounted investments acquired	**4,322**	-
Carrying amount at the end of the financial year	**16,806**	12,077

(c) Share of associate profit

Based on the last published results for the 12 months to 30 June 2019 plus unaudited results up to 31 December 2019.

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

(d) Reporting date of associates

The associates reporting dates are 30 June annually.

Directors' declaration

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 33 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.

On behalf of the Directors

Brisbane,
27th February 2020

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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 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial 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 2019 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Acquisition of Automotive Holdings Group and associated provisional fair values of acquired balances
 	
As disclosed in Notes 2a (i) and 33a, A.P. Eagers Limited ("A.P. Eagers" or the "Group") completed the acquisition of Automotive Holdings Group ("AHG") during the year ended 31 December 2019 following an all scrip offer which closed on 16 September 2019. The Group declared a relevant interest of 62.5% in AHG on 19 August 2019, going on to acquire 100% of the shares in AHG through a compulsory acquisition on 24 October 2019.
 	
Accounting for material Business Combinations is complex and requires management to make a number of judgements and estimates as disclosed in Note 2a (i), including but not limited to:
 	
• the determination of the date of acquisition; and
• the identification of and fair values attributed to the separately identifiable assets and liabilities acquired, including intangible assets.
	Our procedures performed, which involved our valuations specialists, included, but were not limited to:
	
	• Obtaining a copy of the all-scrip offer and relevant agreements to understand the terms and conditions of the offer and evaluating management's application of the relevant accounting standards, including:
	
	    • the appropriateness of the acquisition date; and
	    • the fair value of the purchase consideration.
	
	• Obtaining an understanding of and assessing the external experts draft report by reading the report, evaluating its scope and holding discussions with the expert.
	
	• Assessing the competence and objectivity of the expert and challenging the appropriateness of the identification of and valuation methodologies and key judgements adopted in determining fair values of customer relationships, brands other intangible and tangible assets.
	
	• Assessing the process applied by management in assigning fair values to property plant and equipment, inventory, lease liabilities and right-of-use assets.
	
	• Assessing the methodology used in allocating the calculated goodwill to the Group's identified cash-generating units ("CGUs").
	
	• Assessing the appropriateness of the disclosures in Notes 2a (i) and 33a to the financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Carrying value of goodwill
As disclosed in Notes 2a (iii) and 17, the Group has recognised goodwill with a carrying value of $743 million at 31 December 2019, after recognising impairment losses of $209 million during the year.
The assessment of the recoverable amount of goodwill and other assets allocated to the CGUs or groups of CGUs requires management to exercise significant judgement, including:

the determination of and allocation of goodwill to the CGUs or groups of CGUs; and
the determination of the following key assumptions used in the calculation of the recoverable amount of each CGU or groups of CGUs:

the cash flow forecasts;
future growth rates;
terminal growth factors; and
discount rates.

</td><td>
Our procedures performed, which involved our valuations specialists, included, but were not limited to:

Obtaining an understanding of the processes that management and the directors undertook in determining the CGUs or groups of CGUs and preparing the valuation models for recoverable amounts.
Evaluating management's identification of CGUs.
Assessing and challenging:

the basis of cash flows for the CGUs and agreeing inputs in the cashflow models to supporting data;
CGU growth rates and terminal growth rates against relevant external data; and
the discount rates applied by comparing the rates used to the range of discount rates calculated by our internal valuation specialists.

Performing sensitivity analysis on key assumptions.
Testing the mathematical accuracy and integrity of the cash flow models.
Assessing the appropriateness of the disclosures in Notes 2a (iii) and 17 to the financial statements.

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
First-year adoption of AASB 16 Leases
As disclosed in Notes 1aa, 2a (iv) and 15, the Group has applied AASB 16 Leases ("AASB 16") from 1 January 2019. The adoption has had a material impact on the Group's financial statements, with right-of-use assets and lease liabilities recognised for the first time, equal to $1 billion and $1.2 billion respectively, refer to Note 15.
In applying AASB 16, management is required to make certain assumptions and judgements, including the following:

determining whether contractual arrangements constitute a lease under the standard;
determining the appropriate discount rate to be applied in the calculation of right-of-use-assets and lease liabilities; and
the likelihood of exercise of any renewal options.

</td><td>
Our procedures performed, which involved our valuations specialists, included, but were not limited to:

Assessing the appropriateness of key assumptions applied in calculating the lease liability and right-of-use assets, including discount rates and the expected lease period.
Verifying the accuracy of the underlying lease data in calculations by agreeing a sample of leases to the original contract or other supporting information.
Assessing the mechanical accuracy of the AASB 16 calculations for each lease sampled through recalculation of the expected lease liability and right of use asset.
Assessing the accuracy of the related interest and depreciation expense.
Assessing the appropriateness of the disclosures in Notes 1aa, 2a (iv) and 15 to the financial statements.

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Deloitte.

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 18 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of A.P. Eagers Limited, for the year ended 31 December 2019, 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

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants
Brisbane, 27 February 2020