22 February 2017

Company Announcements Office
ASX Limited

Full Year Accounts

• **Record Statutory Profit Before Tax of $141.4 million (2015: $121.0 million)**	**Up 17%**
• **Record underlying Profit Before Tax of $137.5 million (2015: $126.4 million)**	**Up 9%**
• **Record Statutory Profit After Tax of $105.5 million (2015: $87.0 million)**	**Up 21%**
• **Record Earnings per Share (basic) of 55.4 cents (2015: 47.6 cents)**	**Up 16%**
• **Record Final Dividend of 22 cents per share (2015: 20 cents per share)**	**Up 10%**
• **Record Total Dividend of 35 cents per share (2015: 32 cents per share)**	**Up 9%**

Attached are the following documents for the year ended 31 December 2016:

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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Chief Executive Officer
(07) 3608 7100

www.apeagers.com.au

A.P. EAGERS LIMITED
ABN 87 009 680 013

Registered Office
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P.O. Box 199, Fortitude Valley QLD 4006
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Appendix 4E
Preliminary Final Report

year ended 31 December 2016

(ASX listing rule 4.3A)

Results for Announcement to the Market

- **Record Statutory Profit Before Tax of $141.4 million (2015: $121.0 million)** **Up 17%**
- **Record underlying Profit Before Tax of $137.5 million (2015: $126.4 million)** **Up 9%**
- **Record Statutory Profit After Tax of $105.5 million (2015: $87.0 million)** **Up 21%**
- **Record Earnings per Share (basic) of 55.4 cents (2015: 47.6 cents)** **Up 16%**
- **Record Final Dividend of 22 cents per share (2015: 20 cents per share)** **Up 10%**
- **Record Total Dividend of 35 cents per share (2015: 32 cents per share)** **Up 9%**

The Directors of A.P. Eagers Limited (ASX: APE) (the Company) are pleased to report a record 2016 statutory Net Profit Before Tax (NPBT) of $141.4 million. This compares to a Net Profit Before Tax of $121.0 million in 2015, an increase of 16.9% on the previous corresponding period (pcp). Net Profit After Tax was $105.5 million in 2016 compared to $87.0 million in 2015, an increase of 21.3% on the pcp. Earnings per share (basic) for 2016 were 55.4 cents compared to 47.6 cents on the pcp, an increase of 16.2%.

Profit Comparison	**Full Year to December 2016 $ Million**	**Full Year to December 2015 $ Million**	**% Change**
Statutory EPS (basic) cents	55.4	47.6	16.2%
Statutory profit after tax	105.5	87.0	21.3%
Statutory profit before tax	**141.4**	**121.0**	**16.9%**
Impairment adjustments (1)			
Freehold Property adjustments (reversal)	(1.2)	2.1	
Goodwill impairment	-	5.5	
Business acquisition costs(2)	1.8	0.2	
GST refunds(3)	(4.5)	(2.4)	
Underlying profit before tax	**137.5**	**126.4**	**8.8%**
Underlying profit after tax(4)	100.2	91.7	9.3%
Underlying EPS (basic) cents	53.3	50.7	5.2%

Notes

(1) Represents the aggregate value of freehold property fair value adjustments (positive and negative) to the Statement of Profit and Loss and non-cash impairment of the goodwill associated with the National Truck Division.

(2) Business acquisition costs include taxes, legal and other costs associated with business acquisitions.

(3) Benefit from tax refunds associated with previous years' GST payments

(4) Underlying profit after tax includes the adjustments per Note (1) above, and the related tax impact at 30% equating to $1.1 million charge in 2016 (2015: $1.6 million benefit).

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Record trading performances in South Australia and New South Wales' Hunter Region, significant improvement in National Truck operations and solid contributions from businesses acquired during the year helped offset the decline in Queensland. Although the Queensland and Northern Territory division continued to perform at historically strong levels, its year-on-year performance was down which was reflective of the exceptional hail driven market dynamics in 2015. Increased dividend income from our strategic investment in Automotive Holdings Group Ltd (AHG) and gains on sale of investments and property also contributed to the Group's record result in 2016.

Dividend

Due to strong operational cash flow and increased earnings per share (EPS), a fully franked final dividend of 22.0 cents per share (2015: 20.0 cents) has been approved for payment on 18 April 2017 to shareholders who are registered on 30 March 2017 (Record Date). When combined with the interim dividend of 13.0 cents paid in October 2016, the total dividend based on 2016 earnings is 35.0 cents per share (2015: 32.0 cents) fully franked, an increase of 9% on 2015. 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 increased by 2.0% in 2016 to 1,178,133 units compared to a 3.8% increase in 2015. Whilst growth reduced in 2016 this represents a record year of sales exceeding the previous set in 2015.

New vehicle sales in Western Australia and Queensland decreased on the pcp by -5.6% and -1.1%, respectively. Strong growth was experienced in New South Wales (4.4%), ACT (4.3%), South Australia (3.9%) and Victoria (3.4%).

Private sales decreased by -5.8% but this was more than offset by a 13.0% increase in business sales. Luxury brands such as Audi, BMW, Mercedes-Benz, Land Rover, Volvo, Jaguar, Mini, Lexus, Porsche and Infiniti all recorded record sales as their respective lower-priced product offerings captured market share, with entry to new model segments key to a large part of this growth. This segment grew from 10.4% to 11.4% of total market share. Traditional fuel vehicles made up 99% of all new vehicle sales with the sale of electric vehicles reducing 80% to 219 units in 2016.

Australian manufactured vehicles represented only 7.4% (2015: 8.4%) of new cars sold in the national market in 2016.

Business Initiatives

During 2016 our car retailing acquisitions expanded into new geographic territories, including Melbourne, Tasmania, Toowoomba, Hervey Bay and Townsville. Many existing brands represented by A.P. Eagers were included in this geographical expansion along with a new franchise relationship with Mercedes-Benz passenger cars at Doncaster and Ringwood in Victoria and at Toowoomba in Queensland. The disciplined integration of these acquisitions has created EPS growth during 2016, and most importantly has laid the foundation for further EPS growth from these business units during 2017 as the full operational benefits are extracted from these acquisitions.

Our all-new Carzoos retail store aimed at delivering a completely new way for customers to buy and sell used cars was launched in September 2016 at Westfield Garden City shopping centre in southern Brisbane. A second store opened in North Lakes in northern Brisbane in November. Carzoos is supported by the Company's new finance initiative, Simplr, aimed at providing a completely new and entirely consumer-centric finance option that leverages the Group's extensive portfolio of partner finance providers.

Redevelopment of the Group's Newstead dealership properties continues with the opening of the new Volkswagen dealership in April 2016. The redevelopment of Land Rover and Jaguar dealerships commenced in

June and is expected to be completed in April 2017 when the Company exits two thirds of the Fortitude Valley site.

The strategic 19.99% shareholding in AHG as at 31 December was valued at $262.0 million based on their closing share price of $3.95 per share (2015: $4.52). Whilst not included in the Company's Statutory Profit after Tax, a before tax unrealised loss of $37.8 million resulting from the reduction in AHG's end of year share price, has been recognised in the Statement of Comprehensive Income for the 2016 year.

Financial Performance

Total revenue increased by 18.1% to $3.8 billion in 2016 (2015: $3.2 billion), with all business units reflecting increases in vehicle sales. The additional contribution from new business acquisitions and strong trading in the NSW car division also combined to boost total revenue. On a like-for-like basis, revenue increased by 5.3% compared to the pcp.

EBITDA increased by 10.2% to $179.8 million (2015: $163.1 million). EBITDA/Revenue of 4.7% (2015: 5.0%) was down as compared to pcp while the NPBT/Sales ratio remained consistent at 3.7% (2015: 3.7%). On an underlying basis NPBT/Sales for 2016 was 3.6%, down from 3.9% in 2015.

A before tax profit of $1.1 million (net) was realised on the early settlement of the property in Woolloongabba in 2016, as compared to a $3.0 million gain on sale of properties in 2015. Furthermore, a profit before tax of $1.2 million was realised on the revaluation of a property at Brookvale, offsetting a revaluation decrement recorded against the same property in 2010. This $1.2 million positive compared to a $2.1 million loss before tax realised on the revaluation of a property in 2015.

Borrowing costs increased by 14.5% to $24.4 million (2015: $21.3 million), reflecting higher average debt (including additional bailment finance for the businesses acquired in 2016) being partially offset by lower margins and interest rates. The increase in depreciation and amortisation costs by 5.9% to $14.0 million (2015: $13.2 million) reflects the additional depreciation on businesses and associated property acquired in 2016 and higher development and refurbishment capital expenditure in 2016 which increased to $19.3 million from $18.9 million in 2015.

Business acquisition costs of $1.8 million were expensed in the financial year relating to the Birrell, Crampton Automotive and Tony Ireland Group acquisitions, compared to $0.2 million in 2015.

The Company's net cash provided by operating activities was $110.7 million in 2016 (2015: $84.6 million). This increase was due to contributions from acquisitions made in 2016, improved profitability together with lower tax payments compared to 2015 which included capital gains tax paid on the properties sold in 2014.

Results Summary

Consolidated results

Year Ended 31 December	2016	2015	
	$'000	$'000	Increase/(Decrease)
Revenue from operations	3,779,738	3,201,755	18.1%
Other revenue	53,484	44,621	19.9%
Total revenue	3,833,222	3,246,376	18.1%
Earnings before interest, tax, depreciation and amortisation and impairment (EBITDA)	**179,776**	**163,077**	**10.2%**
Depreciation and Amortisation	(13,993)	(13,216)	5.9%
Impairment charge/net reversal	-	(7,610)	(100.0%)
Earnings before interest and tax (EBIT)	**165,783**	**142,251**	**16.5%**
Borrowing costs	(24,378)	(21,293)	14.5%
Profit before tax	**141,405**	**120,958**	**16.9%**
Income tax expense	(35,879)	(33,943)	5.7%
Profit after tax	**105,526**	**87,015**	**21.3%**
Non-controlling interest in subsidiaries	(1,542)	(798)	
Attributable profit after tax	**103,984**	**86,217**	**20.6%**
Earnings per share - basic	55.4 cents	47.6 cents	16.4%

This report is based on accounts which have been audited.

Segments [1]

The Profit contribution from the Company's Car Retail segment was 6.8% higher at $104.6 million compared to $98.0 million in 2015. Revenue increased by 19.5%, with the increase primarily attributable to the strong trading in NSW and contribution from the acquired Birrell, Crampton Automotive and Tony Ireland Group's. The strong trading was also reflected in the service departments with the focus on service retention, transactional margins and workshop efficiency all driving a record service result.

The National Truck Division (Truck Retail segment) delivered a significantly improved profit performance of $6.3 million compared to a $3.2 million loss in 2015 which included the goodwill impairment write down of $5.5 million. Revenue increased by 5.4% reflecting strong performance in all departments including significantly improved profits from the used truck and service divisions.

The value of the property portfolio increased to $299 million as at 31 December 2016 compared to $249 million as at 31 December 2015 due primarily to the acquisition of five properties during the year including three dealership sites for the Mercedes-Benz business in Victoria and favourable adjustments to property fair values. The Property segment profit contribution of $28.2 million was higher than the previous year of $16.3 million, due to the $1.1 million gain realised on settlement of a Woolloongabba property together with property valuation increases of $12.1 million primarily in the Queensland portfolio, of which $1.2 million was recognised as profit before tax.

The Investment segment registered a pre-tax loss of $24.0 million for 2016 as compared to a gain of $61.1 million for the pcp, due primarily to an unrealised revaluation loss on the AHG investment of $37.8 million. This reflected a 31 December 2016 AHG closing share price of $3.95 per share compared to $4.52 as at 31 December 2015.

(1) *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

Our financial position and interest coverage remained strong, although total debt and gearing ratios increased during 2016 as a result of additional debt to fund the acquisition of new businesses, property and AHG shares. $50 million in cash received from property sales during the year was also used to fund these acquisitions.

EBITDA Interest Cover (EBITDA/Borrowing costs) was 7.4 times as at 31 December 2016 compared to 7.0 times as at June 2016 and 7.6 times as at 31 December 2015.

Corporate debt (Term and Capital Loan Facility) net of cash on hand as at 31 December 2016 was higher at $266.0 million (2015: $171.5 million) and total debt including vehicle bailment net of cash on hand was higher at $751.9 million as compared to $576.7 million at 31 December 2015. The increase was primarily due to additional debt drawn down to fund the Birrell and Crampton Automotive Group acquisitions and additional bailment finance consistent with seasonal inventory movements and related to businesses acquired during the year.

Total gearing (Debt /Debt + Equity), including bailment inventory financing and finance leases, was 50.2% as at 31 December 2016, as compared to 46.6% as at 31 December 2015. Bailment finance is cost effective short-term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment and finance leases and including cash on hand, was 25.8% as at 31 December 2016 compared to 19.6% at the end of 2015. During the year, additional debt of $73.4 million was drawn down to fund the business and property acquisitions and additional shares acquired in AHG.

Total inventory levels increased to $625.0 million at 31 December 2016 from $530.2 million at 31 December 2015 primarily due to additional new and used car/truck inventory from the Birrell, Crampton Automotive and Tony Ireland Group acquisitions.

Net tangible assets reduced to $2.44 per share as at 31 December 2016, compared to $2.95 per share as at 31 December 2015, due to increased intangibles acquired as part of Birrell, Crampton Automotive and Tony Ireland Group acquisitions and lower value of AHG investment.

Outlook and Strategy Update

The national new vehicle market continues to grow with low interest rates supporting customer affordability and exceptional product offerings driving customer demand.

Strategically, the Company remains focussed on automotive retail and a two-pronged approach of driving value from existing business through process improvement, operating synergies, portfolio management and organic growth, whilst taking advantage of value adding acquisition opportunities as they present themselves.

Key focus areas for 2017 are:

- Delivering further EPS growth from the Birrell Group, Crampton Automotive Group and Tony Ireland Group acquisitions;
- Implementing appropriate operational changes in response to any announcement by ASIC regarding regulatory rule changes for Finance & Insurance (18 month lead time expected);
- The ongoing development and optimisation of our existing used car business model now re-launched and branded Zooper;
- The further expansion of the all-new Carzoos and Simplr business model following the opening of two shopping centre stores in 2016;
- Continued redevelopment and reorganisation of inner city Brisbane facilities (Newstead, Woolloongabba and Windsor) to provide improved long-term solutions for all stakeholders;
- Further rationalisation of our Parts business to reduce the cost base, improve efficiency and eliminate sub-economic business trading terms;
- A renewed focus on all business processes to deliver the optimal operating cost; and
- Earnings accretive dealership and ancillary market acquisitions.

Martin Ward
Managing Director

22 February 2017

For more information, contact:
Martin Ward
Managing Director
(07) 3248 9455

or visit: www.apeagers.com.au

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

The Directors of A.P. Eagers Limited ABN 87 009 680 013 (the Company) present their report together with the consolidated financial report of the Company and its controlled entities (the Group), for the year ended 31 December 2016 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. Executive Chairman of Morgans Financial Ltd. Director of Senex Energy Ltd (appointed October 2010) and Australian Cancer Research Foundation. Member of the University of Queensland Senate. Broad knowledge of corporate finance, risk management and acquisitions and over 40 years' experience in the stockbroking and property industry.

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

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

Nicholas George Politis BCom
Director

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

Peter William Henley FAIM, MAICD
Director, Member of Audit, Risk & Remuneration Committee

Independent, non–executive Director since December 2006. Director of Thorn Group Ltd (appointed May 2007, retired August 2016). Former Deputy Chairman of MTQ Insurance Services Ltd. Former Chairman and Chief Executive Officer of GE Money Motor Solutions. Over 30 years' local and international experience in the financial services industry.

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

Non-executive Director since July 2016. Director of Australian Automotive Dealer Association Limited (appointed January 2014). A 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.

Company Secretary

Denis Gerard Stark LLB, BEc
General Counsel & Company Secretary

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

Directors' Meetings

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

	Board Meetings		Audit, Risk & Remuneration Committee Meetings	
	Held	**Attended**	**Held**	**Attended**
T B Crommelin[(1)]	8	8	4	3
N G Politis	8	8	-	-
M A Ward	8	8	-	-
P W Henley[(1)]	8	8	4	3
D T Ryan	8	8	-	-
D A Cowper[(1)]	8	8	4	4
M J Birrell[(2)]	4	4	-	-

(1) Audit, Risk & Remuneration Committee members.
(2) Mr Birrell was appointed as a Director on 27 July 2016.

Principal Activities

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

Financial & Operational Review

The Directors of A.P. Eagers Limited (ASX: APE) (the Company) are pleased to report a record 2016 statutory Net Profit Before Tax (NPBT) of $141.4 million. This compares to a Net Profit Before Tax of $121.0 million in 2015, an increase of 16.9% on the previous corresponding period (pcp). Net Profit After Tax was $105.5 million in 2016 compared to $87.0 million in 2015, an increase of 21.3% on the pcp. Earnings per share (basic) for 2016 were 55.4 cents compared to 47.6 cents on the pcp, an increase of 16.2%.

Profit Comparison	Full Year to December 2016 $ Million	Full Year to December 2015 $ Million	% Change
Statutory EPS (basic) cents	55.4	47.6	16.2%
Statutory profit after tax	105.5	87.0	21.3%
Statutory profit before tax	**141.4**	**121.0**	**16.9%**
Impairment adjustments (1)			
Freehold Property adjustments (reversal)	(1.2)	2.1	
Goodwill impairment	-	5.5	
Business acquisition costs(2)	1.8	0.2	
GST refunds(3)	(4.5)	(2.4)	
Underlying profit before tax	**137.5**	**126.4**	**8.8%**
Underlying profit after tax(4)	100.2	91.7	9.3%
Underlying EPS (basic) cents	53.3	50.7	5.2%

Notes
(1) Represents the aggregate value of freehold property fair value adjustments (positive and negative) to the Statement of Profit and Loss and non-cash impairment of the goodwill associated with the National Truck Division.
(2) Business acquisition costs include taxes, legal and other costs associated with business acquisitions.
(3) Benefit from tax refunds associated with previous years' GST payments
(4) Underlying profit after tax includes the adjustments per Note (1) above, and the related tax impact at 30% equating to $1.1 million charge in 2016 (2015: $1.6 million benefit).

Record trading performances in South Australia and New South Wales' Hunter Region, significant improvement in National Truck operations and solid contributions from businesses acquired during the year helped offset the decline in Queensland. Although the Queensland and Northern Territory division continued to perform at historically strong levels, its year-on-year performance was down which was reflective of the exceptional hail driven market dynamics in 2015. Increased dividend income from our strategic investment in Automotive Holdings Group Ltd (AHG) and gains on sale of investments and property also contributed to the Group's record result in 2016.

Dividends

Due to strong operational cash flow and increased earnings per share (EPS), a fully franked final dividend of 22.0 cents per share (2015: 20.0 cents) has been approved for payment on 18 April 2017 to shareholders who are registered on 30 March 2017 (Record Date). When combined with the interim dividend of 13.0 cents paid in October 2016, the total dividend based on 2016 earnings is 35.0 cents per share (2015: 32.0 cents) fully franked, an increase of 9% on 2015. 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	2016 $'000	2015 $'000
Final ordinary dividend for the year ended 31 December 2015 of 20.0 cents (2014: 18.0 cents) per share paid on 15 April 2016	37,015	32,239
Interim ordinary dividend of 13.0 cents (2015: 12.0 cents) per share paid on 7 October 2016	24,625	22,089
	61,640	54,328

External Environment

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales increased by 2.0% in 2016 to 1,178,133 units compared to a 3.8% increase in 2015. Whilst growth reduced in 2016 this represents a record year of sales exceeding the previous set in 2015.

New vehicle sales in Western Australia and Queensland decreased on the pcp by -5.6% and -1.1%, respectively. Strong growth was experienced in New South Wales (4.4%), ACT (4.3%), South Australia (3.9%) and Victoria (3.4%).

Private sales decreased by -5.8% but this was more than offset by a 13.0% increase in business sales. Luxury brands such as Audi, BMW, Mercedes-Benz, Land Rover, Volvo, Jaguar, Mini, Lexus, Porsche and Infiniti all recorded record sales as their respective lower-priced product offerings captured market share, with entry to new model segments key to a large part of this growth. This segment grew from 10.4% to 11.4% of total market share. Traditional fuel vehicles made up 99% of all new vehicle sales with the sale of electric vehicles reducing 80% to 219 units in 2016.

Australian manufactured vehicles represented only 7.4% (2015: 8.4%) of new cars sold in the national market in 2016.

Business Initiatives

During 2016 our car retailing acquisitions expanded into new geographic territories, including Melbourne, Tasmania, Toowoomba, Hervey Bay and Townsville. Many existing brands represented by A.P. Eagers were included in this geographical expansion along with a new franchise relationship with Mercedes-Benz passenger cars at Doncaster and Ringwood in Victoria and at Toowoomba in Queensland. The disciplined integration of these acquisitions has created EPS growth during 2016, and most importantly has laid the foundation for further EPS growth from these business units during 2017 as the full operational benefits are extracted from these acquisitions.

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Redevelopment of the Group's Newstead dealership properties continues with the opening of the new Volkswagen dealership in April 2016. The redevelopment of Land Rover and Jaguar dealerships commenced in June and is expected to be completed in April 2017 when the Company exits two thirds of the Fortitude Valley site.

The strategic 19.99% shareholding in AHG as at 31 December was valued at $262.0 million based on their closing share price of $3.95 per share (2015: $4.52). Whilst not included in the Company's Statutory Profit after Tax, a before tax unrealised loss of $37.8 million resulting from the reduction in AHG's end of year share price, has been recognised in the Statement of Comprehensive Income for the 2016 year.

Financial Performance

Total revenue increased by 18.1% to $3.8 billion in 2016 (2015: $3.2 billion), with all business units reflecting increases in vehicle sales. The additional contribution from new business acquisitions and strong trading in the NSW car division also combined to boost total revenue. On a like-for-like basis, revenue increased by 5.3% compared to the pcp.

EBITDA increased by 10.2% to $179.8 million (2015: $163.1 million). EBITDA/Revenue of 4.7% (2015: 5.0%) was down as compared to pcp while the NPBT/Sales ratio remained consistent at 3.7% (2015: 3.7%). On an underlying basis NPBT/Sales for 2016 was 3.6%, down from 3.9% in 2015.

A before tax profit of $1.1 million (net) was realised on the early settlement of the property in Woolloongabba in 2016, as compared to a $3.0 million gain on sale of properties in 2015. Furthermore, a profit before tax of $1.2 million was realised on the revaluation of a property at Brookvale, offsetting a revaluation decrement recorded against the same property in 2010. This $1.2 million positive compared to a $2.1 million loss before tax realised on the revaluation of a property in 2015.

Borrowing costs increased by 14.5% to $24.4 million (2015: $21.3 million), reflecting higher average debt (including additional bailment finance for the businesses acquired in 2016) being partially offset by lower margins and interest rates. The increase in depreciation and amortisation costs by 5.9% to $14.0 million (2015: $13.2 million) reflects the additional depreciation on businesses and associated property acquired in 2016 and higher development and refurbishment capital expenditure in 2016 which increased to $19.3 million from $18.9 million in 2015.

Business acquisition costs of $1.8 million were expensed in the financial year relating to the Birrell, Crampton Automotive and Tony Ireland Group acquisitions, compared to $0.2 million in 2015.

The Company's net cash provided by operating activities was $110.7 million in 2016 (2015: $84.6 million). This increase was due to contributions from acquisitions made in 2016, improved profitability together with lower tax payments compared to 2015 which included capital gains tax paid on the properties sold in 2014.

Results Summary

Consolidated results

Year Ended 31 December	**2016**	**2015**	**Increase/**
	$'000	**$'000**	**(Decrease)**
Revenue from operations	3,779,738	3,201,755	18.1%
Other revenue	53,484	44,621	19.9%
Total revenue	3,833,222	3,246,376	18.1%
Earnings before interest, tax, depreciation and amortisation and impairment (EBITDA)	**179,776**	**163,077**	**10.2%**
Depreciation and Amortisation	(13,993)	(13,216)	5.9%
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Borrowing costs	(24,378)	(21,293)	14.5%
Profit before tax	**141,405**	**120,958**	**16.9%**
Income tax expense	(35,879)	(33,943)	5.7%
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This report is based on accounts which have been audited.

Segments [(1)]

The Profit contribution from the Company's Car Retail segment was 6.8% higher at $104.6 million compared to $98.0 million in 2015. Revenue increased by 19.5%, with the increase primarily attributable to the strong trading in NSW and contribution from the acquired Birrell, Crampton Automotive and Tony

Ireland Group's. The strong trading was also reflected in the service departments with the focus on service retention, transactional margins and workshop efficiency all driving a record service result.

The National Truck Division (Truck Retail segment) delivered a significantly improved profit performance of $6.3 million compared to a $3.2 million loss in 2015 which included the goodwill impairment write down of $5.5 million. Revenue increased by 5.4% reflecting strong performance in all departments including significantly improved profits from the used truck and service divisions.

The value of the property portfolio increased to $299 million as at 31 December 2016 compared to $249 million as at 31 December 2015 due primarily to the acquisition of five properties during the year including three dealership sites for the Mercedes-Benz business in Victoria and favourable adjustments to property fair values. The Property segment profit contribution of $28.2 million was higher than the previous year of $16.3 million, due to the $1.1 million gain realised on settlement of a Woolloongabba property together with property valuation increases of $12.1 million primarily in the Queensland portfolio, of which $1.2 million was recognised as profit before tax.

The Investment segment registered a pre-tax loss of $24.0 million for 2016 as compared to a gain of $61.1 million for the pcp, due primarily to an unrealised revaluation loss on the AHG investment of $37.8 million. This reflected a 31 December 2016 AHG closing share price of $3.95 per share compared to $4.52 as at 31 December 2015.

(1) *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

Our financial position and interest coverage remained strong, although total debt and gearing ratios increased during 2016 as a result of additional debt to fund the acquisition of new businesses, property and AHG shares. $50 million in cash received from property sales during the year was also used to fund these acquisitions.

EBITDA Interest Cover (EBITDA/Borrowing costs) was 7.4 times as at 31 December 2016 compared to 7.0 times as at June 2016 and 7.6 times as at 31 December 2015.

Corporate debt (Term and Capital Loan Facility) net of cash on hand as at 31 December 2016 was higher at $266.0 million (2015: $171.5 million) and total debt including vehicle bailment net of cash on hand was higher at $751.9 million as compared to $576.7 million at 31 December 2015. The increase was primarily due to additional debt drawn down to fund the Birrell and Crampton Automotive Group acquisitions and additional bailment finance consistent with seasonal inventory movements and related to businesses acquired during the year.

Total gearing (Debt /Debt + Equity), including bailment inventory financing and finance leases, was 50.2% as at 31 December 2016, as compared to 46.6% as at 31 December 2015. Bailment finance is cost effective short-term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment and finance leases and including cash on hand, was 25.8% as at 31 December 2016 compared to 19.6% at the end of 2015. During the year, additional debt of $73.4 million was drawn down to fund the business and property acquisitions and additional shares acquired in AHG.

Total inventory levels increased to $625.0 million at 31 December 2016 from $530.2 million at 31 December 2015 primarily due to additional new and used car/truck inventory from the Birrell, Crampton Automotive and Tony Ireland Group acquisitions.

Net tangible assets reduced to $2.44 per share as at 31 December 2016, compared to $2.95 per share as at 31 December 2015, due to increased intangibles acquired as part of Birrell, Crampton Automotive and Tony Ireland Group acquisitions and lower value of AHG investment.

Outlook and Strategy Update

The national new vehicle market continues to grow with low interest rates supporting customer affordability and exceptional product offerings driving customer demand.

Strategically, the Company remains focussed on automotive retail and a two-pronged approach of driving value from existing business through process improvement, operating synergies, portfolio management and organic growth, whilst taking advantage of value adding acquisition opportunities as they present themselves.

Key focus areas for 2017 are:

- Delivering further EPS growth from the Birrell Group, Crampton Automotive Group and Tony Ireland Group acquisitions;
- Implementing appropriate operational changes in response to any announcement by ASIC regarding regulatory rule changes for Finance & Insurance (18 month lead time expected);
- The ongoing development and optimisation of our existing used car business model now re-launched and branded Zooper;
- The further expansion of the all-new Carzoos and Simplr business model following the opening of two shopping centre stores in 2016;
- Continued redevelopment and reorganisation of inner city Brisbane facilities (Newstead, Woolloongabba and Windsor) to provide improved long-term solutions for all stakeholders;
- Further rationalisation of our Parts business to reduce the cost base, improve efficiency and eliminate sub-economic business trading terms;
- A renewed focus on all business processes to deliver the optimal operating cost; and
- Earnings accretive dealership and ancillary market acquisitions.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Environmental Regulation

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

Planning approvals are required for property developments undertaken by the Group in relevant circumstances. Authorities are provided with appropriate details and to the Directors' knowledge developments during the year were undertaken in compliance with planning requirements in all material respects.

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

Remuneration Report

1. Principles Used to Determine Remuneration

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

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

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

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

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

	2016	2015	2014	2013	2012
Statutory NPAT ($ million)	105.5	87.0	76.7	64.0	55.6
Statutory Earnings per share - basic (c)	55.4	47.6	43.0	36.4	34.0
Dividend per share (c)	35	32	27	23	20
Share Price at year end ($)	9.22	12.70	5.98	4.96	4.38

2. Non-executive Directors' Remuneration Framework

Non-executive Directors are remunerated for their services by way of fees (and where applicable, 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.

For the year under review, non-executive Director fees were $85,000 per annum plus superannuation, and the Chairman's fee was $100,000 per annum plus superannuation.

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 key management personnel are eligible to receive short-term incentive payments of up to 30% of their base salary in accordance with contractual arrangements. This is not available to commission based key management personnel, the Chief Executive Officer or non-executive Directors. The allocations are determined on a discretionary basis during annual review by the Chief Executive Officer in consultation with the Chairman after considering individual and Company achievements and performances.

(ii) Commission Structure

A commission structure is included in the remuneration for the General Manager Queensland and Northern Territory. 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)

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 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. The performance hurdles are explained in further detail below.

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

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

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

(i) Performance Hurdles

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

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

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

(ii) EPS Hurdles

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

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

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

(iii) CEO's Participation in EIP

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

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

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

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

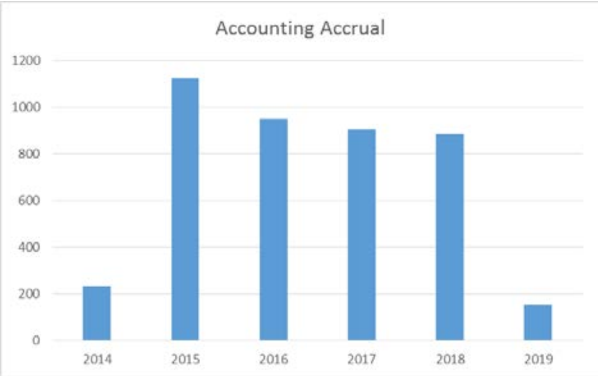
The cost to the Company of Mr Ward's participation in the EIP is determined as follows:

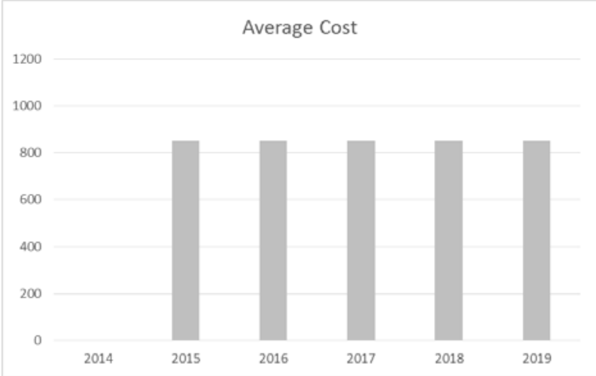
- There has been no increase to the average annual cost to the Company of Mr Ward's participation in the EIP since 2010.

- If 100% of the performance rights and options are to vest over the five year period 2015 to 2019 (requiring at least 10% annual compound growth in diluted EPS for five years), the recognised cost of the plan will average $850,000 per annum being the fair value at grant date. However, accounting standards require that the cost be recognised based on the progressive recognition of each share option grant over its expected vesting period, as shown in the remuneration table on page 14, which results in a higher overall cost of the EIP in the earlier years and a lower cost in later years. On the assumption that all performance hurdles will be achieved over the five year period, the total cost recognised in each year will be as shown in the following graphs.

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

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





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

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

(iv) Grants to Key Management Personnel

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

Chief Executive Officer

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

(1) Performance rights are automatically exercised upon vesting. 50,000 options that vested for 2015 were exercised during the year under review. Options and rights that were exercised during the year under review were valued at $1,275,714 on the day of exercise.

General Manager Queensland and Northern Territory

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised(1)	Fair value	No. granted	No. lapsed	No. exercised(1)	Fair value		
1	29 Oct 2009	-	-	-	-	104,165	-	104,165	$0.36	31 Dec 2010	Vested without re-testing
2	29 Oct 2009	-	-	-	-	203,805	-	203,805	$0.368	31 Dec 2011	Vested without re-testing
3	29 Oct 2009	-	-	-	-	202,705	-	202,705	$0.37	31 Dec 2012	Vested without re-testing
4	29 Oct 2009	-	-	-	-	203,805	-	203,805	$0.368	31 Dec 2013	Vested without re-testing
5	29 Oct 2009	-	-	-	-	199,470	-	199,470	$0.376	31 Dec 2014	Vested without re-testing
6	4 July 2014	19,685	-	19,685	$5.08	109,.890	-	-	$0.91	31 Dec 2015	Vested without re-testing
7	4 July 2014	20,533	-	-	$4.87	106,382	-	-	$0.94	31 Dec 2016	Vested without re-testing
8	4 July 2014	21,413	-	-	$4.67	105,263	-	-	$0.95	31 Dec 2017	Unvested
9	4 July 2014	22,321	-	-	$4.48	99,009	-	-	$1.01	31 Dec 2018	Unvested
10	4 July 2014	23,310	-	-	$4.29	98,039	-	-	$1.02	31 Dec 2019	Unvested

(1) Performance rights are automatically exercised upon vesting. 913,950 options that had vested for the years 2010 to 2014 were exercised during the year under review. Options and rights that were exercised during the year were valued at $9,391,103 on the day of exercise.

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(1)	Fair value		
1	1 June 2010	-	-	-	-	52,640	-	52,640	$0.518	31 Dec 2011	Vested without re-testing
2	1 June 2010	-	-	-	-	60,850	-	60,850	$0.53	31 Dec 2012	Vested without re-testing
3	27 Mar 2013	-	-	-	-	26,880	-	-	$0.93	31 Dec 2013	Vested without re-testing
4	27 Mar 2013	-	-	-	-	26,880	-	-	$0.93	31 Dec 2014	Vested without re-testing
5	27 Mar 2013	-	-	-	-	26,040	-	-	$0.96	31 Dec 2015	Vested without re-testing
6	27 Mar 2013	-	-	-	-	25,510	-	-	$0.98	31 Dec 2016	Vested without re-testing
7	27 Mar 2013	-	-	-	-	25,250	-	-	$0.99	31 Dec 2017	Unvested
8	4 July 2014	2,460	-	2,460	$5.08	13,736	-	-	$0.91	31 Dec 2015	Vested without re-testing
9	4 July 2014	2,566	-	-	$4.87	13,297	-	-	$0.94	31 Dec 2016	Vested without re-testing
10	4 July 2014	2,676	-	-	$4.67	13,157	-	-	$0.95	31 Dec 2017	Unvested
11	4 July 2014	2,790	-	-	$4.48	12,376	-	-	$1.01	31 Dec 2018	Unvested
12	4 July 2014	2,913	-	-	$4.29	12,254	-	-	$1.02	31 Dec 2019	Unvested

(1) Performance rights are automatically exercised upon vesting. 113,490 options that had vested for the years 2011 and 2012 were exercised during the year under review. Options and rights that were exercised during the year were valued at $917,092 on the day of exercise.

Chief Financial Officer

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

(1) Performance rights are automatically exercised upon vesting. No options were exercised during the year under review. Rights that were exercised during the year were valued at $24,742 on the day of exercise.

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

4. Hedging

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

5. Executive Employment Agreements

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

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

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

6. Details of Remuneration

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

2016	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	-	635	9,500	-	110,135	-
M A Ward *Managing Director*	1,200,000	-	136,556	35,000	948,336	2,319,892	41
N G Politis *Non-executive Director*	85,000	-	635	8,075	-	93,710	-
P W Henley *Non-executive Director*	85,000	-	635	8,075	-	93,710	-
D T Ryan *Non-executive Director*	85,000	-	635	8,075	-	93,710	-
D A Cowper *Non-executive Director*	85,000	-	635	8,075	-	93,710	-
M J Birrell *Non-executive Director(5)*	42,500	-	275	4,038	-	46,813	-
	1,682,500	-	140,006	80,838	948,336	2,851,680	
Executives							
K T Thornton *General Manager Qld & NT*	200,004	819,230	62,663	19,616	223,138	1,324,651	79
D G Stark *General Counsel & Company Secretary*	286,677	73,000	46,554	27,234	55,218	488,683	26
S A Moore *Chief Financial Officer*	306,006	62,400	30,116	22,253	101,330	522,105	31
	792,687	954,630	139,333	69,103	379,686	2,335,439	

(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 10 under the heading "CEO's Participation in EIP" of which the treatment of share plan expense is applicable to all key management personnel.

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

(5) Mr Birrell was appointed as a Director on 27 July 2016.

2015	Short-term benefits			Post-employment benefits	Share-based payments		
	Salary & fees	Bonus & commission(5)	Non-monetary & other benefits(1)	Superannuation benefits	Performance Rights & Options(2) (3)	Total	Performance-related percentage
	$	$	$	$	$	$	%
Directors							
T B Crommelin *Chairman*	100,000	-	742	9,500	-	110,242	-
M A Ward *Managing Director*	1,200,000	-	177,416	35,000	1,122,362	2,534,778	44
N G Politis *Non-executive Director*	85,000	-	742	8,075	-	93,817	-
P W Henley *Non-executive Director*	85,000	-	742	8,075	-	93,817	-
D T Ryan *Non-executive Director*	85,000	-	742	8,075	-	93,817	-
D A Cowper *Non-executive Director*	85,000	-	742	8,075	-	93,817	-
	1,640,000	-	181,128	76,800	1,122,362	3,020,290	
Executives							
K T Thornton *General Manager Qld & NT*	200,000	931,645	131,025	19,307	264,085	1,546,062	77
S G Best *Chief Financial Officer* (4)	192,500	52,500	68,794	18,288	105,790	437,872	36
D G Stark *General Counsel & Company Secretary*	265,000	97,000	73,386	25,175	75,438	535,999	32
S A Moore *Chief Financial Officer* (4)	125,000	25,000	16,858	6,923	66,664	240,445	38
	782,500	1,106,145	290,063	69,693	511,977	2,760,378	

(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. This includes $67,300 as a provision for long service leave for Mr Ward, $81,019 for Mr Thornton, $37,731 for Mr Best and $46,213 for Mr Stark.

(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 10 under the heading "CEO's Participation in EIP" of which the treatment of share plan expense is applicable to all key management personnel.

(4) With the appointment of Ms Moore as Chief Financial Officer on 3 August 2015, Mr Best ceased in his capacity as Chief Financial Officer and a member of key management personnel. This table therefore includes Mr Best's remuneration for the period ending 3 August 2015.

(5) For Mr Thornton, this includes a commission of $846,645, which 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. No commission is included for any other key management personnel.

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

2016		At 01-Jan-16	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	At 31-Dec-16
Directors	M A Ward	4,115,085	0	133,661	12,641	50,000	4,211,387
	N G Politis	68,079,091	0	0	340,048	0	68,419,139
	P W Henley	111,825	0	0	4,000	2,733	113,092
	D T Ryan	0	0	0	0	0	0
	T B Crommelin	357,229	0	0	21,057	0	378,286
	D A Cowper	8,248	0	0	3,805	0	12,053
	M J Birrell	0	0	0	2,000,000	0	2,000,000
Executives	K T Thornton	448,135	0	933,635	0	953,185	428,585
	D G Stark	145,624	0	115,950	0	121,000	140,574
	S A Moore	0	0	2,227	0	0	2,227
		73,265,237	-	1,185,473	2,381,551	-	75,705,343

2015		At 01-Jan-15	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	At 31-Dec-15
Directors	M A Ward	2,854,170	0	3,760,915	0	2,500,000	4,115,085
	N G Politis	66,085,596	0	0	1,993,495	0	68,079,091
	P W Henley	107,215	0	0	4,610	0	111,825
	D T Ryan	0	0	0	0	0	0
	T B Crommelin	339,229	0	0	18,000	0	357,229
	D A Cowper	8,248	0	0	0	0	8,248
Executives	K T Thornton	390,620	0	57,515	0	0	448,135
	S G Best	174,785	0	258,345	0	0	433,130
	D G Stark	71,244	0	74,380	0	0	145,624
	S A Moore	0	0	0	0	0	0
		70,031,107	-	4,151,155	2,016,105	-	73,698,367

Directors' Interests

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

	Ordinary Shares (fully paid)	Share Options	Performance Rights
T B Crommelin	383,286	-	-
N G Politis	68,521,091	-	-
M A Ward	4,211,387	2,153,985[(1)]	372,207[(1)]
P W Henley	113,092	-	-
D T Ryan	-	-	-
D A Cowper	15,053	-	-
M J Birrell	2,000,000	-	-

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

Shares Under Option

182,857 options and 33,863 performance rights were granted by the Company over unissued fully paid ordinary shares during the year under review. No options or performance rights have been granted since the end of the year. 3,167,690 shares were issued as a result of the exercise of options and 164,031 shares were issued on the vesting of performance rights during or since the year under review. At the date of this report, there are 8,505,216 unissued shares under option and 752,108 unvested performance rights.

Indemnification and Insurance

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

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

Auditor

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

Non-Audit Services

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

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

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

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

Rounding of Amounts to Nearest Thousand Dollars

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

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

Martin Ward
Director

Brisbane, 22 February 2017

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

22 February 2017

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 2016, 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

Stephen Tarling
Partner
Chartered Accountants

A.P. Eagers Limited

ABN 87 009 680 013

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 December 2016

	Notes	**CONSOLIDATED** **2016** **$'000**	2015 $'000
Revenue	3	**3,833,222**	3,246,376
Other gains and losses excluding impairment	4	**4,326**	6,426
Share of net profits of associate	42(d)	**191**	164
Changes in inventories of finished goods and work in progress		**94,844**	60,957
Raw materials and consumables purchased		**(3,230,501)**	(2,700,387)
Employee benefits expense		**(311,423)**	(278,922)
Finance costs - net	5(a)	**(24,378)**	(21,293)
Depreciation and amortisation expense	5(a)	**(13,993)**	(13,216)
Impairment of non-current assets	5(b)	**-**	(7,610)
Other expenses		**(210,883)**	(171,537)
Profit before tax		**141,405**	120,958
Income tax expense	6	**(35,879)**	(33,943)
Profit for the year		**105,526**	87,015
Attributable to:			
Owners of A.P. Eagers Limited	29(b)	**103,984**	86,217
Non-controlling interests	31(c)	**1,542**	798
		105,526	87,015
		Cents	Cents
Earnings per share:			
Basic earnings per share	39(a)	**55.4**	47.6
Diluted earnings per share	39(b)	**54.0**	46.1

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2016

	Notes	CONSOLIDATED **2016** **$'000**	 2015 $'000
Profit for the year		**105,526**	87,015
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation of property	29(a)	**10,842**	2,187
Income tax (expense)/benefit relating to items that will not be reclassified subsequently	29(a)	**(3,253)**	(656)
		7,589	1,531
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation of available for sale investment	29(a)	**(36,819)**	49,689
Income tax (expense)/benefit	29(a)	**11,046**	(14,907)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	29(a)	**(1,369)**	(2,443)
		(27,142)	32,339
Fair value gain arising from cash flow hedges during the year	29(a)	**405**	300
Income tax (expense)/benefit	29(a)	**(121)**	(89)
		284	211
Total other comprehensive income/(loss) for the year		**(19,269)**	34,081
Total comprehensive income for the year		**86,257**	121,096
Total comprehensive income attributable to:			
Owners of the parent		**84,715**	120,298
Non-controlling interests		**1,542**	798
		86,257	121,096

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

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 December 2016

	Notes	CONSOLIDATED **2016** **$'000**	2015 $'000
Current assets			
Cash and cash equivalents	8	**17,615**	37,535
Trade and other receivables	9	**148,746**	109,116
Inventories	10	**625,007**	530,163
Current tax receivables	11	**3,817**	-
Prepayments and deposits	12(a)	**8,843**	8,256
Assets classified as held for sale	12(b)	**-**	3,010
Property sale receivable	12(c)	**9,466**	32,013
Total current assets		**813,494**	720,093
Non-current assets			
Property sale receivable	13(a)	**-**	23,503
Other loans receivable	13(b)	**10,612**	10,317
Available-for-sale financial assets	14	**264,817**	281,817
Investments in associates	15	**11,893**	1,620
Property, plant and equipment	16	**354,710**	291,298
Intangible assets	17	**298,908**	160,762
Total non-current assets		**940,940**	769,317
Total assets		**1,754,434**	1,489,410
Current liabilities			
Trade and other payables	18	**158,305**	133,563
Derivative financial instruments	19	**210**	227
Borrowings - bailment and finance lease payable	20(a)	**485,875**	404,488
Current tax liabilities	21	**-**	124
Provisions	22	**26,406**	19,520
Total current liabilities		**670,796**	557,922
Non-current liabilities			
Borrowings	23(a)	**283,650**	209,792
Derivative financial instruments	19	**206**	595
Deferred tax liabilities	24	**7,447**	7,718
Provisions	25	**9,226**	10,374
Other	26	**19,317**	-
Total non-current liabilities		**319,846**	228,479
Total liabilities		**990,642**	786,401
Net assets		**763,792**	703,009
Equity			
Contributed equity	28	**364,449**	296,060
Reserves	29(a)	**55,398**	105,375
Retained earnings	29(b)	**335,779**	293,435
		755,626	694,870
Non-controlling interests	31(c)	**8,166**	8,139
Total equity		**763,792**	703,009

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2016

Consolidated entity	Notes	Issued capital $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Share-based payments reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2016		296,060	45,192	(575)	(3,778)	64,536	293,435	694,870	8,139	703,009
Profit for the year		-	-	-	-	-	103,984	103,984	1,542	105,526
Other comprehensive income		-	7,589	284	-	(27,142)	-	(19,269)	-	(19,269)
Total comprehensive income for the year		**-**	**7,589**	**284**	**-**	**(27,142)**	**103,984**	**84,715**	**1,542**	**86,257**
Transactions with owners in their capacity as owners:										
Shares issued as consideration for business acquisitions		32,450	-	-	-	-	-	32,450	-	32,450
NCI arising on business acquisition		-	-	-	-	-	-	-	(368)	(368)
Share based payment expense		-	-	-	2,966	-	-	2,966	-	2,966
Dividends provided for or paid		-	-	-	-	-	(61,640)	(61,640)	(1,147)	(62,787)
Shares issued pursuant to Staff share plan		35,939	-	-	(35,939)	-	-	-	-	-
Payments received from employees for exercised shares		-	-	-	6,948	-	-	6,948	-	6,948
Current tax on share plan		-	-	-	(28)	-	-	(28)	-	(28)
Income tax on items taken to or transferred directly from equity		-	-	-	(4,655)	-	-	(4,655)	-	(4,655)
		68,389	-	-	(30,708)	-	(61,640)	(23,959)	(1,515)	(25,474)
Balance at 31 December 2016		364,449	52,781	(291)	(34,486)	37,394	335,779	755,626	8,166	763,792
Balance at 1 January 2015		242,070	61,668	(786)	5,941	32,197	242,480	583,570	7,486	591,056
Profit for the year		-	-	-	-	-	86,217	86,217	798	87,015
Other comprehensive income		-	1,531	211	-	32,339	-	34,081	-	34,081
Total comprehensive income for the year		**-**	**1,531**	**211**	**-**	**32,339**	**86,217**	**120,298**	**798**	**121,096**
Transactions with owners in their capacity as owners:										
Transfer to retained earnings		-	(18,007)	-	-	-	18,007	-	-	-
Share based payments		-	-	-	3,019	-	-	3,019	-	3,019
Payment of dividend		-	-	-	-	-	(54,328)	(54,328)	(145)	(54,473)
Shares issued pursuant to Staff share plan		53,990	-	-	(53,990)	-	-	-	-	-
Payments received from employees for exercised shares		-	-	-	10,740	-	-	10,740	-	10,740
Current tax on share plan		-	-	-	12,352	-	-	12,352	-	12,352
Income tax on items taken to or transferred directly from equity		-	-	-	18,160	-	1,059	19,219	-	19,219
		53,990	(18,007)	-	(9,719)	-	(35,262)	(8,998)	(145)	(9,143)
Balance at 31 December 2015		296,060	45,192	(575)	(3,778)	64,536	293,435	694,870	8,139	703,009

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2016

	Notes	CONSOLIDATED 2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**4,155,091**	3,516,726
Payments to suppliers and employees (inclusive of GST)		**(4,012,246)**	(3,393,453)
Receipts from insurance claims		**8,737**	7,003
Interest and other costs of finance paid		**(24,151)**	(21,365)
Income taxes paid		**(34,028)**	(39,870)
Dividends received		**14,633**	13,916
Interest received		**2,678**	1,596
Net cash provided by operating activities	40	**110,714**	84,553
Cash flows from investing activities			
Payment for acquisition of businesses - net of cash acquired	31(a)	**(118,333)**	(669)
Payments for property, plant and equipment	16	**(52,707)**	(18,854)
Payments for intangible assets		**(500)**	(2,510)
Proceeds from sale of businesses		**-**	441
Proceeds from sale of property, plant and equipment		**50,077**	4,255
Proceeds from sale of available-for-sale financial assets		**2,633**	9,636
Payments for shares in other corporations		**(29,469)**	(7,345)
Net cash used in investing activities		**(148,299)**	(15,046)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	29	**6,948**	10,740
Proceeds from borrowings		**114,650**	45,000
Repayment of borrowings		**(41,146)**	(57,098)
Dividends paid to members of A.P. Eagers Limited	7	**(61,640)**	(54,328)
Dividends paid to minority shareholders of a subsidiary		**(1,147)**	(63)
Net cash provided by/(used in) financing activities		**17,665**	(55,749)
Net (decrease)/increase in cash and cash equivalents		**(19,920)**	13,758
Cash and cash equivalents at the beginning of the financial year		**37,535**	23,777
Cash and cash equivalents at the end of the financial year	8	**17,615**	37,535

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.

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 IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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 22nd of February 2017.

Accounting Policies

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

(b) Basis of consolidation

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

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

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

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 intragroup 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 Groups ownership interests in existing subsidiaries

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

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

(ii) Investments in associates

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

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Investments in associates (continued)

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 139 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 139. 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 proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be classified to profit or loss on the disposal of the related assets or liabilities.

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

(c) Operating segments

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

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

(d) Revenue

(i) Sales revenue

Revenue from the sales of motor vehicles and parts is recognised when the buyer has accepted the risks and rewards of ownership, generally by taking delivery of the goods.

(ii) Service revenue

Service work on customers' vehicles is carried out under instruction from the customer. Service revenue is recognised based upon when services are rendered. Revenue arising from the sale of parts fitted to customers' vehicles during service is recognised upon delivery of the fitted parts to the customer upon completion of the service.

(iii) Rental income

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue (continued)

(iv) Interest revenue

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

(v) 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.

(vi) Goods and Services Tax (GST)

All revenue is stated net of the amount of Goods and Services Tax (GST).

(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
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings

(f) Taxes

(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, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxes (continued)

(ii) Goods and services tax ("GST") (continued)

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

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straightline basis over the period of the lease.

(h) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(r)). 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 combination occurs, the consolidated entity reports provisional amounts for the items for which accounting is incomplete. The provisional amounts are adjusted during the measurement period (no longer than 12 months from the initial acquisition) on a retrospective basis by restating the comparative information presented in the financial statements.

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units "CGU") and these cash flows are discounted using the estimated weighted average cost of capital of the asset/CGU. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer Note 1(p)). 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 Note1(p)).

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Receivables

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

In respect of trade and lease book receivables, collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collectability exists. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(l) Inventories

New motor vehicles are stated at the lower of cost and net realisable value. 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 at 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 other financial assets in the following categories; (i) available-for-sale financial assets and (ii) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Available-for-sale financial assets

Available-for-sale financial assets are initially measured at cost at date of acquisition, which include transaction costs, and subsequent to initial recognition, they are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for- sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from the sale or impairment of investment securities.

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

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position (Notes 9, 12 and 13).

Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(n) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is determined based on market expectations of future interest rates.

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

(o) Derivatives

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, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Refer further details in Note 19.

(i) Cash flow hedges

The change in the fair value from remeasuring derivatives that are designated and qualify as cash flow hedges is deferred in equity as a hedging reserve, to the extent that the hedge is effective. The ineffective portion is recognised in profit or loss immediately.

Amounts deferred in the hedging reserve are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains or losses previously deferred in the hedging reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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. 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.

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

(q) 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 consumers decision to purchase or service a vehicle, and strong customer awareness within a particular geographic location. Trademarks are valued using a discounted cash flow methodology. 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.

(r) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing (refer Note 17).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) 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.

(u) 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.

(v) 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.

Provision for Warranties

Provision is made for the estimated claims in respect of extended warranties provided on the majority of the Group’s retail new and used vehicle sales. These claims are generally expected to settle in the next financial year but some may be extended into the following year if claims are made late in the warranty period.

(w) Employee benefits

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

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

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

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

(x) 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.

(y) Earnings per share

(i) Basic earnings per share

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Earnings per share (continued)

(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
- 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.

(z) 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.

(aa) Rounding of amounts

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

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

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

• AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

• AASB 2015-1 Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle, and

• AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101.

The application of these amendments has not had any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group.

The potential impact of the new or revised Standards and Interpretations has not yet been determined.

List of Standards and Interpretations in issue not yet effective

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	31 December 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	31 December 2017
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	31 December 2018
AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	31 December 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Annual Improvements to IFRS Standards 2014–2016 Cycle: IFRS 12 Disclosure of Interests in Other Entities	1 January 2017	31 December 2017
Annual Improvements to IFRS Standards 2014–2016 Cycle: IFRS 1 First-time Adoption of International Financial Reporting Standards, and IAS 28 Investments in Associates and Joint Ventures	1 January 2018	31 December 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018	31 December 2018

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) Recoverability of goodwill and other intangibles with indefinite useful lives

Goodwill and other intangibles with indefinite useful lives with a carrying value of $298,908,000 (2015: $160,762,000) are tested annually for impairment, based on estimates made by directors. The recoverable amount of the intangibles is based on the greater of 'Value in use' or 'Fair value less costs to dispose'. Value in use is assessed by the directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and cost of capital. Fair value less costs to dispose is assessed by the directors based on their knowledge of the industry and recent market transactions. Further information on the intangibles impairment test can be found in Note 17.

(ii) Fair value estimation of land and buildings

Land and buildings with a carrying value of $298,507,000 (2015: $249,246,000) are carried at fair value. This fair value is determined by the directors and 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.

(iii) Provisions for warranties

A provision for warranties of $4,870,000 (2015: $4,183,000) has been recognised for extended warranties provided for the Group's retail new and used vehicle sales. This provision has been estimated based on past experience and confirmation of future costs by the administrators of the warranty programmes. Further information on the provision for warranties can be found in Note 22.

(iv) Estimation of make good provisions

An amount of $1,970,000 (2015: $2,122,000) has been estimated in respect of anticipated costs of future restoration of leased properties. A bank guarantee has been given for the entire balance, which has approximately 13 years to run at balance date. In terms of the lease, this amount will be indexed and will increase in the future, therefore it is the maximum estimate of what would be payable. Further information on the estimate of make good provisions can be found in Note 25.

(v) Demonstrator vehicle write down to net realisable value

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

(vi) Used vehicle write down to net realisable value

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

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

The acquisitions made by the Group have required a number of judgements and estimates to be made. The directors have judged that no significant intangible assets have been acquired in the business combinations other than Goodwill (see also (i) above). Additionally as part of the acquisition and negotiation process judgements have been made as to the fair value of vehicle and parts inventory, warranties and other assets and liabilities acquired. Further judgements and estimates have been made in relation to the probability of achieving future milestones of certain acquired businesses as disclosed in Note 31(a).

3 REVENUE

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Sales revenue		
New vehicles	**2,393,429**	1,976,916
Used vehicles	**728,236**	652,080
Parts	**433,475**	384,789
Service	**224,360**	186,047
Other	**238**	1,923
	3,779,738	3,201,755
Other revenue		
Dividend received	**14,442**	13,752
Rents	**440**	96
Interest	**6,103**	3,182
Proceeds of insurance claims	**6,104**	7,003
Commissions	**16,961**	14,833
Other	**9,434**	5,755
	53,484	44,621
Total revenue	**3,833,222**	3,246,376

4 OTHER GAINS

Gains on disposal of other assets	**1,136**	2,936
Fair value gains/(losses) on financial assets at fair value through profit or loss	**1,235**	-
Net gain/(loss) on sale of available-for-sale financial assets	**1,955**	3,490
	4,326	6,426

5 EXPENSES

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

		CONSOLIDATED	
		2016	2015
		$'000	$'000
	Notes		
Depreciation			
Buildings		**3,637**	3,195
Plant and equipment		**8,399**	6,854
Leased motor vehicles		**-**	1,149
Total depreciation	16	**12,036**	11,198
Amortisation			
Leasehold improvements	16	**1,863**	1,891
Brand names		**94**	127
Total amortisation		**1,957**	2,018
Total Amortisation and Depreciation		**13,993**	13,216
Finance costs			
Vehicle bailment & related hedge		**12,537**	10,493
Other		**11,841**	10,800
Total finance expense		**24,378**	21,293
Rental expense relating to operating leases			
Minimum lease payments		**37,221**	27,414
Superannuation		**27,942**	24,119
Provision expenses			
Inventory		**6,275**	3,174
Warranties		**6,879**	5,390
Bad debts		**580**	307
		13,734	8,871
Share-based payments		**2,966**	3,019
Business acquisition costs		**1,758**	201

5 EXPENSES (continued)

(b) Impairment of non-current assets

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Revaluation loss of land and buildings	**-**	2,083
Impairment of intangibles	**-**	5,527
	-	7,610

6 INCOME TAX

(a) Income tax expense

Current income tax expense	**26,885**	38,972
Deferred income tax expense/(benefit)	**8,994**	(5,029)
	35,879	33,943
Deferred income tax expense/(benefit) included in income tax expense comprises:		
In respect of the current year	**8,407**	(6,076)
Deferred tax reclassified from equity to profit or loss	**587**	1,047
Closing balance	**8,994**	(5,029)

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

Profit before income tax expense	**141,405**	120,958
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	**42,422**	36,287
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	**-**	1,658
Non deductible capital expenditure	**304**	220
Non-taxable dividends	**(4,390)**	(4,175)
Non allowable expenses	**355**	377
Property (revaluation) / impairment	**(371)**	625
Tax offsets	**(306)**	-
Sundry items	**(2,135)**	(1,049)
Income tax expense	**35,879**	33,943

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

Aggregate deferred tax arising in the reporting period and directly debited to other comprehensive income	**7,671**	(15,652)

7 DIVIDENDS

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

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Final dividend for the year ended 31 December 2015 of 20.0 cents per share (2014 - 18.0 cents) paid on 15 April 2016	**37,015**	32,239
Interim dividend of 13.0 cents (2015 - 12.0 cents) per share paid on 7 October 2016	**24,625**	22,089
Total dividends paid	**61,640**	54,328
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2016 and 2015 were as follows:		
Paid in cash	**61,640**	54,328
	61,640	54,328

(ii) 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 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 April 2017 out of the retained profits at 31 December 2016, but not recognised as a liability at year-end is:	**41,923**	36,940

(iii) Franked dividends

The final dividend recommended after 31 December 2016 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 2016.

Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2015 - 30.0%)	**169,770**	159,089

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

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

Impact on franking credits of dividends not recognised	**(17,967)**	(15,831)

8 CURRENT ASSETS – Cash and cash equivalents

Current assets		
Cash at bank and on hand	**12,615**	3,535
Short term deposits	**5,000**	34,000
	17,615	37,535

8 CURRENT ASSETS – Cash and cash equivalents (continued)

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

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Balances as above	**17,615**	37,535
Less: Bank overdrafts	**-**	-
Balances per Statement of Cash Flows	**17,615**	37,535

9 CURRENT ASSETS – Trade and other receivables

Trade and other receivables	**151,933**	111,887
Provision for doubtful receivables	**(3,187)**	(2,771)
	148,746	109,116

(i) The ageing of lease, property and trade receivables at 31 December 2016 is detailed below:

	CONSOLIDATED			
	2016		2015	
	Gross	**Provision**	Gross	Provision
	$'000	**$'000**	$'000	$'000
Not past due	**142,265**	**2,504**	106,082	2,006
Past due 0-30 days	**5,325**	**108**	3,511	80
Past due 31 days plus	**4,343**	**575**	2,294	685
Total	**151,933**	**3,187**	111,887	2,771

The maximum credit period on trade sales is 60 days. No interest is charged on the trade receivables from the date of invoice or when past due. The Group has provided fully for all receivables identified by management as being specifically doubtful, and in addition has provided 10% for all receivables over 90 days and 2.5% of total trade receivables excluding motor vehicle debtors. The Group's provision policy is based on an assessment of changes in credit quality and historical experience.

Included in the Group's trade receivables balance are debtors with a net carrying amount of $8,985,000 (2015: $5,039,000) which are past due at the reporting date. The Group has not provided for these balances as there have not been any specifically identified factors that would indicate a deterioration of credit quality. The Group therefore still considers the amounts recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 62 days (2015: 61 days).

(ii) Movement in provision for doubtful receivables

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Opening balance	**2,771**	2,622
Additional provisions	**580**	307
Amounts written off during the year	**(164)**	(158)
Closing balance	**3,187**	2,771

In determining the recoverability of a trade receivable the Group considers any deterioration in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large, diverse and unrelated. Accordingly, the Directors believe that there is no further provision required in excess of the provision for doubtful debts.

10 CURRENT ASSETS – Inventories

	CONSOLIDATED 2016 $'000	2015 $'000
New and demonstrator motor vehicles & trucks - bailment stock - at cost	**473,127**	400,900
Less: Write-down to net realisable value	**(8,900)**	(6,258)
	464,227	394,642
Used vehicles & trucks - at cost	**103,594**	87,369
Less: Write-down to net realisable value	**(5,664)**	(5,358)
	97,930	82,011
Parts and other consumables - at cost	**64,678**	55,344
Less: Write-down to net realisable value	**(1,828)**	(1,834)
	62,850	53,510
Total inventories	**625,007**	530,163

11 CURRENT ASSETS - Current tax receivables

Current tax receivables	**3,817**	-

12 CURRENT ASSETS – Other current assets

(a) Prepayments and deposits

Prepayments and deposits	**8,843**	8,256

(b) Assets classified as held for sale

Intangible asset held for sale	**-**	3,010
	-	3,010

In 2016, AP Eagers transferred its shares in Auto Trader Australia Pty Ltd (Auto Trader) to DealerMotive under a scheme of arrangement, in return for an equal dollar value of shares in DealerMotive. The investment in DealerMotive is equity accounted. Refer to Note 42(a).

(c) Property sale receivables

Property sale receivables	**9,466**	32,013

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

13 NON-CURRENT ASSETS – Receivables

(a) Property sale receivable

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Property sale receivable	**-**	23,503

(b) Other loans receivable

Other loans receivable	**10,612**	10,317

14 NON-CURRENT ASSETS – Available-for-sale investments carried at fair value

Shares in a listed company - Automotive Holdings Group Limited (1)	**261,989**	275,288
Shares in a listed company - Smartgroup Corporation Ltd (1)	**2,828**	4,184
Shares in an unlisted company - One Way Traffic Pty Ltd (Carsguide) (2)	**-**	2,345
	264,817	281,817

(1) The Directors have assessed the fair value of the investment as at 31 December 2016 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) In 2016, AP Eagers transferred its shares in One Way Traffic Pty Ltd (Carsguide) to DealerMotive under a scheme of arrangement, in return for an equal dollar value of shares in DealerMotive. The investment in DealerMotive is equity accounted. Refer to Note 42(a).

Valuation of Available for sale investments

Details of the Group’s available for sale investments and information about the fair value hierarchy as at 31 December 2016 are as follows:

	Unobservable inputs used in determination of fair values			
Class of Financial Assets and Liabilities	**Carrying Amount 31/12/16 $000’s**	**Carrying Amount 31/12/15 $000’s**	**Valuation Technique**	**Key Input**
Level 1 Available for sale investments - listed entities	**264,817**	279,472	Quoted bid prices in an active market.	Quoted bid prices in an active market.
Level 3 Available for sale investments - unlisted entities	**-**	2,345	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.

15 NON-CURRENT ASSETS – Investments in associates

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Shares in associate - Norna Limited	**1,620**	1,620
Shares in associate - DealerMotive Ltd	**9,973**	-
Shares in associate - Carzapp Pty Ltd	**300**	-
	11,893	1,620

Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting (refer Note 42).

Reconciliation of the carrying amount of investment in associate is set out in Note 42(b).

16 NON-CURRENT ASSETS - Property, plant and equipment

Freehold land and buildings - at fair value		
Directors' valuation		
Land	**188,108**	149,592
Buildings	**106,693**	99,377
Construction in progress	**3,706**	277
Total land and buildings	**298,507**	249,246
Leasehold improvements		
At cost	**32,469**	27,098
Accumulated depreciation	**(14,328)**	(12,589)
Total leasehold improvements	**18,141**	14,509
Plant and equipment		
At cost	**78,032**	60,025
Accumulated depreciation	**(39,970)**	(33,622)
Total plant and equipment	**38,062**	26,403
Motor vehicles under lease		
At cost	**-**	1,733
Accumulated depreciation	**-**	(593)
Total motor vehicles under lease	-	1,140
Total property, plant and equipment	**354,710**	291,298

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 2016 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.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2016 are as follows:

16 NON-CURRENTS ASSETS - Property, plant & equipment (continued)
Valuation of land and buildings (continued)

			Unobservable inputs used in determination of fair values							
Class of Financial Assets & Liabilities	**Carrying Amount 31/12/16 $000**	**Carrying Amount 31/12/15 $000**	**Valuation Technique**	**Key Input**	**Input**	**Average / Range 2016**	**Average / Range 2015**	**Other Key Information**	**Range (weighted avg) 2016**	**Range (weighted avg) 2015**
Level 3 Car – HBU Alternate Use	**49,747**	42,911	Direct comparison	External valuations	Price/sqm land	**Average $1,563/sqm**	Average $1,440/sqm	Land size	**Average 7,952 sqm**	Average 7,199 sqm
						Range $1,262 - $3,584/sqm	Range $1,278 - $2,622/sqm		**Range 779 - 24,160 sqm**	Range 779 to 24,160 sqm
Level 3 Car Dealership	**205,157**	170,294	Summation method, income capitalisation and direct comparison	External valuations industry benchmarks	Capitalisation rate	**Average 7.3%**	Average 8.0%	Net rent /sqm land	**Average $102/sqm**	Average $94 sqm
						Range 3.1% - 9.9%	Range 2.5% - 9.7%		**Range $25 - $297/sqm**	Range $14 to $297 sqm
								Net rent /sqm GBA	**Average $212/sqm**	Average $194 sqm
									Range $73 - $806/sqm	Range $62 to $747 sqm
Level 3 Development - Car Dealership	**9,328**	9,350	Direct comparison	External valuations	Price /sqm land	**Average $458/sqm**	Average $459/sqm			
						Range $330 - $817/sqm	Range $330 - $821/sqm			
Level 3 Truck Dealership	**18,319**	18,436	Direct comparison	External valuations	Price/sqm land price/sqm GBA	**Average $328/sqm**	Average $330/sqm	Land size	**Average 18,641 sqm**	Average 18,641 sqm
						Range $203 - $434/sqm	Range $206 - $440 /sqm		**Range 7,218 - 25,700 sqm**	Range 7,218 to 25,700 sqm
								Net rent/land sqm	**Average $30/sqm**	Average $30 sqm
									Range $17 - $43/sqm	Range $17 to $43 sqm
								Capitalisation rate	**Average 9.2%**	Average 9.2%
									Range 7.9% - 9.8%	Range 8.2% to 9.7%
Level 3 Other Logisitics	**12,250**	7,978	Income capitalisation method supported by market comparison	External valuations	Capitalisation Rate	**Average 7.8%**	Average 8.2%	Net rent /sqm GBA	**Average $109/sqm**	Average $90 sqm
						Range 6.9% - 8.4%	Range 8.1% to 8.3%		**Range $79 - $179/sqm**	Range $79 to $143 sqm
Sub Total	**294,801**	248,969								
Construction in Progress	**3,706**	277								
Total	**298,507**	249,246								

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

Valuation of land and buildings (continued)

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 higher and best use HBU greater than that of a car dealership; Car Dealership refers to properties operating as car dealership with a consistent HBU; Development Car Dealership refers to properties which are in progress of, or being held for future development as a car dealership; Truck Dealership refers to properties being operated as a truck dealership with a HBU consistent with that use; Other Logistics are industrial properties used for parts warehousing and vehicle logistics.

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 $130,861,000 (2015: $98,791,000). If freehold buildings (including construction in progress) were carried at historical cost, its current carrying value (after depreciation) would be $106,693,000 (2015: $99,654,000).

Non-current assets pledged as security

Refer to Note 23 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 2016	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Motor vehicles under lease $'000	Plant and equipment $'000	Total $'000
Carrying amount at the start of the year	149,592	99,377	277	14,509	1,140	26,403	291,298
Additions	26,461	10,999	3,429	5,121	-	22,583	68,593
Disposals/transfers	(22)	(46)	-	374	(1,140)	(2,525)	(3,359)
Revaluation gain credited to asset revaluation reserve	10,842	-	-	-	-	-	10,842
Revaluation charged to profit and loss	1,235	-	-	-	-	-	1,235
Depreciation/amortisation expense	-	(3,637)	-	(1,863)	-	(8,399)	(13,899)
Carrying amount at end of year	188,108	106,693	3,706	18,141	-	38,062	354,710

Consolidated 2015	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Motor vehicles under lease $'000	Plant and equipment $'000	Total $'000
Carrying amount at the start of the year	152,879	97,251	187	14,446	5,920	21,802	292,485
Additions	-	5,208	237	1,954	-	11,455	18,854
Disposals/transfers	(3,391)	113	(147)	-	(3,631)	-	(7,056)
Revaluation gain credited to asset revaluation reserve	2,187	-	-	-	-	-	2,187
Revaluation charged to profit and loss	(2,083)	-	-	-	-	-	(2,083)
Depreciation/amortisation expense	-	(3,195)	-	(1,891)	(1,149)	(6,854)	(13,089)
Carrying amount at end of year	149,592	99,377	277	14,509	1,140	26,403	291,298

17 NON-CURRENT ASSETS – Intangibles

	CONSOLIDATED 2016 $'000	2015 $'000
Goodwill	**292,233**	153,993
Trade marks/brand names	**6,675**	6,769
	298,908	160,762

	2016 $'000	2015 $'000
Movement - Goodwill		
Balance at the beginning of the financial year	**153,993**	158,837
Additional amounts recognised:		
- from business combinations during the year (Note 31(a))	**138,240**	1,033
Less: Impairment during the year	**-**	(5,527)
Less: Disposal of businesses	**-**	(350)
Balance at the end of the financial year	**292,233**	153,993

	2016 $'000	2015 $'000
Movement - Trade marks/brand names		
Balance at the beginning of the financial year	**6,769**	6,896
Less: Amortisation of brand names	**(94)**	(127)
Balance at the end of the financial year	**6,675**	6,769

(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. Previously, the Group had determined that each dealership network represented a CGU for the purposes of testing assets for impairment. As a result of changes in the business operating model and realignment of internal reporting, the Group has reassessed the number of CGUs to five, with four CGUs in the Car Automotive segment grouped by state(s) (QLD & NT, NSW, VIC & TAS, SA) and one national CGU for the Truck segment.

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

	CONSOLIDATED 2016 $'000	2015 $'000
Automotive dealership operations:		
Goodwill	**284,283**	146,043
Trade marks/brand names	**5,625**	5,719
	289,908	151,762
Truck dealership operations:		
Goodwill	**7,950**	7,950
Trade marks/brand names	**1,050**	1,050
	9,000	9,000

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

17 NON-CURRENT ASSETS – Intangibles (continued)

(a) Impairment tests for goodwill (continued)

The DCF model adopted by Directors was based on the 2017 financial budgets approved by the Board, a 3% (2015: 3%) perpetual growth rate and a pre-tax discount rate of 11% (2015: 11%). This growth rate does not exceed the long term average growth rate for the industry.

For the automotive dealership operations, the Directors believe that any reasonable change in the key assumptions on which the recoverable amount is based is not expected to cause the carrying amount to exceed the recoverable amount of the CGUs, however see Note 31(a) for considerations surrounding contingent consideration.

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

(b) Impairment charge

The Directors' assessment in 2016 determined that goodwill and other intangible assets with indefinite useful lives were not impaired in 2016 (2015: $5,527,000 impairment recorded). In 2015 the impairment related to the Truck Dealership Division and was the result of challenging new and used heavy truck trading conditions consistent with a weak market environment.

18 CURRENT LIABILITIES – Trade and other payables

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Trade and other payables		
Trade payables (1)	**81,924**	68,249
Other payables	**51,676**	45,475
Annual Leave	**24,705**	19,839
	158,305	133,563

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

19 CURRENT LIABILITIES - Derivative financial instruments

Current liabilities		
Interest rate swap contracts - cash flow hedges	**210**	227
Total current derivative financial instrument liabilities	**210**	227
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**206**	595
Total non-current derivative financial instrument liabilities	**206**	595

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

Bailment finance of the Group currently bears an average variable interest rate at 31 December 2016 of 4.12% (2015: 4.25%). 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 34% (2015: 67%) 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.

19 CURRENT LIABILITIES - Derivative financial instruments (continued)

At balance date, a gain from remeasuring the hedging instruments at fair value of $416,000 (2015: $822,000) has been recognised in equity in the hedging reserve (Note 29(a)). No portion was ineffective.

Valuation of Derivative financial instruments

Details of the Group's derivative financial instruments and information about the fair value hierarchy as at 31 December 2016 are as follows:

			Unobservable inputs used in determination of fair values	
Class of Financial Assets and Liabilities	**Carrying Amount 31/12/16 $000**	**Carrying Amount 31/12/15 $000**	**Valuation Technique**	**Key Input**
Level 2 Cash flow hedges – Interest rate swaps	**416**	822	Discounted cash flow	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between levels in the year.

20 CURRENT LIABILITIES - Borrowings - bailment and finance lease payable

(a) Bailment and finance lease payable

	CONSOLIDATED	
	2016 $'000	2015 $'000
Bailment finance	**485,875**	404,134
Finance lease payable	**-**	354
	485,875	404,488

(i) Bailment finance

Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 4.12% p.a. applicable at 31 December 2016 (2015: 4.25%). Bailment finance is repayable within a short period after the vehicle is sold to a third party, generally within 48 hours.

(ii) Interest rate risk exposures

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

(iii) Fair value disclosures

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

(iv) Security

Details of the security relating to each of the secured liabilities and further information on bank loans is set out in Note 23.

21 CURRENT LIABILITIES – Current tax liabilities

Income tax	-	124

22 CURRENT LIABILITIES – Provisions

Employee benefits	**21,536**	15,337
Warranties	**4,870**	4,183
	26,406	19,520

22 CURRENT LIABILITIES – Provisions (continued)

(a) Movements in provisions

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

	CONSOLIDATED	
Warranties	**2016 $'000**	**2015 $'000**
Carrying amount at the start of the year	**4,183**	3,863
Additional provisions recognised	**6,879**	5,390
Payments charged against provisions	**(6,789)**	(5,070)
Acquired through business combination	**597**	-
	4,870	4,183

(b) Warranty Provision

An estimate is made based on past experience, and confirmation of future costs by the administrator of the warranty program, of the expected expenditure on new and used motor vehicles in terms of warranties on these vehicles.

23 NON-CURRENT LIABILITIES – Borrowings (secured)

(a) Borrowings – others

Term facility	**204,500**	154,000
Capital loan	**79,150**	55,000
Finance lease payables	**-**	792
	283,650	209,792

SECURED LIABILITIES		
Total secured liabilities (current and non-current) are:		
Term facility (i)	**204,500**	154,000
Capital loan (ii)	**79,150**	55,000
Finance lease payable (iii)	**-**	1,146
Bailment finance (iv)	**485,875**	404,134
	769,525	614,280

(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) The finance lease liability is secured against associated leased assets.

(iv) 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.

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

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Non-current assets pledged as security		
Freehold land and buildings - first mortgage	**297,083**	247,791
Other non-current assets	**651,999**	520,070
Current assets pledged as security		
Inventories	**485,875**	404,134
Other current assets	**177,304**	207,023
Total assets pledged as security	**1,612,261**	1,379,018

FINANCING ARRANGEMENTS

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

Total facilities		
Term facility (i)	**260,000**	260,000
Working capital facility (includes bank overdraft) (ii)	**25,000**	25,000
Capital loan (iii)	**79,150**	55,000
Bailment finance (iv)	**671,534**	567,734
Bank guarantees	**22,000**	22,000
Finance lease payables (v)	**-**	3,000
	1,057,684	932,734
Used at balance date		
Term facility	**204,500**	154,000
Capital loan	**79,150**	55,000
Bailment finance	**485,875**	404,134
Bank guarantees	**19,879**	17,010
Finance lease payables	**-**	1,146
	789,404	631,290
Unused at balance date		
Term facility	**55,500**	106,000
Working capital facility (includes bank overdraft)	**25,000**	25,000
Bailment finance	**185,659**	163,600
Bank guarantees	**2,121**	4,990
Finance lease payables	**-**	1,854
	268,280	301,444

(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.
(v) The finance lease liability provides direct and specific funding to a portfolio of finance leases associated with rental vehicles.

24 NON-CURRENT LIABILITIES – Deferred tax liabilities

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Deferred tax liabilities	**7,447**	7,718
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Book versus tax carrying value of plant and equipment	**(1,488)**	1,900
Inventory valuation	**4,225**	1,731
Prepayments	**661**	942
Provisions		
Doubtful debts	**(956)**	(831)
Employee benefits	**(13,310)**	(12,262)
Warranties	**(5,339)**	(1,157)
Property receivable	**(66)**	(2,091)
Sundry items	**(937)**	(259)
Total amounts recognised in profit or loss	**(17,210)**	**(12,027)**
Amounts recognised directly in equity		
Revaluation of available-for-sale investment	**15,964**	27,659
Revaluation of property, plant and equipment	**16,094**	11,551
Hedge liability	**(125)**	(246)
Share options trust	**(7,276)**	(19,219)
Total amounts recognised directly in equity	**24,657**	19,745
Net deferred tax liabilities	**7,447**	**7,718**

24 NON-CURRENT LIABILITIES – Deferred tax liabilities (continued)

	Notes	CONSOLIDATED 2016 $'000	2015 $'000
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 2016		**7,718**	17,350
Deferred tax assets relating to business combinations		**(2,343)**	(22)
Deferred tax expense/(benefit)	6(a)	**8,994**	(5,029)
Current year adjustments related to prior year deferred tax		**(3,318)**	32
Deferred tax recognised directly in equity			
Revaluation of available-for-sale investment	29(a)	**(11,046)**	14,907
Revaluation of property plant and equipment	29(a)	**3,253**	656
Movement in fair value of cash flow hedge	29(a)	**121**	90
Share options trust	29(a)	**4,655**	(19,219)
Arising on income and expenses reclassified from equity to profit & loss - relating to available-for-sale financial assets		**(587)**	(1,047)
Closing balance at 31 December 2016		**7,447**	7,718

25 NON-CURRENT LIABILITIES - Provisions

Employee benefits - long service leave	**7,256**	8,252
Make good provision (a)	**1,970**	2,122
	9,226	10,374

(a) A provision for make good of leasehold improvements on a long term leased property has been recognised in the financial statements for the expected cost of restoring the premises to its original condition at the end of the lease. The lessor of the property has been provided with a bank guarantee of $1,970,000 in respect of the estimated make good cost and rental costs.

(b) Movement in the make good provision:

Balance at start of year	**2,122**	1,787
Recognition of additional provision during the year	**-**	353
Payments against provision	**(152)**	(18)
Carrying amount at end of year	**1,970**	2,122

26 NON-CURRENT LIABILITIES - Other

Other (contingent consideration)	**19,317**	-

Other liabilities represent the estimated fair value of the contingent consideration relating to the acquisitions of Birrell Motors Group and Tony Ireland Group (see Note 31(a)). There has been no change in the fair value of the contingent consideration since the acquisition date except for unwinding of the discounting.

27 SEGMENT INFORMATION

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

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

27 SEGMENT INFORMATION (continued)

(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 and car rental business.

(b) Truck Retailing

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

(c) Property

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

(d) Investments

This segment includes the investments in DealerMotive Ltd, Automotive Holdings Group Limited, and Smartgroup Corporation Limited

(e) Other

Currently the segment “Other” is not required.

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 a property plant and equipment and investment reserve in equity (refer Note 1(p)).

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. Bills payable funding costs 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.

Geographic Information

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

27 SEGMENT INFORMATION (continued)

(f) Segment results

Segment reporting 2016	Car Retailing $'000	Truck Retailing $'000	Property $'000	Investments $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	3,449,738	363,802	5,240	14,442	-	3,833,222
Inter-segment sales	-	-	25,071	-	(25,071)	-
Total sales revenue	3,449,738	363,802	30,311	14,442	(25,071)	3,833,222
TOTAL REVENUE	3,449,738	363,802	30,311	14,442	(25,071)	3,833,222
SEGMENT RESULT						
Operating profit before interest	114,777	8,090	23,013	14,392	-	160,272
External interest expense allocation	(13,005)	(1,826)	(7,994)	(1,553)	-	(24,378)
OPERATING CONTRIBUTION	101,772	6,264	15,019	12,839	-	135,894
Share of net profit of equity accounted investments	191	-	-	-	-	191
Business acquisition costs	(1,758)	-	-	-	-	(1,758)
GST refunds	4,418	-	-	-	-	4,418
Investment revaluation	-	-	-	(38,774)	38,774	-
Property revaluation	-	-	12,077	-	(10,842)	1,235
Profit on sale of property/businesses	-	-	1,136	1,955	-	3,091
SEGMENT PROFIT	**104,623**	**6,264**	**28,232**	**(23,980)**	**27,932**	**143,071**
Unallocated corporate expenses						(1,666)
PROFIT BEFORE TAX						141,405
Income tax expense						(35,879)
NET PROFIT						**105,526**
Depreciation and amortisation	(9,192)	(980)	(3,821)	-	-	(13,993)
Non cash expenses (reversal of expenses) other than depreciation and amortisation	(3,293)	358	152	-	-	(2,783)
Impairment of trade receivables	(448)	44	-	-	-	(404)
Write down (back) of inventories to net realisable value	(1,676)	194	-	-	-	(1,482)
ASSETS						
Segment assets	1,067,473	91,488	320,813	274,660	-	1,754,434
LIABILITIES						
Segment liabilities	661,164	69,100	197,173	63,205	-	990,642
NET ASSETS	406,309	22,388	123,640	211,455	-	763,792
Acquisitions of non-current assets	155,135	104	52,852	35,039	-	243,130

27 SEGMENT INFORMATION (continued)

(f) Segment results (continued)

Segment reporting 2015	**Car Retailing** $'000	**Truck Retailing** $'000	**Property** $'000	**Investments** $'000	**Eliminations** $'000	**Consolidated** $'000
Sales to external customers	2,884,657	345,075	2,892	13,752	-	3,246,376
Inter-segment sales	-	-	25,013	-	(25,013)	-
Total sales revenue	2,884,657	345,075	27,905	13,752	(25,013)	3,246,376
TOTAL REVENUE	2,884,657	345,075	27,905	13,752	(25,013)	3,246,376
SEGMENT RESULT						
Operating profit before interest	106,040	4,638	19,503	13,666	-	143,847
External interest expense allocation	(10,373)	(2,367)	(6,283)	(2,270)	-	(21,293)
OPERATING CONTRIBUTION	95,667	2,271	13,220	11,396	-	122,554
Share of net profit of equity accounted investments	164	-	-	-	-	164
Business acquisition costs	(201)	-	-	-	-	(201)
GST refunds	2,326	-	-	-	-	2,326
Investment revaluation	-	-	-	46,199	(46,199)	-
Property revaluation	-	-	104	-	(2,187)	(2,083)
Profit on sale of property/businesses	-	-	3,010	3,490	-	6,500
Goodwill impairment	-	(5,527)	-	-	-	(5,527)
SEGMENT PROFIT	**97,956**	**(3,256)**	**16,334**	**61,085**	**(48,386)**	**123,733**
Unallocated corporate expenses						(2,775)
PROFIT BEFORE TAX						120,958
Income tax expense						(33,943)
NET PROFIT						87,015
Depreciation and amortisation	8,226	1,186	3,804	-	-	13,216
Non cash expenses (reversal of expenses) other than depreciation and amortisation	2,826	47	335	-	-	3,208
Impairment of trade receivables	40	110	-	-	-	150
Write down (back) of inventories to net realisable value	(2,006)	(1,664)	-	-	-	(3,670)
ASSETS						
Segment assets	732,798	128,132	343,653	284,827	-	1,489,410
LIABILITIES						
Segment liabilities	476,023	99,578	154,819	55,981	-	786,401
NET ASSETS	256,775	28,554	188,834	228,846	-	703,009
Acquisitions of non-current assets	13,974	468	5,445	10,355	-	30,242

28 CONTRIBUTED EQUITY

(a) Paid up capital

	CONSOLIDATED 2016 $'000	2015 $'000
Ordinary shares - fully paid	**364,449**	296,060

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.

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
01-Jan-2016	Opening balance	184,073,803	-	296,060
09-Feb-2016	Issue of options to staff under share incentive schemes	220,430	$11.30	2,491
29-Feb-2016	Issue of options to staff under share incentive schemes	164,031	$10.90	1,788
17-Mar-2016	Issue of options to staff under share incentive schemes	615,175	$10.48	6,447
31-Mar-2016	Issue of shares as partial consideration for acquisition of Birrell Motors Group	2,200,000	$9.75	21,450
01-Jul-2016	Issue of shares for Crampton acquisition	937,742	$11.73	11,000
19-Jul-2016	Issue of options to staff under share incentive schemes	1,164,695	$11.80	13,742
17-Aug-2016	Issue of options to staff under share incentive schemes	50,000	$12.25	612
05-Oct-2016	Issue of options to staff under share incentive schemes	1,008,375	$10.20	10,281
07-Nov-2016	Issue of options to staff under share incentive schemes	58,555	$9.87	578
31-Dec-2016	**Closing balance**	190,492,806	-	364,449
01-Jan-2015	Opening balance	178,519,473	-	242,070
01-Apr-2015	Issue of options to staff under share incentive schemes	586,825	$7.46	4,376
30-Jun-2015	Issue of options to staff under share incentive schemes	272,650	$9.38	2,557
06-Jul-2015	Issue of options to staff under share incentive schemes	268,555	$9.55	2,564
31-Jul-2015	Issue of options to staff under share incentive schemes	3,330,775	$10.06	33,502
21-Aug-2015	Issue of options to staff under share incentive schemes	334,305	$10.36	3,462
01-Sep-2015	Issue of options to staff under share incentive schemes	761,220	$9.89	7,529
31-Dec-2015	**Closing balance**	184,073,803	-	296,060

29 RESERVES AND RETAINED EARNINGS

(a) Reserves:

	Note	CONSOLIDATED 2016 $'000	2015 $'000
Property, plant and equipment revaluation reserve		**52,781**	45,192
Hedging reserve - cash flow hedge		**(291)**	(575)
Share-based payments reserve		**(34,486)**	(3,778)
Investment revaluation reserve		**37,394**	64,536
		55,398	105,375

Movements:

	Note	2016 $'000	2015 $'000
Property, plant and equipment revaluation reserve :			
Balance at beginning of the financial year		**45,192**	61,668
Revaluation surplus/(deficit) during the year - gross	16	**10,842**	2,187
Transfer to retained earnings relating to properties sold	29(b)	**-**	(18,007)
Deferred tax	24	**(3,253)**	(656)
Balance at the end of the financial year		**52,781**	45,192
Hedging reserve - cash flow hedge:			
Balance at beginning of the financial year		**(575)**	(786)
Movement during the year		**405**	300
Deferred tax	24	**(121)**	(89)
Balance at the end of the financial year		**(291)**	(575)
Share-based payments reserve:			
Balance at beginning of the financial year		**(3,778)**	5,941
Deferred tax	24	**(4,655)**	18,160
Payments received from employees for exercised options		**6,948**	10,740
Employee share schemes - value of employee services		**2,966**	3,019
Transfer to share capital (shares issued)		**(35,939)**	(53,990)
Current tax on share plans		**(28)**	12,352
Balance at the end of the financial year		**(34,486)**	(3,778)
Investment revaluation reserve:			
Balance at beginning of the financial year		**64,536**	32,197
Gain/(loss) on revaluation of available-for-sale investment		**(36,819)**	49,689
Deferred tax	24	**11,046**	(14,907)
Cumulative gain reclassed to profit or loss on disposal of available for sale financial assets		**(1,369)**	(2,443)
Balance at the end of the financial year		**37,394**	64,536

29 RESERVES AND RETAINED EARNINGS (continued)

(b) Retained earnings

	Notes	CONSOLIDATED 2016 $'000	2015 $'000
Retained profits at the beginning of the financial year		**293,435**	**242,480**
Net profit for the year		**103,984**	86,217
Transfer from asset revaluation reserve re properties sold		**-**	18,007
Transfer from share based payment reserve		**-**	1,059
Dividends provided for or paid	7	**(61,640)**	(54,328)
Retained profits at the end of the financial year		**335,779**	293,435

(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(p).

(II) Hedging reserve

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

(III) Share-based payments reserve

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

(iv) Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

30 FINANCIAL INSTRUMENTS

Overview

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

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

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

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

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

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

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

30 FINANCIAL INSTRUMENTS (continued)

Overview (continued)

The Group's principal financial instruments comprise bank loans, bailment finance, cash, short-term deposits and interest rate swap contracts. The main purpose of these financial instruments is to raise finance for and fund the Group's operations and to hedge the Group's exposures 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 risk 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. Ongoing credit evaluation is performed on the financial condition of debtors and other receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

The consolidated entity establishes an allowance for doubtful debts that represents its estimate of incurred losses in respect of trade and other receivables and investments.

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, excluding the value of any collateral or other security, at balance date is in the carrying amount as disclosed in the statement of financial position and notes to the financial statements.

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

LIQUIDITY RISK

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

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

The Group also manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Information on available facilities can be found in Note 23.

MARKET RISK

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

(i) Interest rate risk

The Group is exposed to interest rate risk as a consequence of its financing facilities as set out in Notes 20 & 23. Funds are borrowed by the Group at both fixed and floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The Group's policy is to keep between 0% and 50% of its borrowings at fixed rates of interest. As at 31 December 2016, approximately 42% (2015: 62%) of the Group's borrowings were at a fixed rate of interest. The Group hedges part of the interest rate risk (see Note 19) by swapping floating for fixed interest rates.

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

The net fair value of the swaps at 31 December 2016 was $416,000 liability (2015: $822,000 liability), with the movement being recognised in equity for the consolidated entity.

30 FINANCIAL INSTRUMENTS (continued)

MARKET RISK (continued)

(ii) Interest rate sensitivity

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's net profit after tax would increase/decrease by $3,699,214 (2015: $1,593,000) 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**	
	2016 %	2015 %	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Outstanding floating for fixed contracts						
Less than 1 year	2.59%	3.31%	46,200	33,500	(210)	(227)
Between 1 - 2 years	2.34%	2.72%	8,000	46,200	(54)	(458)
Between 2 - 3 years	2.38%	2.26%	15,000	8,000	(152)	(36)
Between 3 - 4 years	-	2.38%	-	15,000	-	(101)
	2.44%	2.67%	69,200	102,700	(416)	(822)

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

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

CAPITAL MANAGEMENT

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

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

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

30 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

(i) Exposure to Credit Risk

The carrying amount of financial assets (as per Notes 9, 12 and 13) represents the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Trade and other receivables	**172,011**	177,720
Less: Provision for doubtful receivables	**(3,187)**	(2,771)
	168,824	174,949

(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 doubtful debts	**168,824**	174,949
Cash and cash equivalents	**17,615**	37,535
	186,439	212,484
Financial liabilities		
Bills payable and fully drawn advances	**204,500**	154,000
Capital loan	**79,150**	55,000
Vehicle bailment	**485,875**	404,134
Finance lease payables	**-**	1,146
Trade and other payables	**158,305**	133,563
Derivative financial instruments	**416**	822
	928,246	748,665

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.

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.

30 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

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

Maturity profile (continued)

Contractual maturities of financial liabilities **At 31 December 2016**	**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	17,615	-	-	-	-	-	17,615
Average interest rate	2.39%	-	-	-	-	-	
Financial liabilities							
Vehicle bailment (current)	506,322	-	-	-	-	-	506,322
Fully drawn advances (1)	8,596	112,197	3,677	3,677	3,677	99,951	231,775
Fully drawn advances	1,145	52,145	181	-	-	-	53,471
Capital loan (Non-current)	1,036	1,036	1,036	1,036	1,036	41,138	46,318
	517,099	165,378	4,894	4,713	4,713	141,089	837,886
Average interest rate	4.10%	3.35%	3.79%	3.51%	3.51%	3.51%	
Fixed rate							
Financial liabilities							
Capital loan (Non-current)	2,669	51,305	-	-	-	-	53,974
Average interest rate	5.20%	5.20%	-	-	-	-	
NON INTEREST BEARING							
Financial assets							
Property sale receivables	9,466	-	-	-	-	-	9,466
Trade debtors	159,358	-	-	-	-	-	159,358
	168,824	-	-	-	-	-	168,824
Financial liabilities							
Trade and other payables	158,305	19,317	-	-	-	-	177,622

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

30 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

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

Maturity profile (continued)

At 31 December 2015	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	37,535	-	-	-	-	-	37,535
Average interest rate	2.43%	-	-	-	-	-	
Financial liabilities							
Vehicle bailment (current)	404,134	-	-	-	-	-	404,134
Fully drawn advances (1)	3,197	3,197	45,058	1,442	33,082	-	85,976
Fully drawn advances	36,701	47,697	-	-	-	-	84,398
Capital loan (Non-current)	208	208	208	208	208	5,225	6,265
	444,240	51,102	45,266	1,650	33,290	5,225	580,773
Average interest rate	4.39%	4.50%	4.16%	4.16%	4.16%	4.16%	
Fixed rate							
Financial liabilities							
Capital loan (Non-current)	2,600	2,600	51,300	-	-	-	56,500
Finance lease payables	417	807	-	-	-	-	1,224
	3,017	3,407	51,300	-	-	-	57,724
Average interest rate	5.18%	5.20%	5.20%	-	-	-	
NON INTEREST BEARING							
Financial assets							
Property sale receivables	32,013	16,707	6,884	6,884	-	-	62,488
Trade debtors	109,116	-	-	-	-	-	109,116
	141,129	16,707	6,884	6,884	-	-	171,604
Financial liabilities							
Trade and other payables	133,563	-	-	-	-	-	133,563

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

Estimation of Fair Value

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

Loans and Borrowings

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

Trade and Other Receivables/Payables

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

Interest Rate Swaps

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

31 INVESTMENTS IN SUBSIDIARIES

Name of entity		Equity holding 2016 %	2015 %
Eagers Retail Pty Ltd	*	**100**	100
Eagers MD Pty Ltd		**80**	80
Eagers Finance Pty Ltd	*	**100**	100
Nundah Motors Pty Ltd	*	**100**	100
Eagers Nominees Pty Ltd	*	**100**	100
Austral Pty Ltd	*	**100**	100
E G Eager & Son Pty Ltd	*	**100**	100
A.P. Group Ltd	*	**100**	100
A.P. Ford Pty Ltd	*	**100**	100
A.P. Motors Pty Ltd	*	**100**	100
A.P. Motors (No.1) Pty Ltd	*	**100**	100
A.P. Motors (No.2) Pty Ltd	*	**100**	100
A.P. Motors (No.3) Pty Ltd	*	**100**	100
Associated Finance Pty Limited	*	**100**	100
Leaseline & General Finance Pty Ltd	*	**100**	100
City Automotive Group Pty Ltd	*	**100**	100
PPT Investments Pty Ltd	*	**100**	100
PPT Holdings No 1 Pty Ltd	*	**100**	100
PPT Holdings No 2 Pty Ltd	*	**100**	100
PPT Holdings No 3 Pty Ltd	*	**100**	100
Bill Buckle Holdings Pty Ltd	*	**100**	100
Bill Buckle Autos Pty Ltd	*	**100**	100
Bill Buckle Leasing Pty Ltd	*	**100**	100
Adtrans Group Limited	*	**100**	100
Adtrans Corporate Pty Ltd	*	**100**	100
Adtrans Automotive Group Pty Ltd	*	**100**	100
Stillwell Trucks Pty Ltd	*	**100**	100
Adtrans Trucks Pty Ltd	*	**100**	100
Graham Cornes Motors Pty Ltd		**90**	90
Whitehorse Trucks Pty Ltd	*	**100**	100
Adtrans Used Pty Ltd	*	**100**	100
Adtrans Hino Pty Ltd	*	**100**	100
Adtrans Australia Pty Ltd	*	**100**	100
Melbourne Truck and Bus Centre Pty Ltd	*	**100**	100
Adtrans Truck Centre Pty Ltd	*	**100**	100
Adtrans Trucks Adelaide Pty Ltd	*	**100**	100
Precision Automotive Technology Pty Ltd	*	**100**	100
IB Motors Pty Ltd	*	**100**	100
IB MD Pty Ltd		**80**	80
AP Townsville Pty Ltd	*	**100**	100
South West Queensland Motors Pty Ltd		**80**	80
BASW Pty Ltd		**80**	80
Western Equipment Rentals Pty Ltd		**80**	80
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**	-
Motors Group (Glen Waverley) Pty Ltd		**80**	-
Port City Autos Pty Ltd	*	**100**	-
Adverpro Pty Ltd	*	**100**	-

31 INVESTMENTS IN SUBSIDIARIES (continued)

Name of entity		Equity holding 2016 %	2015 %
AP Queensland (No. 1) Pty Ltd	*	**100**	-

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

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

	2016 $'000	2015 $'000
Financial position		
Assets		
Current assets	**-**	13,120
Non-current assets	**510,553**	488,298
	510,553	501,418
Liabilities		
Current liabilities	**5,836**	-
Non-current liabilities	**16,005**	28,380
	21,841	28,380
Equity		
Issued capital	**364,449**	296,060
Retained earnings	**115,459**	113,631
Reserves		
Asset revaluation reserve	**1,683**	1,683
Investment revaluation reserve	**37,394**	64,536
Share based payments reserve	**(30,274)**	(2,872)
	488,711	473,038
Financial performance		
Profit for the year	**60,221**	61,490
Other comprehensive income	**38,774**	46,199

All subsidiaries were parties to a deed of cross guarantee with A.P. Eagers Limited pursuant to ASIC Class Order 98/1418 which has been lodged with and approved by Australian Securities and Investments Commission as at 31 December 2016. Under the deed of cross guarantee each of these companies guarantee the debts of the other named companies. The aggregate assets and liabilities of these companies at 31 December 2016 and their aggregate net profit after tax for the year ended 31 December 2016 match the reported balances within the Statement of Financial Position and the Statement of Profit or Loss respectively.

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

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

31 INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of businesses

The Group acquired the following business during the 2016 year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2016	Birrell Motors Group	1-Apr-16	Motor Dealership	100% (1)
2016	Jeep/Kia Ipswich	15-Apr-16	Motor Dealership	100%
2016	Crampton Automotive Group	1-July-16	Motor Dealership	100%
2016	Tony Ireland Motors	1-Oct-16	Motor Dealership	100%

(1) As part of the Birrell Motors Group acquisition 80% shares of Motors Group (Glen Waverley) Pty Ltd were acquired. The remaining 20% interest is accounted for as a non controlling interest.

During 2016 the acquired businesses contributed revenue of $418,718,346 and profit before tax of $10,054,210 to the consolidated result. If the acquisition had occurred on 1 January 2016, the consolidated revenue and the consolidated profit before tax of the Group would have been $4,069 million and $146 million respectively.

Allocation of purchase consideration

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

	Crampton Automotive Group $'000	Tony Ireland Group $'000	Jeep/Kia Ipswich $'000	Birrell Motors Group $'000	2016 Total Consolidated $'000
Cash consideration	24,896	9,603	1,222	85,976	**121,697**
Issue of ordinary shares	11,000	-	-	21,450	**32,450**
Contingent consideration (i)	-	500	-	18,590	**19,090**
Total purchase consideration	35,896	10,103	1,222	126,016	**173,237**

Consolidated fair value at acquisition date	**2016 $'000**
Net assets acquired	
Cash	**3,364**
Receivables, prepayments	**6,276**
Other investments	**250**
Inventory	**62,547**
Property, plant and equipment	**12,550**
Deferred tax assets	**2,375**
Creditors, borrowings and provisions	**(52,700)**
Deferred tax liabilities	**(32)**
Net assets acquired	**34,630**
Acquisition cost	**173,237**
Non-Controlling Interest	**(367)**
Goodwill on acquisition (ii)	**138,240**

31 INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of businesses (continued)

Allocation of purchase consideration (continued)

(i) The purchase consideration for the acquisition of Birrell Motors Group includes a contingent consideration amount payable up to a maximum value of $19,800,000 (discounted value of $18,590,000 at date of acquisition), contingent on Birrell Motors Group achieving future earnings performance targets for 2018 and 2019. The directors have judged that the full contingent consideration will be payable in 2019 based on the track record of the acquired businesses, upside in the business and outlook for luxury vehicles in particular. This necessarily requires an element of estimation. Should the businesses not achieve the expected future milestones, the associated goodwill balance will be reviewed for impairment within the VIC & TAS CGU.

The purchase consideration for the acquisition of the Tony Ireland Group includes an earn out payable up to a maximum value of $500,000. The earn out is contingent on the Tony Ireland Group achieving future earnings performance targets.

(ii) 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 this financial statements. Therefore, the amount allocated to goodwill on acquisition has been provisionally determined at the end of the reporting period.

	2016 $'000
Cash consideration on acquisition	**121,697**
Cash acquired on acquisition	**(3,364)**
Net cash flow on acquisition of business	**118,333**

The Group acquired the following business during the 2015 year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2015	Auto Advantage	01-Aug-15	Motor Vehicle Broker	100%

During 2015 the acquired business contributed revenues of $1,225,000 and profit before tax of $36,000. If the acquisition had occurred on 1 January 2015, the consolidated revenue and the consolidated profit before tax would have been $2,938,000 and $86,000 respectively.

Allocation of purchase consideration

The purchase price of business acquired has been allocated as follows:

	2015 Auto Advantage $'000
Cash consideration	669
Contingent consideration (i)	326
Total purchase consideration	995
Fair value of net identifiable assets	(40)
Goodwill	1,033
	993

31 INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of businesses (continued)

Allocation of purchase consideration (continued)

Consolidated fair value at acquisition date	**2015 $'000**
Net assets acquired	
Receivables, prepayments	5
Property, plant and equipment	8
Deferred tax assets	22
Creditors, borrowings and provisions	(75)
Net assets acquired	**(40)**
Acquisition cost	993
Goodwill on acquisition (ii)	**1,033**

(i) Under the initial contingent consideration arrangement an additional $326,400 was required to be paid if Auto Advantage's volume exceeded 765 units and 1530 units ending 365 and 730 days respectively. At the end of 365 days the volume exceeded 765 units and the first payment of $163,200 was made. Management consider that it is probable that the second payment of $163,200 will be required.

(ii) 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. In the prior year, the amount allocated to goodwill on acquisition was provisionally determined, and no changes made in the current period.

Cash consideration on acquisition	669

(b) Disposal of businesses

There were no businesses sold by the Group during 2016.

The Group sold the following business during the 2015 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2015	Western Equipment Rentals	30-Nov-15	Retail Franchise	100%

	CONSOLIDATED 2015 $'000
Net assets disposed of	
Property, plant and equipment	45
Creditors, borrowings and provisions	(4)
Intangible assets	350
Net assets disposed	**391**
Total consideration received (100% Cash)	441
Gain on sale	50

(c) 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.

31 INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of non-wholly owned subsidiaries (continued)

	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Individually immaterial subsidiaries with non-controlling interest	1,542	798	8,166	8,139

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Movement - Non Controlling Interest		
Balance at the beginning of the financial year	**8,139**	7,486
Profit for the year	**1,542**	798
Payment of shares	**(368)**	-
Payment of dividend	**(1,147)**	(145)
Balance as at the end of the financial year	**8,166**	8,139

32 CONTINGENT LIABILITIES

(a) Parent entity

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial and trade arrangements entered into by its subsidiaries. It is not anticipated that the parent entity will become liable for any amount in respect thereof. At 31 December 2016 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 subsidiaries were parties to a deed of cross guarantee lodged with the Australian Securities and Investments Commission as at 31 December 2016. 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 $968,800,000 (2015: $776,992,000).

(c) Buy back agreements

As at 31 December 2016, entities within the Group had entered into sale and buy back agreements for new vehicles. The financial exposure to the Group is immaterial.

33 COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

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

Within one year	**2,949**	23,292

33 COMMITMENTS FOR EXPENDITURE (continued)

(b) Finance Lease Liabilities

Commitments for minimum lease payments in relation to finance lease liabilities are payable as follows:

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Within one year	**-**	417
Later than 1 year but not later than 5 years	**-**	806
	-	1,223
Less future finance charges	**-**	(78)
Present value of minimum lease payments	**-**	1,145

(c) Operating Lease Commitments

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

Within one year	**38,758**	25,118
Later than 1 year but not later than 5 years	**103,067**	66,442
Later than 5 years	**83,450**	41,990
	225,275	133,550

The consolidated entity leases property under non-cancellable operating leases with expiry dates between 31 January 2017 and 1 July 2035.

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

34 REMUNERATION OF AUDITOR

Amounts received or due and receivable by Deloitte Touche Tomatsu ("Deloitte") for:		
- Audit or review of the financial report of the parent entity and any other entity in the consolidated entity	**762**	600
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	**438**	250
	1,200	850

35 SUBSEQUENT EVENTS

Commencing 4 January 2017, the Group acquired a further 9.3 million shares in Automotive Holdings Group Limited ('AHG') at a total cost of $36.4 million through a series of on-market share purchases. As a result, the Group's shareholding in AHG increased from 19.99% as at 31 December 2016 to 22.82%.

36 KEY MANAGEMENT PERSONNEL

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

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

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

36 KEY MANAGEMENT PERSONNEL (continued)

(a) Details of key management personnel

(i) Directors	T B Crommelin	Chairman (non-executive)
	M A Ward	Managing Director and Chief Executive Officer
	D A Cowper	Director (non-executive)
	P W Henley	Director (non-executive)
	N G Politis	Director (non-executive)
	D T Ryan	Director (non-executive)
	M J Birrell	Director (non-executive), appointed 27 July 2016
(ii) Executives	S A Moore	Chief Financial Officer
	D G Stark	General Counsel & Company Secretary
	K T Thornton	General Manager – Queensland and Northern Territory

(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	
	2016	2015
	$'000	$'000
Short term	3,709,156	3,999,836
Post employment benefits	149,941	146,493
Share based payments	1,328,022	1,634,339
	5,187,119	5,780,668

(c) Option holdings of key management personnel

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

(d) Loans to key management personnel

There are no loans to key management personnel.

(e) Other transactions with key management personnel

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

(f) Share Based Payments

Plan A: EPS Performance Rights and Options - Key Executives

The Group commenced an Earnings Per Share (EPS) based performance rights and option compensation scheme for specific executive officers in 2009. 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 29 October 2009					
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13	27-Mar-14	27-Mar-15
Expiry date	28-Aug-16	28-Aug-16	28-Aug-16	28-Aug-16	30-Sep-17
Share price at grant date	$ 1.82	$ 1.82	$ 1.82	$ 1.82	$ 1.82
Expected life	1.6 years	2.6 years	3.6 years	4.6 years	5.6 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	4.37%	4.89%	5.18%	5.31%	5.33%
Dividend yield	6.0%	6.0%	6.0%	6.0%	6.0%

36 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan A: EPS Performance Rights and Options - Key Executives (continued)

Performance Options					
Award date 29 October 2009					
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13	27-Mar-14	30-Mar-15
Expiry date	28-Aug-16	28-Aug-16	28-Aug-16	28-Aug-16	30-Sep-17
Share price at grant date	$ 1.82	$ 1.82	$ 1.82	$ 1.82	$ 1.82
Exercise price	$ 1.82	$ 1.82	$ 1.82	$ 1.82	$ 1.82
Expected life	4.3 years	4.8 years	5.3 years	5.8 years	6.8 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	5.29%	5.32%	5.33%	5.33%	5.33%
Dividend yield	6.0%	6.0%	6.0%	6.0%	6.0%

The General Manager, Queensland and Northern Territory, the previous General Manager of Kloster Motor Group and the previous Chief Financial Officer have been granted rights and options under the EPS share incentive plan (Plan A). 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
82,830	29-Oct-09	31-Dec-10	28-Aug-16	$ 1.66
112,035	29-Oct-09	31-Dec-11	28-Aug-16	$ 1.56
118,880	29-Oct-09	31-Dec-12	28-Aug-16	$ 1.47
126,265	29-Oct-09	31-Dec-13	28-Aug-16	$ 1.39
134,205	29-Oct-09	31-Dec-14	30-Sep-17	$ 1.30

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
381,945	29-Oct-09	31-Dec-10	28-Aug-16	$ 0.36
475,545	29-Oct-09	31-Dec-11	28-Aug-16	$ 0.36
472,975	29-Oct-09	31-Dec-12	28-Aug-16	$ 0.37
475,545	29-Oct-09	31-Dec-13	28-Aug-16	$ 0.37
465,430	29-Oct-09	31-Dec-14	30-Sep-17	$ 0.38

No rights or options were forfeited during the year. All rights had been issued in prior periods and EPS and interest cover targets had been achieved in prior periods resulting in vesting occurring. 1,372,695 of the remaining options were exercised during the year. There are no rights or options remaining under this plan.

No costs of the share plan were expensed during 2016 (2015: $nil). The share plan was fully expensed by the end of 2014.

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

The Group commenced an Earnings Per Share (EPS) based performance rights and option 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:

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%

36 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

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

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. As a result of the EPS target being achieved the performance rights and options relating to the 31 December 2016 performance period have vested.

A total of 137,791 rights were issued and 50,000 options exercised during the year. As a result of the EPS and interest cover targets being achieved the performance rights and options for each performance period have vested.

The value of the performance rights and options expensed during the year was $1,495,012, with a cumulative expense being recognised at 31 December 2016 of $3,696,614 (2015: $2,201,602).

37 OTHER SHARE BASED PAYMENTS

Recognised share-based payments expenses

Refer Note 29 for movements on share based payments reserve.

Plan D: EPS Performance Rights and Options – Senior Management (A)

The Group commenced an Earnings Per Share (EPS) based performance rights and option compensation scheme for nineteen specific management personnel in 2010. 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:

37 OTHER SHARE BASED PAYMENTS (continued)

Plan D: EPS Performance Rights and Options – Senior Management (A) (continued)

Performance Rights			
Award date 27 January 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 2.42	$ 2.42	$ 2.42
Expected life	1.2 years	2.2 years	3.2 years
Volatility	30%	30%	30%
Risk free interest rate	5.06%	5.11%	5.17%
Dividend yield	5.10%	5.10%	5.10%

Performance Options			
Award date 27 January 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 2.42	$ 2.42	$ 2.42
Exercise price	$ 2.42	$ 2.42	$ 2.42
Expected life	4.1 years	4.6 years	5.1 years
Volatility	30%	30%	30%
Risk free interest rate	5.06%	5.11%	5.17%
Dividend yield	5.10%	5.10%	5.10%

Specific executives have been granted rights and options under the EPS share incentive plan (Plan D). This includes the General Counsel & Company Secretary. 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
162,310	27-Jan-10	31-Dec-10	27-Jan-17	$ 2.28
219,265	27-Jan-10	31-Dec-11	27-Jan-17	$ 2.17
230,750	27-Jan-10	31-Dec-12	27-Jan-17	$ 2.06

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
547,705	27-Jan-10	31-Dec-10	27-Jan-17	$ 0.50
731,250	27-Jan-10	31-Dec-11	27-Jan-17	$ 0.52
714,690	27-Jan-10	31-Dec-12	27-Jan-17	$ 0.53

No rights or options were forfeited or expired during the year. As a result of the EPS and interest cover targets being achieved the performance rights and options for each performance period have vested. A total of 1,536,710 options were exercised during the year.

No costs of the share plan were expensed during 2016 (2015: $nil). The share plan was fully expensed by the end of 2012.

Plan E: EPS Performance Rights and Options – Senior Management (B)

The Group commenced an Earnings Per Share (EPS) based performance rights and option compensation scheme for three specific executive officers in 2010. 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:

37 OTHER SHARE BASED PAYMENTS (continued)

Plan E: EPS Performance Rights and Options – Senior Management (B) (continued)

Performance Rights			
Award date 18 November 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 2.52	$ 2.52	$ 2.52
Expected life	0.4 years	1.4 years	2.4 years
Volatility	30%	30%	30%
Risk free interest rate	4.91%	4.93%	4.95%
Dividend yield	5.00%	5.00%	5.00%

Performance Options			
Award date 18 November 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 2.52	$ 2.52	$ 2.52
Exercise price	$ 2.52	$ 2.52	$ 2.52
Expected life	3.3 years	3.8 years	4.3 years
Volatility	30%	30%	30%
Risk free interest rate	4.91%	4.93%	4.95%
Dividend yield	5.00%	5.00%	5.00%

Specific executives have been granted rights and options under the EPS share incentive plan (Plan E). 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
7,785	18-Nov-10	31-Dec-10	27-Jan-17	$ 2.47
40,650	18-Nov-10	31-Dec-11	27-Jan-17	$ 2.35
42,735	18-Nov-10	31-Dec-12	27-Jan-17	$ 2.23

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
39,925	18-Nov-10	31-Dec-10	27-Jan-17	$ 0.48
189,785	18-Nov-10	31-Dec-11	27-Jan-17	$ 0.51
181,365	18-Nov-10	31-Dec-12	27-Jan-17	$ 0.53

As a result of the EPS and interest cover targets being achieved the performance rights and options for each performance period have vested. No options were forfeited during the year. A total of 136,325 options were exercised during the year.

No costs of the share plan were expensed during 2016 (2015: $nil). The share plan was fully expensed by the end of 2012.

Plan F: EPS Performance Options – Senior Management 2013

The Group commenced an Earnings Per Share (EPS) based share option 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:

37 OTHER SHARE BASED PAYMENTS (continued)

Plan F: EPS Performance Options – Senior Management 2013 (continued)

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

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

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

A total of 30,720 options in 2016 were forfeited or expired during the year. A total of 21,500 options were exercised during the year. As a result of the EPS target being achieved the performance options relating to the 31 December 2016 performance period have vested.

The value of the performance options expensed during the year was $786,979, with a cumulative expense being recognised at 31 December 2016 of $3,475,680 (2015: $2,705,492).

Plan H: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and option 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 fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights					
Award date 21 January 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	21-Jan-22	21-Jan-22	21-Jan-22	30-Sep-22	30-Sep-22
Share price at grant date	$5.85	$5.85	$5.85	$5.85	$5.85
Expected life	1.2 years	2.2 years	3.2 years	4.2 years	5.2 years
Volatility	22%	22%	22%	22%	22%
Risk free interest rate	2.20%	2.12%	2.11%	2.15%	2.22%
Dividend yield	4.4%	4.4%	4.4%	4.4%	4.4%

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

37 OTHER SHARE BASED PAYMENTS (continued)

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

Two specific executives have been granted 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 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 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. As a result of the specific targets being achieved the performance rights and options relating to the 31 December 2016 performance period have vested.

The value of the performance rights and options expensed during the year was $188,655, with a cumulative expense being recognised as at 31 December 2016 of $422,635 (2015: $233,980).

Plan I: EPS Performance Rights and Options – Key Executives

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

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

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

37 OTHER SHARE BASED PAYMENTS (continued)

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

A specific senior staff member have 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 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 performance rights or options were forfeited or expired during the year. As a result of the specific targets being achieved the performance rights and options relating to the 31 December 2016 performance period have vested since balance date.

The value of the performance rights and options expensed during the year was $170,998, with a cumulative expense being recognised as at 31 December 2016 of $350,995 (2015: $179,997).

Plan J: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and option 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%

37 OTHER SHARE BASED PAYMENTS (continued)

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

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 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 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 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

No performance rights or options were forfeited or expired during the year. As a result of the specific targets being achieved the performance rights and options relating to the 31 December 2016 Performance Period have vested.

The value of the performance rights and options expensed during the year was $126,662, with a cumulative expense being recognised as at 31 December 2016 of $209,984 (2015: $83,322).

Plan K: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and option 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:

37 OTHER SHARE BASED PAYMENTS (continued)

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

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 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 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 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. As a result of the specific targets being achieved the performance rights and options relating to the 31 December 2016 Performance Period have vested.

The value of the performance rights and options expensed during the year was $214,448, with a cumulative expense being recognised as at 31 December 2016 of $214,448 (2015: $Nil).

38 RELATED PARTIES

Key management personnel

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

38 RELATED PARTIES (continued)

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 $462,274 (2015: $466,281) and purchases of $520,476 (2015: $341,762) 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 subsidaries of A. P. Eagers. The lease transactions of $1,956,301 during the last 6 months since his appointment to the board 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.

Mr M Birrell also has a consultancy arrangement with AP Eagers whereby he is paid a consultancy fee in consideration for provision of professional services provided for AP Eagers' Victorian and Tasmanian businesses. There were nil transactions during the last 6 months since his appointment to the board.

Finally, Mr M Birrell was a party to the Birrell Motors Group business acquisition which is subject to a contingent consideration arrangement whereby an additional amount is payable at 31 December 2019 if a specified performance target is met. The contingent consideration has been recognised as a financial liability as at 31 December 2016, refer to Note 26.

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

Wholly-owned group

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

39 EARNINGS PER SHARE

(a) Basic earnings per share

	CONSOLIDATED	
	2016 Cents	2015 Cents
Earnings attributable to the ordinary equity holders of the Company	**55.4**	47.6

(b) Diluted earnings per share

	CONSOLIDATED	
	2016 Cents	2015 Cents
Earnings attributable to the ordinary equity holders of the Company	**54.0**	46.1

39 EARNINGS PER SHARE (continued)

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

	CONSOLIDATED 2016 $'000	2015 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
Profit for the year	**105,526**	87,015
Less: attributable to non-controlling interest	**(1,542)**	(798)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**103,984**	86,217
Diluted earnings per share		
Profit for the year less attributable to non-controlling interest	**103,984**	86,217
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**103,984**	86,217
Weighted average number of ordinary shares outstanding during the year	**187,811,094**	**180,997,843**
Shares deemed to be issued for no consideration in respect of employee options (1)	**4,747,506**	6,214,054
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	**192,558,600**	187,211,897

(1) 134,781 performance options representing potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

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

		CONSOLIDATED	
		2016	2015
	Notes	**$'000**	$'000
Net profit after tax		**105,526**	87,015
Depreciation and amortisation	5	**13,993**	13,216
Impairment of goodwill		**-**	5,527
Net (gain)/loss on sale of available-for-sale financial assets	14	**(1,955)**	(3,490)
Share of profits of associate		**(191)**	(164)
Dividends from investments		**191**	164
Gain / (Loss) on sale of property,plant & equipment		**(1,136)**	(2,886)
Employee share scheme expense		**2,966**	3,018
Non controlling interest adjustments		**(535)**	(1,406)
Profit on sale of business		**-**	(50)
Property receivable and deposits		**22,547**	28,403
(Gain) / Impairment to property revaluation (through P&L)		**(1,235)**	2,083
(Increase)/decrease in assets -			
Receivables		**(39,630)**	(30,412)
Inventories		**(94,844)**	(57,327)
Prepayments		**(587)**	(5,883)
Increase/(decrease) in liabilities -			
Creditors (including bailment finance)		**104,079**	48,263
Provisions		**5,738**	4,997
Taxes payable		**(4,213)**	(6,515)
Net cash inflow from operating activities		**110,714**	84,553

41 NON-CASH TRANSACTIONS

In 2015, the Group entered into unconditional contracts for the sale of 80 McLachlan Street, Fortitude Valley and a parcel of land in Newstead. As a result a combined profit of $3.010 million was recognised in that year and was included within the amount disclosed in Note 4. Consideration for the sales totalling $32.013 million was realised in full in 2016.

42 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	
	2016	2015	**2016**	2015
Name of company	**%**	%	**$'000**	$'000
Unlisted securities				
Norna Limited (formerly MTQ Insurance Services Limited)	**20.65**	20.65	**1,620**	1,620
DealerMotive Ltd	**25.76**	-	**9,973**	-
Carzapp Pty Ltd	**10.00**	-	**300**	-
	56.41	20.65	**11,893**	1,620

Norna Limited (formerly MTQ Insurance Servers Limited)

In 2014 MTQ Insurance Services Limited changed its name to Norna Limited. On 29 August 2014 MTA Insurance Limited (a wholly owned subsidiary of Norna Limited) was sold to AAI Limited with settlement to take place in instalments, the final of which is expected to be realised in 2017. Once the sale is completed Norna Limited will be liquidated.

AP Eagers Limited will remain a shareholder in Norna Limited with a 20.65% interest (2015: 20.65%) and will continue to equity account the investment in the associate which has been equity accounted from 1 January 2006 (refer Note 15), until the final distributions are received and Norna Limited is liquidated.

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

Dealermotive Limited

In 2016, AP Eagers transferred its shares in One Way Traffic Pty Ltd (Carsguide) and Auto Trader Australia Pty Ltd (Auto Trader) to DealerMotive Limited (DealerMotive) under a scheme of arrangement, in return for an equal dollar value of shares in DealerMotive. AP Eagers also subscribed to shares in DealerMotive during the year as part of a capital raising. AP Eagers holds a 25.8% shareholding in DealerMotive as at 31 December 2016.

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.

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

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Carrying amount at the beginning of the financial year	**1,620**	1,620
Equity share of profit from ordinary activities after income tax	**191**	164
Dividends received during the year	**(191)**	(164)
Equity accounted investments acquired	**10,273**	-
Carrying amount at the end of the financial year	**11,893**	1,620

42 INVESTMENTS IN ASSOCIATES (continued)

(c) Summarised financial information of associates

The aggregate profits, assets and liabilities of associate are:

	CONSOLIDATED	
	2016	2015
	$'000	$'000
Revenue	**112**	188
Profits from ordinary activities after income tax expense	**925**	712
Assets	**50,537**	8,107
Liabilities	**57**	128

(d) Share of associate profit

Based on the last published results for the 12 months to 30 June 2016 plus unaudited results up to 31 December 2016.

Profit from ordinary activities after income tax	**191**	164

(e) Dividends received from associates

Dividends received from associates	**191**	164

(f) Reporting date of associates

The associates reporting dates are 30 June annually.

Directors' declaration

The Directors declare that :

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

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

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

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

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. 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 Class Order applies, as detailed in Note 31 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

M A Ward
Director

Brisbane,
22 February 2017

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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 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2016 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 of 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.

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

During the financial year ended 31 December 31 2016 the Group made a number of acquisitions as disclosed in note 31. The most significant acquisition during the period was the Birrell Motor Group.

Accounting for acquisitions is complex and involves a number of significant judgements and estimates as disclosed in note 2a (vii). The key areas of significant judgement and estimation in relation to the Birrell transaction were the:

determination of the fair value of the contingent consideration, and accordingly the total consideration, for the transaction; and
identification and measurement of the fair value of assets and liabilities acquired.

</td><td>
Our procedures included, but were not limited to the following:

Reading the purchase and sale agreements to understand the terms and conditions of the acquisitions and evaluating management’s application of the relevant accounting standards;
Assessing the estimation of the contingent consideration by challenging the key assumptions including discount rate and probability of achievement of future profit targets. This included comparing the actual performance since acquisition against the forecast performance;
Challenging the methodology and assumptions utilised to identify and determine the fair value of the assets and liabilities acquired; and
Assessing the adequacy of the Group’s disclosures of the acquisitions.

</td></tr>
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Recoverability of goodwill

As detailed in note 17, the Group has recognised goodwill of $292.2 million at 31 December 2016 as a result of historic acquisitions over a number of years.

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

Estimating the cash flows requires the exercise of judgement as to the likely impact of:

competitive pressures in specific markets; and
potential changes resulting from the regulatory review of finance and insurance practices across the automotive industry.

We have focused on CGUs that are most sensitive to these factors relative to the carrying value of goodwill.
</td><td>
Our procedures, performed in conjunction with our valuation specialists included, but were not limited to the following:

Critically evaluating the Group’s categorisation of CGUs and the allocation of goodwill to the carrying value of CGUs based on our understanding of the Group’s business. This evaluation included performing an analysis of the Group’s internal reporting and consultation with our accounting technical specialists;
Evaluating management’s ability to accurately forecast cash flows by assessing the precision of the prior year forecasts again actual outcomes;
With the assistance of Deloitte valuation specialists, challenging the following:

Comparing the discount rate utilised by management to an independently calculated discount rate;
Comparing growth rates with 3rd party data for the motor industry
Comparing the Group’s forecast cash flows to the board approved budget; and
Performing sensitivity analysis on the growth and discount rates.

Evaluating the adequacy of the related disclosures in the financial report.

</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverable amount of used and demonstrator vehicles inventory As disclosed in note 10 the Group has recognised provisions against the cost of its new and used motor vehicle and truck inventory of $14.6 million. As disclosed in note 2a (v) and (vi) the estimation of net realisable value requires the Directors to make certain judgements and estimates based on the age, condition, brand of the vehicle and historic sales outcomes.	Our procedures included, but were not limited to: • Developing an understanding of management's processes and judgements applied in estimating the net realisable value of demonstrator and used vehicles and trucks; • Validating the aging and cost, on a sample basis, of used, demonstrator vehicle and truck inventory at year-end as key inputs into management's calculation of the write down provisions; • Evaluating management's judgements in estimating net realisable value by: o comparing the carrying value of vehicles and trucks to post year-end sales; and/or o comparing the carrying value of vehicle and truck inventory to external third party valuation data; and/or o comparison to historical sales data. • Evaluating the adequacy of the related disclosures in the financial report.

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, the other information also includes the following documents which will be included in the annual report (but does not include the financial report and our auditor's report thereon) the company profile and A.P. Eagers foundation report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly 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 and 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.

Directors' Responsibilities 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.

Deloitte.

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 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 8 to 16 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of A.P. Eagers Limited, for the year ended 31 December 2016 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 22 February 2017