



24 August 2016

Company Announcements Office
ASX Limited

Results for Announcement to the Market
Half Year Report and Accounts

- Record Half Year Net Profit Before Tax of \$67.9 million (2015HY: \$59.5 million) up 14.0%.
- Record underlying Profit Before Tax⁽¹⁾ of \$66.6 million (2015HY: \$58.5 million) up 13.9%.
- Record Statutory Profit After Tax of \$49.1 million (2015HY: \$44.1 million) up 11.5%.
- Record Half Year Earnings per Share (basic) of 26.2 cents (2015HY: 24.5 cents) up 7.0%.
- Record Interim Dividend of 13.0 cents per share (2015HY: 12.0 cents) up 8.3%.

The following documents for our half year ended 30 June 2016 are **attached**:

1. Half Year Report – Appendix 4D and commentary
2. Directors' Report
3. Interim Financial Report
4. Auditor's Report and Declaration of Independence

These are given to the ASX under listing rule 4.2A and are to be read in conjunction with our most recent annual financial report.

Yours faithfully
A.P. Eagers Limited

Denis Stark
Company Secretary

A. P. EAGERS LIMITED
ABN 87 009 680 013

Registered Office
80 McLachlan Street, Fortitude Valley QLD 4006
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Appendix 4D Half Year Report and Commentary

Half year ended 30 June 2016
(ASX listing rule 4.2A)

Results for Announcement to the Market

- **Record Half Year Net Profit Before Tax of \$67.9 million (2015HY: \$59.5 million) up 14.0%.**
- **Record underlying Profit Before Tax⁽¹⁾ of \$66.6 million (2015HY: \$58.5 million) up 13.9%.**
- **Record Statutory Profit After Tax of \$49.1 million (2015HY: \$44.1 million) up 11.5%.**
- **Record Half Year Earnings per Share (basic) of 26.2 cents (2015HY: 24.5 cents) up 7.0%.**
- **Record Interim Dividend of 13.0 cents per share (2015HY: 12.0 cents) up 8.3%.**

The Directors of A.P. Eagers Limited (ASX: APE) are pleased to report a 2016 half year Net Profit Before Tax of \$67.9 million. This compares to a half year Net Profit Before Tax of \$59.5 million in 2015, an increase of 14.0% on the previous corresponding period (pcp). Net Profit After Tax for the 2016 half year was \$49.1 million as compared to \$44.1 million, an increase of 11.5% on the pcp. Earnings per share (basic) for the 2016 half year is 26.2 cents compared to 24.5 cents on the pcp.

Strong trading performances in New South Wales and South Australia and improved trading in National Truck operations more than offset slower trading performance in Queensland compared with its record results in 2015 which benefited from the increased activity generated by the November 2014 hail storm in Central Brisbane.

Dividend

A fully franked interim dividend of 13.0 cents per share (2015: 12.0 cents) has been approved for payment on 7 October 2016 to shareholders who are registered on 16 September 2016 (Record Date). The Company's dividend reinvestment plan (DRP) will not apply.

External Environment

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales increased by 3.4% in the half year to 30 June 2016 as compared to the pcp. New vehicle sales in Western Australia and Tasmania decreased on the pcp by -4.3% and -2.8%, respectively. Strong growth was experienced in New South Wales (+7.3%) and Victoria (+3.7%) with relatively flat market growth in Queensland (+0.6%) and Northern Territory (0.1%).

Private sales decreased by -4.5% but this was more than offset by a 15.8% increase in business sales. Luxury brands such as Audi, BMW, Mercedes-Benz, Land Rover, Volvo, Jaguar, Mini, Lexus, Porsche, Infiniti and Maserati 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 10.1% to 11.7% of total market share.

(1) Underlying adjustments include Business acquisition costs \$0.6 million (include taxes, legal and other costs associated with business acquisitions) and benefit from tax refunds associated with previous years' GST payments \$1.9 million.

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Australian manufactured vehicles represented only 6.8% (2015: 7.9%) of new cars sold in the national market in the first half of 2016.

Nationally, the Heavy Commercial segment recorded a 2.9% increase with significant increases in light duty trucks being offset by declines in heavy/medium duty sales.

Business Initiatives

The Group's NSW car dealerships, Klosters and Bill Buckle Autos, capitalised on the strong growth in NSW vehicle sales, resulting in the NSW Car Division achieving record financial results for the half year.

The Queensland and Northern Territory division continued to perform at historically strong levels. Year-on-year performance was down however this was more reflective of the exceptional hail driven market dynamics of the 2015 half year rather than a softening of the market or material operational deterioration. A major focus will be the integration of the Crampton Automotive Group acquisition from July 2016 and the Tony Ireland Group in the final quarter. These businesses offer incremental growth along with economies of scale benefits through the establishment of a new Western / Northern cluster.

The Birrell Group acquisition which includes the Motors Group Tasmania, Silver-Star Motors (Mercedes-Benz) in Doncaster and Burwood, Mercedes-Benz Ringwood and Waverley Toyota has made a solid start.

Our current used car business operating across the existing dealership operations was re-branded to Zooper on 1 May 2016. This rebranding supported further investment in the first half with the opening of additional standalone used retail sites and vehicle sourcing activities.

Our all-new Carzoos retail store aimed at delivering a completely new way for customers to buy and sell used cars will be launched in mid-September 2016 at Westfield Garden City shopping centre in South Brisbane. A second store will open in Northlakes in North Brisbane around November. Carzoos will be 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, Jaguar and Volvo dealerships commenced in June and is expected to be completed prior to March 2017 when the Company exits the Fortitude Valley site.

Results Summary

Consolidated results

| Half Year Ended 30 June 2016 | 2016 \$'000 | 2015 \$'000 | Increase/(Decrease) |
|--|----------------|----------------|---------------------|
| Revenue | 1,838,307 | 1,639,520 | 12.1% |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 86,651 | 77,499 | 11.8% |
| Depreciation and Amortisation | (6,409) | (6,550) | (2.1)% |
| Earnings before interest and tax (EBIT) | 80,242 | 70,949 | 13.1% |
| Borrowing costs | (12,380) | (11,430) | 8.3% |
| Profit before tax | 67,862 | 59,519 | 14.0% |
| Income tax expense | (18,731) | (15,450) | 21.2% |
| Profit after tax | 49,131 | 44,069 | 11.5% |
| Non-controlling interest in subsidiaries | (649) | (315) | |
| Attributable profit after tax | 48,482 | 43,754 | 10.8% |
| Earnings per share - basic | 26.2 | 24.5 | 7.0% |

Financial Performance

Total revenue increased by 12.1% to \$1.838 billion in the 2016 half year, with all business units reflecting increases in vehicle sales. The additional contribution from the Birrell Group acquisition since April 2016 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 11.8% to \$86.7 million in the 2016 half year (2015 half year: \$77.5 million). Profit margins were consistent as indicated by the EBITDA/Revenue ratio of 4.7% (2015 half year: 4.7%) and the NPBT/sales ratio improving slightly to 3.7% from 3.6% (2015 half year).

Borrowing costs increased by 8.3% to \$12.4 million for the 2016 half year, reflecting higher average debt (including additional bailment finance for the 2016 acquired businesses) being offset by lower margins and interest rates. The decrease in depreciation and amortisation costs of 2.1% to \$6.4 million (2015 half year: \$6.6 million) reflects the slight reduction relating to the sale of a rental car business last year.

Profit before tax included a half year dividend from Automotive Holdings Group Limited (AHG) of \$5.8 million, compared to \$5.5 million in the pcp.

Segments ⁽²⁾

Profit before tax from the Company's Car Retail segment for the period was \$50.7 million, compared to \$47.7 million for the period ended 30 June 2015. Revenue increased by 12.9%, with the increase primarily attributable to the strong trading in NSW and three months of trading from the newly acquired Birrell Group offset by lower results in Queensland. The strong trading was also reflected in the parts and service business with improvements across all businesses.

The National Truck division (Truck Retail segment) profit before tax result delivered a significantly improved profit performance of \$3.2 million for the half year compared to \$0.8 million for the pcp. Revenue increased by 5.5%

reflecting strong performance in all departments including significantly improved profits from the used truck division.

Property valuations were stable and the portfolio total value increased to \$285 million as at 30 June 2016 compared with \$249 million as at 31 December 2015 due to the acquisition of five properties since January 2016 including three dealership sites for the Mercedes-Benz business in Victoria. The Property segment contributed profit of \$8.7 million before tax for the half year compared to \$7.6 million for the pcg.

The Investment segment registered a pre-tax loss of \$39.9 million for the half year as compared to a gain of \$18.9 million for the pcg, due primarily to an unrealised revaluation loss on the AHG investment of \$46.3 million. This reflected a 30 June 2016 AHG closing share price of \$3.76 per share compared to \$4.52 as at 31 December 2015. AHG's closing share price on 23 August 2016 was \$4.93.

As at 30 June 2016, the 19.87% strategic investment in AHG had a market value of \$229.0 million.

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

Financial Position

The Company's financial position was strong during the year. EBITDA interest cover (EBITDA/Borrowing Costs) was 7.0 times as at 30 June 2016, as compared to 6.8 times as at 30 June 2015 and 7.6 times as at 31 December 2015.

Corporate debt (Term and Capital Loan Facility) net of cash on hand was higher at \$232.8 million as at 30 June 2016 (31 December 2015: \$171.5 million) due to the drawdown of additional debt to fund the Birrell Group and Crompton Automotive Group acquisition. Total debt including vehicle bailment and finance leases net of cash on hand was \$721.1 million as at 30 June 2016, as compared to \$576.7 million as at 31 December 2015. The increase was due to additional corporate debt funding acquisitions and bailment debt consistent with seasonal inventory movements and Birrell Group acquired on 1 April 2016.

Total gearing (Debt /Debt + Equity), including bailment inventory financing and finance leases, was 53.2% as at 30 June 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 24.8% as at 30 June 2016, compared to 19.6% as at 31 December 2015. During the 2016 half year additional debt of \$104.6 million was drawn down to fund the business and property acquisitions. Since 30 June 2016 the Company repaid \$20 million in corporate debt due to a strong cash position.

Total inventory levels increased to \$597.5 million at 30 June 2016 from \$530.2 million at 31 December 2015 primarily due to additional new and used car/truck inventory from the Birrell Group acquisition.

Net tangible assets reduced to \$2.33 per share as at 30 June 2016, as compared to \$2.95 per share at 31 December 2015, due to increased intangibles acquired as part of Birrell Group acquisition and lower value of the AHG investment at 30 June.

The Company's cash flow from operations was \$71.0 million for the six months to June 2016 (2015 half year: \$50.0 million) with the increase due to improved profitability and lower tax payments being offset by lower insurance claim proceeds.

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.

The Company has already announced the \$5.5 – \$7.0 million acquisition of Tony Ireland Group (ASX announcement 13 June 2016) which is expected to complete on 1 October 2016. The business employs 110

staff with annual revenue of approximately \$85 million and includes car and truck businesses operating in Townsville and representing Holden, HSV, Landrover, Jaguar, Isuzu Trucks and Hyundai Forklifts.

Key focus areas in second half of 2016 are:

- Earnings accretive dealership and ancillary market acquisitions;
- Delivering EPS growth from the Birrell Group and Crompton Automotive Group acquisitions;
- Completing the Tony Ireland Group acquisition;
- The ongoing development and optimisation of our existing used car business model now re-launched and branded Zooper;
- The launch of the all-new Carzoos business model (12 September 2016);
- Continued redevelopment and reorganisation of inner city 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; and
- Continued improvement in the performance of our truck business.



Martin Ward
Managing Director

24 August 2016

For more information, contact: Martin Ward
 Managing Director
 (07) 3608 7110

or visit: www.apeagers.com.au

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

Appendix 4D

Half year report

1. Company details

Name of entity

A.P.Eagers Limited

ABN or equivalent company
reference

87 009 680 013

Half year ended ('current period')

30 June 2016

Half year ended ('previous period')

30 June 2015

2. Results for announcement to the market

\$A'000's

| | | | | | |
|-----|---|----|---------------------|----|-----------------------------|
| 2.1 | Revenues from ordinary activities | Up | 12.1% | to | 1,838,307 |
| 2.2 | Net profit (loss) for the period | Up | 11.5% | to | 49,131 |
| 2.3 | Net profit (loss) for the period attributable to members | Up | 10.8% | to | 48,482 |
| 2.4 | Dividends | | Amount per security | | Franked amount per security |
| | Interim dividend declared | | 13.0 cents | | 13.0 cents |
| 2.5 | +Record date for determining entitlements to the dividend. | | 16 September 2016 | | |
| 2.6 | Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood. | | | | |
| | Refer attached commentary. | | | | |

3. NTA backing

| | Current period | Previous corresponding Period |
|---|----------------|-------------------------------|
| Net tangible asset backing per ⁺ ordinary security | \$2.33 | \$2.61 |

4.1 Control gained over entities

Name of entity (or group of entities)

Motors Group (Glen Waverley) Pty Ltd

Date control gained

01 April 2016

Contribution of such entities to the reporting entity's profit/ (loss) before tax, and internal rent from ordinary activities during the period (where material).

N/A

Profit(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.

N/A

4.2 Loss of control over entities

N/A

Name of entity (or group of entities)

Date control lost

Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).

Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).

\$

\$

5 Dividends

Individual dividends per security

| | | Date dividend is payable | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign source dividend |
|--|---------------------------------------|--------------------------|---------------------|--|--|
| | Interim dividend: Current year | 07/10/2016 | 13.0¢ | 13.0¢ | Nil¢ |
| | Previous year | 07/10/2015 | 12.0¢ | 12.0¢ | Nil¢ |

6 Dividend Reinvestment Plans

The ⁺dividend or distribution plans shown below are in operation.

The A.P.Eagers Limited Dividend Reinvestment Plan will not apply to the interim dividend.

The last date(s) for receipt of election notices for the ⁺dividend or distribution plans

7 Details of associates and joint venture entities

| Name of associate/joint venture | Reporting entity's percentage holding | | Contribution to Net profit/(loss) (where material) | |
|--|---------------------------------------|-------------------------------|--|--------------------------------------|
| | Current Period | Previous corresponding period | Current Period \$'000 | Previous corresponding period \$'000 |
| Norna Limited (formerly MTA Insurance Services Limited) | 20.65% | 20.65% | Nil | 164 |

Group's aggregate share of associates' and joint venture entities' profits/(losses) (where material):

| | Current period \$A'000 | Previous corresponding period - \$A'000 |
|--|------------------------|---|
| Profit/(loss) from ordinary activities before tax | Nil | 234 |
| Income tax on ordinary activities | | (70) |
| Profit/(loss) from ordinary activities after tax | Nil | 164 |
| Extraordinary items net of tax | | - |
| Net profit/(loss) | Nil | 164 |
| Adjustments | | - |
| Share of net profit/(loss) of associates and joint venture entities | Nil | 164 |

Sign here:

Dennis Stark
(Company Secretary)

Date: 24 August 2016

Print name:D.G. Stark.....

A.P. EAGERS LIMITED ACN 009 680 013
DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of A.P. Eagers Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2016.

Directors

T B Crommelin, N G Politis, M A Ward, P W Henley, D T Ryan and D A Cowper were Directors of A.P. Eagers Limited during the whole of the half year and M J Birrell was appointed as a Director on 27 July 2016, and they continue in office at the date of this report.

Review of Operations and Results

The consolidated entity achieved a net profit after tax of \$49.1 million for the half year ended 30 June 2016 (2015: \$44.1 million). Further review of the consolidated entity's operations during the half year and the results of those operations are included in pages 1 to 5 of the commentary at the front of this report.

Dividend

The Board has determined that a fully franked interim dividend of 13.0 cents per share (2015: 12.0 cents) will be payable on 7 October 2016 to shareholders registered on 16 September 2016 (the Record Date).

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

Auditor's Independence Declaration

A copy of the Auditor's independence declaration under section 307C of the Corporations Act 2001 is **attached**.

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
24 August 2016

The Board of Directors
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24 August 2016

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 review of the financial statements of A.P. Eagers Limited for the half-year ended 30 June 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants

A.P. Eagers Limited

ABN 87 009 680 013

**Interim Financial Report
30 June 2016**

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; and
- (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.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Martin A Ward

Director

Brisbane, 24 August 2016

A.P. Eagers Limited
Condensed Consolidated Statement of Profit or Loss
For the half-year ended 30 June 2016

| | Half-year ended | |
|--|------------------------|-------------|
| | 30-Jun-16 | 30-Jun-15 |
| | \$'000 | \$'000 |
| Revenue | 1,838,307 | 1,639,520 |
| Changes in inventories of finished goods and work in progress | 67,347 | 2,838 |
| Raw materials and consumables used | (1,575,632) | (1,342,239) |
| Employee benefits expense | (143,195) | (138,292) |
| Finance costs | (12,380) | (11,430) |
| Depreciation and amortisation expense | (6,409) | (6,550) |
| Other expenses | (100,176) | (84,492) |
| Share of net profits of associate accounted for using the equity method | - | 164 |
| Profit before income tax | 67,862 | 59,519 |
| Income tax expense | (18,731) | (15,450) |
| Profit for the period | 49,131 | 44,069 |
| Attributable to: | | |
| Owners of the parent | 48,482 | 43,754 |
| Non-controlling interests | 649 | 315 |
| | 49,131 | 44,069 |
| Earnings per share for profit attributable to the ordinary equity holders of the Company: | | |
| Basic earnings per share (cents per share) | 26.2 | 24.5 |
| Diluted earnings per share (cents per share) | 25.3 | 23.4 |

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

A.P. Eagers Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2016

| | Half-year ended | |
|--|------------------------|---------------|
| | 30-Jun-16 | 30-Jun-15 |
| | \$'000 | \$'000 |
| Profit for the period | 49,131 | 44,069 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| (Loss)/gain on revaluation of available for sale investments | (46,827) | 14,403 |
| Income tax (expense)/benefit | 14,048 | (4,321) |
| | (32,779) | 10,082 |
| Fair value (loss)/gain arising from cash flow hedges during the period | (74) | 62 |
| Income tax expense | 22 | (19) |
| | (52) | 43 |
| Total other comprehensive income for the period (net of tax) | (32,831) | 10,125 |
| Total comprehensive income for the period | 16,300 | 54,194 |
| Total comprehensive income is attributable to: | | |
| Owners of A.P. Eagers Limited | 15,651 | 53,879 |
| Non-controlling interests | 649 | 315 |
| | 16,300 | 54,194 |

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

A.P. Eagers Limited
Condensed Consolidated Statement of Financial Position
As at 30 June 2016

| | 30-Jun-16 \$'000 | 31-Dec-15 \$'000 |
|---|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents | 80,837 | 37,535 |
| Trade and other receivables | 153,812 | 109,116 |
| Inventories | 597,511 | 530,163 |
| Prepayments and deposits | 8,669 | 8,256 |
| Assets classified as held for sale | 3,010 | 3,010 |
| Property sale receivable | 9,824 | 32,013 |
| Current tax assets | 754 | - |
| Total current assets | 854,417 | 720,093 |
| Non-current assets | | |
| Property sale receivable | 16,264 | 23,503 |
| Other loans receivable | 10,706 | 10,317 |
| Available-for-sale financial assets | 235,166 | 281,817 |
| Investment in associate | 1,620 | 1,620 |
| Property, plant and equipment | 335,288 | 291,298 |
| Intangible assets | 268,255 | 160,762 |
| Deferred tax assets | 5,651 | - |
| Total non-current assets | 872,950 | 769,317 |
| Total assets | 1,727,367 | 1,489,410 |
| Current liabilities | | |
| Trade and other payables | 166,997 | 133,563 |
| Derivative financial instruments | 319 | 227 |
| Borrowings - bailment and finance lease payable | 488,134 | 404,488 |
| Current tax liabilities | - | 124 |
| Provisions | 24,952 | 19,520 |
| Total current liabilities | 680,402 | 557,922 |
| Non-current liabilities | | |
| Borrowings | 313,877 | 209,792 |
| Derivative financial instruments | 577 | 595 |
| Deferred tax liabilities | - | 7,718 |
| Provisions | 8,616 | 10,374 |
| Other | 18,666 | - |
| Total non-current liabilities | 341,736 | 228,479 |
| Total liabilities | 1,022,138 | 786,401 |
| Net assets | 705,229 | 703,009 |
| Equity | | |
| Contributed equity | 328,236 | 296,060 |
| Reserves | 64,435 | 105,375 |
| Retained earnings | 304,903 | 293,435 |
| Equity attributable to equity holders of the parent | 697,574 | 694,870 |
| Non-controlling interests | 7,655 | 8,139 |
| Total equity | 705,229 | 703,009 |

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

A.P. Eagers Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2016

| | 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 equity holders of the parent \$'000 | Non- controlling interests \$'000 | Total \$'000 |
|---|-------|--------------------------|---|------------------------------|---|--|--------------------------------|--|--|-----------------|
| 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 period | | - | - | - | - | - | 43,754 | 43,754 | 315 | 44,069 |
| Other comprehensive income | | - | - | 43 | - | 10,082 | - | 10,125 | - | 10,125 |
| Total comprehensive income for the period | | - | - | 43 | - | 10,082 | 43,754 | 53,879 | 315 | 54,194 |
| Share based payment expense | | - | - | - | 665 | - | - | 665 | - | 665 |
| Shares issued pursuant to Staff share plan | | 6,933 | - | - | (5,653) | - | - | 1,280 | - | 1,280 |
| Dividends provided for or paid | 3 | - | - | - | - | - | (32,239) | (32,239) | (145) | (32,384) |
| Transfer to retained earnings | | - | (3,633) | - | - | - | 3,633 | - | - | - |
| Income tax on items taken to or transferred directly from equity | | - | - | - | 17,762 | - | 1,058 | 18,820 | - | 18,820 |
| | | 6,933 | (3,633) | - | 12,774 | - | (27,548) | (11,474) | (145) | (11,619) |
| Balance at 30 June 2015 | | 249,003 | 58,035 | (743) | 18,715 | 42,279 | 258,686 | 625,975 | 7,656 | 633,631 |
| 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 period | | - | - | - | - | - | 48,482 | 48,482 | 649 | 49,131 |
| Other comprehensive income | | - | - | (52) | - | (32,779) | - | (32,831) | - | (32,831) |
| Total comprehensive income for the period | | - | - | (52) | - | (32,779) | 48,482 | 15,651 | 649 | 16,300 |
| Share based payment expense | | - | - | - | 1,119 | - | - | 1,119 | - | 1,119 |
| Shares issued pursuant to Staff share plan | | 10,726 | - | - | (10,726) | - | - | - | - | - |
| Dividends provided for or paid | 3 | - | - | - | - | - | (37,015) | (37,015) | (765) | (37,780) |
| Issue of shares on acquisition of Birrell Motors Group | 6 | 21,450 | - | - | - | - | - | 21,450 | - | 21,450 |
| Additional NCI arising on the acquisition of Birrell Motors Group | | - | - | - | - | - | - | - | (367) | (367) |
| Payments received from employees for exercised shares | | - | - | - | 1,968 | - | - | 1,968 | - | 1,968 |
| Income tax on items taken to or transferred directly from equity | | - | - | - | (470) | - | - | (470) | - | (470) |
| | | 32,176 | - | - | (8,109) | - | (37,015) | (12,948) | (1,132) | (14,080) |
| Balance at 30 June 2016 | | 328,236 | 45,192 | (627) | (11,887) | 31,757 | 304,902 | 697,573 | 7,656 | 705,229 |

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

A.P. Eagers Limited
Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2016

| | Notes | Half-year ended | |
|--|-------|---------------------|---------------------|
| | | 30-Jun-16 \$'000 | 30-Jun-15 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 1,950,216 | 1,771,071 |
| Payments to suppliers and employees (inclusive of GST) | | (1,855,201) | (1,696,890) |
| Receipts from insurance claims | | 920 | 5,238 |
| Interest and other costs of finance paid | | (12,218) | (11,367) |
| Income taxes paid | | (19,592) | (24,818) |
| Dividends received | | 5,857 | 5,934 |
| Interest received | | 1,042 | 798 |
| Net cash provided by operating activities | | 71,024 | 49,966 |
| Cash flows from investing activities | | | |
| Payment for acquisition of businesses | 6 | (86,631) | - |
| Payments for property, plant and equipment | | (43,092) | (8,422) |
| Payments for intangible assets | | (550) | - |
| Proceeds from sale of property, plant and equipment | | 32,013 | 644 |
| Proceeds from sale of available-for-sale financial assets | | 1,407 | - |
| Payments for shares in other corporations | | - | (7,345) |
| Net cash used in investing activities | | (96,853) | (15,123) |
| Cash flows from financing activities | | | |
| Proceeds from issues of shares and other equity securities | | 1,968 | 1,280 |
| Proceeds from borrowings | | 104,650 | 30,000 |
| Repayment of borrowings | | (352) | (25,422) |
| Dividends paid to members of A.P. Eagers Limited | 3 | (37,015) | (32,239) |
| Dividends paid to minority shareholders of a subsidiary | | (120) | (65) |
| Net cash used in financing activities | | 69,131 | (26,446) |
| Net increase in cash and cash equivalents | | 43,302 | 8,397 |
| Cash and cash equivalents at the beginning of the financial year | | 37,535 | 23,777 |
| Cash and cash equivalents at end of period | | 80,837 | 32,174 |

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

1 Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by A.P. Eagers Limited made during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 31 December 2015. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current half-year.

2 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 (i) Car Retailing (ii) Truck Retailing (iii) Property and (iv) 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.

(i) 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 protection products and other aftermarket products. They also facilitate financing for vehicle purchases through third-party sources. New vehicles, vehicle parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers. This segment also includes a motor auction business.

(ii) 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.

(iii) 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 both the Car Retailing segment and Truck 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.

(iv) Investments

This segment includes the investment in One Way Traffic Pty Ltd, trading as Carsguide, the investment in Automotive Holdings Group Limited and the investment in Smartgroup Corporation Limited.

2 Segment information (continued)

| <u>6 months ended 30 June 2016</u> | Car Retailing ¹ \$'000 | Truck Retailing \$'000 | Property \$'000 | Investments \$'000 | Eliminations \$'000 | Consolidated \$'000 |
|---|--------------------------------------|---------------------------|--------------------|-----------------------|------------------------|------------------------|
| Revenue - external | 1,648,705 | 178,855 | 3,852 | 6,895 | - | 1,838,307 |
| Inter-segment sales | - | - | 12,358 | - | (12,358) | - |
| TOTAL REVENUE | 1,648,705 | 178,855 | 16,210 | 6,895 | (12,358) | 1,838,307 |
| SEGMENT RESULT | | | | | | |
| Operating profit before interest | 57,918 | 4,198 | 12,611 | 6,872 | - | 81,599 |
| External interest expense allocation | (6,564) | (989) | (3,946) | (881) | - | (12,380) |
| OPERATING CONTRIBUTION | 51,354 | 3,209 | 8,665 | 5,991 | - | 69,219 |
| Business acquisition costs | (625) | - | - | - | - | (625) |
| Investment revaluation | - | - | - | (45,923) | 45,923 | - |
| SEGMENT PROFIT | 50,729 | 3,209 | 8,665 | (39,932) | 45,923 | 68,594 |
| Unallocated corporate income/(expenses) | | | | | | (732) |
| PROFIT BEFORE TAX | | | | | | 67,862 |
| Income tax expense | | | | | | (18,731) |
| NET PROFIT | | | | | | 49,131 |
| Depreciation and amortisation | 4,011 | 496 | 1,902 | - | - | 6,409 |
| ASSETS | | | | | | |
| Segment assets | 999,362 | 112,958 | 371,605 | 243,442 | - | 1,727,367 |
| LIABILITIES | | | | | | |
| Segment liabilities | 706,304 | 90,162 | 178,472 | 47,200 | - | 1,022,138 |
| NET ASSETS | 293,058 | 22,796 | 193,133 | 196,242 | - | 705,229 |
| Acquisitions of non-current assets | 116,613 | 110 | 37,531 | 300 | - | 154,554 |
| | | | | | | |
| <u>6 months ended 30 June 2015</u> | Car Retailing \$'000 | Truck Retailing \$'000 | Property \$'000 | Investments \$'000 | Eliminations \$'000 | Consolidated \$'000 |
| Revenue - external | 1,460,639 | 169,506 | 3,605 | 5,770 | - | 1,639,520 |
| Inter-segment sales | - | - | 12,988 | - | (12,988) | - |
| TOTAL REVENUE | 1,460,639 | 169,506 | 16,593 | 5,770 | (12,988) | 1,639,520 |
| SEGMENT RESULT | | | | | | |
| Operating profit before interest | 53,128 | 2,082 | 10,884 | 5,705 | - | 71,799 |
| External interest expense allocation | (5,635) | (1,323) | (3,311) | (1,161) | - | (11,430) |
| OPERATING CONTRIBUTION | 47,493 | 759 | 7,573 | 4,544 | - | 60,369 |
| Share of net profit of equity accounted investments | 164 | - | - | - | - | 164 |
| Investment revaluation | - | - | - | 14,403 | (14,403) | - |
| SEGMENT PROFIT | 47,657 | 759 | 7,573 | 18,947 | (14,403) | 60,533 |
| Unallocated corporate income/(expenses) | | | | | | (1,014) |
| PROFIT BEFORE TAX | | | | | | 59,519 |
| Income tax expense | | | | | | (15,450) |
| NET PROFIT | | | | | | 44,069 |
| Depreciation and amortisation | 4,113 | 601 | 1,836 | - | - | 6,550 |
| ASSETS | | | | | | |
| Segment assets | 696,100 | 116,851 | 330,998 | 253,793 | - | 1,397,742 |
| LIABILITIES | | | | | | |
| Segment liabilities | 435,712 | 87,520 | 160,955 | 79,924 | - | 764,111 |
| NET ASSETS | 260,388 | 29,331 | 170,043 | 173,869 | - | 633,631 |
| Acquisitions of non-current assets | 6,245 | 234 | 1,943 | 7,345 | - | 15,767 |

Geographic Information

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

¹ Car retailing segment includes Motors Tasmania, which comprises the jointly managed car and truck retailing business as one cash generating unit.

3 Dividends

| | Half-year ended | |
|-------------------------------------|---------------------|---------------------|
| | 30-Jun-16 \$'000 | 30-Jun-15 \$'000 |
| Ordinary shares | | |
| Dividends paid during the half-year | 37,015 | 32,239 |

Dividends not recognised at the end of the half-year

Since the end of the half-year the Directors have determined the payment of an interim dividend of 13.0 cents (2015 - 12.0 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the interim dividend expected to be paid on 07 October 2016 out of retained profits at the end of the half-year, but not recognised as a liability, is

| | | |
|--|--------|--------|
| | 24,620 | 21,998 |
|--|--------|--------|

4 Equity securities movements

| | 30-Jun-16 Shares | Half-year ended 30-Jun-15 Shares | 30-Jun-16 \$'000 | 30-Jun-15 \$'000 |
|--|---------------------|--|---------------------|---------------------|
| Movements in ordinary shares during the half-year | | | | |
| Issue of shares to staff under the share incentive schemes | 999,636 | 859,475 | 10,726 | 6,933 |
| Issue of shares as partial consideration for acquisition of Birrell Motors Group | 2,200,000 | - | 21,450 | - |
| | 3,199,636 | 859,475 | 32,176 | 6,933 |

5 Financial Instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value (2015: fair value).

The fair value and net 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. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. 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.

Details of the Group's available for sale investments and information about the fair value hierarchy as at 30 June 2016 are as follows:

| Class of Financial Assets and Liabilities | Carrying Amount 30/06/16 \$'000's | Carrying Amount 31/12/15 \$'000's | Valuation Technique | Key Input |
|---|-----------------------------------|-----------------------------------|--|---|
| Level 1 Available for sale investments - listed entities | 232,570 | 279,472 | Quoted bid prices in an active market | Quoted bid prices in an active market |
| Level 3 Available for sale investments - unlisted entities | 2,595 | 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 period.

5 Financial Instruments (continued)

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

Explanation of asset classes; Car - HBU Alternate Use refers to properties currently operated as car dealerships but for which have a higher and best use (HBU) greater than that of a car dealership; Car Dealership refers to properties operating as a car dealership with a HBU consistent with that use; Development Car Dealership refers to properties which are in the progress of, or are 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; Corporate office refers to the properties acquired for use as the head office; Other Logistics are industrial properties used for parts warehousing and vehicle logistics.

Unobservable inputs used in determination of fair values

| Class of Financial Assets & Liabilities | Carrying Amount 30/06/16 \$000's | Carrying Amount 31/12/15 \$000's | 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 | 42,721 | 42,911 | Direct Comparison | External valuations Specific incomplete transactions | Price/sqm Land | Average \$1,434/sqm Range \$1,269 - \$2,590/sqm | Average \$1,286/sqm Range \$1,278 - \$2,622/sqm | Land size | Average 7,208 sqm Range 779 - 24,160 sqm | Average 7,199 sqm Range 779 - 24,160 sqm |
| Level 3 Car Dealership | 196,702 | 170,294 | Summation method, income capitalisation and direct comparison | External valuations Industry benchmarks | Net Rent/Gross Income | Average 7.0% Range 3.0% - 40.6% | Average 8.2% Range 3.7% - 23.8% | Net Rent /sqm Land | Average \$45/sqm Range \$12 to \$149 sqm | Average \$94/sqm Range \$14 to \$297 sqm |
| | | | | | Capitalisation Rate | Average 7.3% Range 3.4% - 9.8% | Average 8.0% Range 2.5% - 9.7% | Net Rent /sqm GBA | Average \$189 sqm Range \$67 to \$667 sqm | Average \$194 sqm Range \$62 to \$747 sqm |
| Level 3 Development – Car Dealership | 11,457 | 9,350 | Direct Comparison | External valuations | Price /sqm Land | Average \$542/sqm Range \$330 - \$2,636/sqm | Average \$459/sqm Range \$330 - \$821/sqm | Not Required | Not Required | Not Required |
| Level 3 Truck Dealership | 18,320 | 18,436 | Direct Comparison | External valuations | Price/sqm Land | Average \$328/sqm Range \$204- \$437/sqm | Average \$330/sqm Range \$206 - \$440 /sqm | Land Size | Average 18,641 sqm Range 7,218 - 25,700 sqm | Average 18,641 sqm Range 7,218 - 25,700 sqm |
| | | | | | Price/sqm GBA | | | Net Rent/Land sqm | Average \$30 sqm Range \$17 to \$43 sqm | Average \$30 sqm Range \$17 to \$43 sqm |
| | | | | | Capitalisation Rate | | | Average 9.2% Range 8.2% to 9.7% | Average 9.2% Range 8.2% to 9.7% | |
| Level 3 Corporate Office | 7,195 | - | Direct Comparison | Specific transactions | Price/sqm Land | Average \$3,517/sqm Range \$3,517- \$3,517/sqm | N/A | | | |
| Level 3 Other Logistics | 7,935 | 7,977 | Income capitalisation method supported by market comparison | External valuations | Capitalisation Rate | Average 8.2% Range 8.2% to 8.3% | Average 8.2% Range 8.1% to 8.3% | Net Rent /sqm GBA | Average \$90 sqm Range \$79- \$143 sqm | Average \$90 sqm Range \$79 - \$143 sqm |
| Sub Total | 284,330 | 248,969 | | | | | | | | |
| Construction in progress | 776 | 277 | | | | | | | | |
| Total | 285,106 | 249,245 | | | | | | | | |

There were no transfers between Levels in the period.

5 Financial Instruments (continued)

Details of the Group's Derivative financial instruments and information about the fair value hierarchy as at 30 June 2016 are as follows:

| Class of Financial Assets & Liabilities | Carrying Amount 30/06/16 \$000's | Carrying Amount 31/12/15 \$000's | Valuation Technique | Key Input |
|---|----------------------------------|----------------------------------|----------------------|--|
| Level 3 Contingent consideration in a business combination | 18,590 | - | Discounted Cash Flow | Discount rate of 1.82% as greater than 12 months |
| Level 2 Cash flow hedges – Interest rate swaps | 896 | 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 period.

6 Acquisitions

The business made the following acquisitions during the period:

| Name of businesses / intellectual property acquired | Principal activity | Date of acquisition | Total cost of acquisition \$'000 | Cash cost of acquisition \$'000 | Non-Cash Cost of Acquisition \$'000 |
|---|--------------------|---------------------|----------------------------------|---------------------------------|-------------------------------------|
| Birrell Motors Group | Motor Dealership | 01/04/2016 | 126,016 | 85,976 | 40,040 |
| Jeep/Kia Ipswich | Motor Dealership | 15/04/2016 | 1,222 | 1,222 | |
| Total Consideration | | | 127,238 | 87,198 | 40,040 |

Allocation of Purchase Consideration

| | Birrell Motors Group \$'000 | Jeep/Kia Ipswich \$'000 |
|---|-----------------------------|-------------------------|
| Cash consideration | 85,976 | 1,222 |
| Issue of ordinary shares | 21,450 | - |
| Contingent consideration | 18,590 | - |
| Total Purchase Consideration | 126,016 | 1,222 |
| Fair Value of Net Assets | 18,609 | 722 |
| Non-Controlling Interest | 367 | - |
| Goodwill | 107,040 | 500 |
| Total Allocation of Purchase Consideration | 126,016 | 1,222 |

6 Acquisitions (continued)

The transaction has been accounted for using the acquisition method of accounting. The net assets acquired in the business combination are as follows:

| Consolidated Fair Value of Net Assets Acquired | Fair value on acquisition \$'000 |
|---|---|
| Cash | 567 |
| Receivables and prepayments | 2,636 |
| Inventories | 24,749 |
| Plant and equipment | 7,470 |
| Deferred tax assets | 213 |
| Creditors, borrowings and provisions | (16,293) |
| Deferred tax liabilities | (13) |
| Net assets | 19,331 |
| Non-controlling interest | 367 |
| Acquisition cost | 127,238 |
| Goodwill on acquisition | 107,540 |

The initial accounting for the acquisition of Birrell Motors Group and Jeep / Kia Ipswich has been provisionally determined at the end of the half year reporting period. At the end of the half year reporting period, the processes of assessing the value has not been concluded. Accordingly, at the end of the half year reporting period, the purchase consideration not attributed to the identified net assets acquired has been provisionally accounted for as the goodwill on acquisition.

| Net Cash Flow on Acquisition | Fair value on acquisition \$'000 |
|---|---|
| Total purchase consideration | 127,238 |
| Less: non-cash consideration | (40,040) |
| Consideration paid in cash | 87,198 |
| Cash acquired on acquisition | (567) |
| Net cash flow on acquisition of business | 86,631 |

7 Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

8 Subsequent events

Acquisition of Crampton Automotive Group:

On 19 January 2016, the Group announced that it had entered into Share and Business Purchase Agreements to acquire the Crampton Automotive Group.

Consideration for the acquisition totalled \$36.3 million and was funded through the issue of \$11.0 million of shares and \$25.3 million of cash drawn from available funds.

The transaction completed on 1 July 2016.

Acquisition of Tony Ireland Group:

On 13 June 2016, the Group announced that it had entered into a Heads of Agreement to acquire the Tony Ireland Group.

Consideration for the acquisition is expected to be in the range of \$5.5 million and \$7.0 million based on performance of the business over the next three years.

The transaction is subject to satisfactory due diligence, completion of formal transaction documentation and manufacturer approval and is expected to be complete by the fourth quarter of 2016.

Purchase of AHG Shares:

On 24 August 2016, the Group acquired 3,962,389 AHG shares at \$4.52 per share as part of AHG's 19.9 million Share Placement.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of A.P. Eagers Limited (the company"), which comprises the condensed statement of financial position as at 30 June 2016 the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 1 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of A.P. Eagers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance

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that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of A.P. Eagers Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of A.P. Eagers Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants
Brisbane, 24 August 2016