27 February 2013

ASX Market Announcements
Australian Securities Exchange

Full Year Accounts

Attached are the following documents for the year ended 31 December 2012:

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

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

Yours faithfully
A.P. Eagers Limited

Denis Stark

Denis Stark
Company Secretary

A. P. EAGERS LIMITED
ABN 87 009 680 013

Registered Office
80 McLachlan Street, Fortitude Valley QLD 4006
P.O. Box 199, Fortitude Valley QLD 4006
Telephone (07) 3248 9455 **Fax** (07) 3248 9459
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Appendix 4E
Preliminary Final Report

year ended 31 December 2012

(ASX listing rule 4.3A)

Results for Announcement to the Market

- **Record Net Profit Before Tax of $78.7 million up 35% on the 2011 result.**
- **Record Earnings per Share of 34 cents, an increase of 33%.**
- **Record Final Dividend of 13 cents per share. Record full year dividend of 20 cents per share, an increase of 25% on the previous year, and a 56% increase since 2010.**
- **In recognition of the Company's 100 year anniversary, Dividend Reinvestment Plan (DRP) shares will be issued at a special discount of 10% to market price.**

The Directors of A.P. Eagers Limited (ASX: APE) are pleased to report a 2012 Net Profit Before Tax of $78.7 million. This compares to a Net Profit Before Tax of $58.2 million in 2011. Net Profit After Tax was $55.6 million in 2012 compared to $40.3 million in 2011.

The significant increases in profitability and earnings per share were due to improved operational results from our Queensland/Northern Territory, South Australia Cars and National Truck divisions and the inclusion for the first time of dividend income from the strategic investment in Automotive Holdings Group Ltd (AHG).

Profit Comparison	**Full Year to December 2012** **$ Million**	**Full Year to December 2011** **$ Million**	**% Change**
Statutory EPS (basic) cents	34.0	25.5	33%
Statutory profit after tax	55.6	40.3	38%
Statutory profit before tax	**78.7**	**58.2**	**35%**
Impairment adjustments (1)			
Freehold Property adjustments (reversal)	(1.1)	3.2	-
Goodwill impairment	0.8	-	-
Underlying profit before tax (2)	**78.4**	**61.4**	**28%**
Underlying profit after tax(3)	55.6	42.5	31%
Underlying EPS (basic) cents	34.0	27.0	26%

Notes

(1) It is highlighted that in addition to the property impairment net reversal of $1.1 million in the current year there were specific property valuation net increases of $0.7 million which under Accounting Standards are not recognised in the Profit or Loss and instead are recognised in a revaluation reserve directly in the Statement of Financial Position. Accordingly overall increase in property fair values during the current year was $1.8 million

(2) Business acquisition costs of $(0.3) million have been removed from the 2011 comparative figure, as the revised accounting standard has now been in place since 2010, and the costs is no longer relevant as an underlying adjustment.

(3) Underlying profit after tax includes the adjustments per Notes (1) and (2) above, and the related tax impact of impairment adjustments at 30% equating to $0.3 million (2011: $1.05 million).

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Highlights

- Revenue from operations increased by 10% to $2,628 million, reflecting the resilience of the automotive retail market segment as compared to the general retail market due to the automotive industry's greater focus on after sales service income, an integrated finance and insurance offering and less exposure to the move to online transactions by vehicle customers.

- The Company's new vehicle sales volumes increased by 8.9% year on year in line with national new vehicle registration growth. The resolution of 2011's vehicle supply issue and further improvements in new vehicle affordability as a result of the high Australian dollar and low interest rates were the key market drivers in 2012.

- EBITDA increased by 17% to $114.8 million. Underlying profit margins continued to trend upwards, with EBITDA/Sales for 2012 increasing to 4.3% compared to 4.1% in 2011 and NPBT/Sales improving to 3.0% for 2012 from 2.4% in 2011.

- Profit from the Company's Franchised Automotive Retail (Cars) segment was 20% higher than the previous year, with Parts, Used Cars and Service operations providing an improvement in the 10% to 15% range, and New Cars improving substantially on the previous year. Further gains in market penetration, from ongoing business process focus, generated additional commission-based income from finance and insurance sales during the year. The after tax return on net assets for this segment was 24.2% compared to 19.6% in 2011.

  Operations in Queensland, Northern Territory and South Australia contributed to the growth in earnings. Overall the Company's Franchised Automotive Retail (Cars) segment added approximately 3.6 cents to earnings per share in 2012.

  In 2013, additional brand representations will commence in Brookvale, New South Wales, for Jaguar and Land Rover; in the Reynella region of South Australia for Subaru; and in Cardiff, New South Wales, for Volkswagen. Honda and Hyundai representation will also be new in Cardiff due to relocation from an inferior location five kilometres away.

- The National Truck division (Truck Retail segment) acquired with the Adtrans Group in 2010, recorded improved results in 2012, increasing profitability by 92% and contributing an additional 1.5 cents in EPS. New Truck trading results improved substantially, as the new truck market started to recover. Heavy vehicle commercial sales improved nationally, recording a 9.9% increase as compared to a 2.0% decline in 2011. The Company's Parts trading was also strong, however Service lagged 2011 performance.

  Construction of a new Western Star dealership at the Company's existing Milperra site was completed in late 2012, and 2013 will benefit from a full year of operations from this site. Satellite service locations were opened in Mildura and Mount Gambier in support of the Daimler Trucks Adelaide business acquired in 2011.

- Property valuations were stable overall and the portfolio total value increased by 6% to $341 million, due to the acquisition of a car dealership property in Adelaide, a dealership development site in Cardiff NSW, and construction of a Western Star dealership in Milperra, Sydney. Completion of non-core property disposals to the value of $24 million are expected in 2013.

- The Company acquired an 18.57% strategic investment in AHG at a cost of $138.3 million during the year. Based on the closing 31 December 2012 AHG share price a before tax gain of $21.9 million has been recognised in the Statement of Comprehensive Income. At the closing share price for 26 February 2013, the before tax gain on the investment increased to $57.2 million.

- EBITDA Interest Cover improved to 4.6 times as at 31 December 2012, compared to 3.8 times at 31 December 2011.

- Borrowing costs declined by 4% to $24.8 million, with higher bailment and corporate debt being offset by lower interest rates.

  Corporate debt net of cash on hand increased by $50.2 million or 33% to $200.3 million (2011: $150.1 million). The increased level of debt was primarily used to fund property acquisitions associated with the Adelaide and Newcastle operations, and the investment in AHG shares. Total debt including vehicle bailment net of cash on hand was $504.6 million at 31 December 2012 as compared to $403.2 million at 31 December 2011. Bailment debt levels increased by $51.6 million due to increased sales volumes and greater industry vehicle supply.

- Net tangible assets increased by 23% from 1.67 per share at 31 December 2011 to $2.06 per share at 31 December 2012, due to the value of the AHG investment and strong profitability.
- The Company's net cash provided by operating activities was $55.6 million in 2012 (2011: $64.5 million). The reduction from the prior year was primarily due to an increase in new vehicle, used vehicle and parts inventory stock holding in response to increased sales volumes and timing factors.
- Effective 24 May 2012, all previously issued ordinary shares were split on the basis that every ordinary share was divided into five ordinary shares. The share split resulted in the total number of ordinary issued shares increasing from 31,413,435 to 157,067,175.
- A fully franked final dividend of 13 cents per share (2011: 10.4 cents) has been approved for payment on 16 April 2013 to shareholders who are registered on 2 April 2013 (Record Date). When combined with the interim dividend paid in October 2012, the total dividend based on 2012 earnings is 20 cents per share, fully franked (2011: 16 cents).
- The Company's dividend reinvestment plan (DRP) will operate in relation to the final dividend.
- Ordinary shares will be allotted in accordance with the DRP rules at a 10% discount to the weighted average market price of the Company's shares traded on the ASX Limited during the period of five trading days immediately prior to and including the Record Date. This special 10% discount is in recognition of the Company's 100 year anniversary. Shares allotted under the DRP will rank equally in all respects with existing ordinary shares. The Company's largest shareholder has indicated it will fully support the DRP.

Results Summary

Consolidated results

Year Ended 31 December 2012.	**2012**	**2011**	
	$'000	**$'000**	**Increase/(Decrease)**
Revenue from operations	2,628,160	2,384,395	10%
Other revenue	14,375	14,300	-
Total revenue	2,642,535	2,398,695	10%
Earnings before interest, tax, depreciation and amortisation and impairment (EBITDA)	114,819	98,272	17%
Depreciation and Amortisation	(11,595)	(11,161)	4%
Impairment charge/net reversal	323	(3,228)	-
Earnings before interest and tax (EBIT)	103,547	83,883	23%
Borrowing costs	(24,812)	(25,730)	(4)%
Profit before tax	**78,735**	**58,153**	**35%**
Income tax expense	(23,184)	(17,864)	30%
Profit after tax	**55,551**	**40,289**	**38%**
Non controlling interest in subsidiaries	(181)	(95)	91%
Attributable profit after tax	55,370	40,194	38%
Earnings per share - basic	34.0 cents	25.5 cents	33%

This report is based on accounts which have been audited.

Additional Results Commentary

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales increased by 10.3% in 2012, for total sales of 1,112,032 units compared to 1,008,437 units in 2011.

With the exception of Tasmania, all States recorded good growth over the previous year, with Western Australia, Northern Territory and Queensland recording the highest percentage increases.

Nationally, small SUV (+53.5%), and Pick Up 4X4 (+24.7%) segments experienced the greatest year on year growth as buyers responded to appealing new products and greater vehicle supply. The large passenger segment recorded the greatest decline at 19.2%.

The Company's 20.7% interest in MTQ Insurance provided an equity accounted profit after tax and unrealised mark to market gain on investments of $1.7 million (2011: $0.6 million gain).

Total gearing (Debt /Debt + Equity), including bailment inventory financing, was 52.3% as at 31 December 2012, as compared to 52.2% as at 31 December 2011. Bailment finance is cost effective short-term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment and including cash on hand was 30.0% as at 31 December 2012 compared to 28.3% at end 2011.

In accordance with the Company's on-market share buy-back notice, 31,569 shares (157,845 after the share split) at an average cost of $12.38 per share ($2.48 after share split) were acquired in January and February 2012.

Outlook

Whilst the economic environment continues to be mixed, with relatively low unemployment, moderate economic growth (3.0% of GDP), the best new car affordability in 35 years and a range of appealing product offers, the Company's business, both operationally and financially, is well placed to perform strongly again in 2013.

Operationally, the focus will be on adapting to a market characterised by a high level of vehicle supply, and aggressive manufacturer marketing campaigns, often based around low interest rate offers.

The heavy and light truck market segment may provide a greater contribution as the effects of the GFC on the commercial transport sector continue to wane and previously deferred vehicle replacements enter the market.

Strategically, the Company's focus in 2013 will be on continuing to improve business processes and management, with specific focus on used car and truck trading, optimisation of the parts distribution businesses, organic growth opportunities through adding growing brands to established dealership clusters, and further earnings per share accretive acquisition growth should appropriate opportunities arise.

In January 1913, the original firm of E.G. Eager and Son Limited (a current subsidiary of A.P. Eagers Limited) was registered as a limited liability company. To celebrate the centenary milestone "100 Years Driven Together", the Company will release a book recording its history of achievement and thoughout the year will conduct a series of major stakeholder events and initiatives.

Martin Ward
Managing Director

27 February 2013

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 present their report together with the consolidated financial report of the group being A.P. Eagers Limited ABN 87 009 680 013 ("the Company") and its controlled entities, for the year ended 31 December 2012 and the auditor's report thereon.

Directors

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

Benjamin Wickham Macdonald AM, FAICD
Chairman

Independent, non-executive Director since January 1992. Member of Audit, Risk & Remuneration Committee until 31 October 2012. Director of Adtrans Group Ltd (appointed November 2010). Chairman of Reef Corporate Services Ltd (appointed September 1995). Mr Macdonald has previously served as a Director of numerous public companies including FKP Ltd (from August 2004 to March 2009), Macdonald Hamilton & Co Ltd (Managing Director), Perpetual Trustees Australia Ltd (Chairman), Bank of Queensland Ltd (Deputy Chairman), AMP Society (Australian Board), Queensland Cotton Holdings Ltd (Chairman), CSR Ltd, Placer Pacific Ltd, Allgas Energy Ltd and Casinos Austria International Ltd.

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

Chief Executive Officer since January 2006. Managing Director since March 2006. Motor vehicle dealer. Director of Adtrans Group Ltd (appointed May 2007). Mr Ward was formerly the 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. Director of Adtrans Group Ltd (appointed November 2010). Executive Chairman of WFM Motors Pty Ltd, A.P. Eagers Limited's largest shareholder, and a substantial number of other proprietary limited companies. Mr Politis was formerly a Director of the Bank of Cyprus.

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

Independent, non–executive Director since December 2006. Director of Adtrans Group Ltd (appointed November 2010) and Thorn Group Ltd (appointed May 2007). Deputy Chairman of MTQ Insurance Services Ltd (appointed November 2008) and chair of MTQ Investment Committee. Mr Henley was formerly the Chairman and Chief Executive Officer of GE Money Motor Solutions and has 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 of Adtrans Group Ltd (appointed November 2010). Director and Chief Executive Officer of WFM Motors Pty Ltd, A.P. Eagers Limited's largest shareholder, and a substantial number of other proprietary limited companies. Mr Ryan has significant management experience in automotive, transport, manufacturing and retail industries.

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

Independent, non-executive Director since February 2011. Executive Chairman of RBS Morgans Ltd. Director of Senex Energy Ltd (appointed October 2010), Alternate Director of Ausenco Ltd (appointed February 2013), Director of Brisbane Lions Foundation, Australian Cancer Research Foundation and Abney Hotels Ltd. Chairman of the Advisory Board of the Australian National University Investment Committee. Member of the University of Queensland Senate. Former Deputy Chairman of Queensland Gas Company Ltd and CS Energy Ltd. Mr Crommelin has broad knowledge of corporate finance, risk management and acquisitions and over 40 years' experience in the stockbroking and property industry.

David Arthur Cowper BCom, FCA
Director, Member 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. Substantial industry knowledge, having been chairman of Horwath's motor industry specialisation unit for six years. Mr Cowper's 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.

Company Secretary

Denis Gerard Stark LLB, BEc
General Counsel & Company Secretary

Company Secretary since February 2008. Responsible for overseeing the company secretarial, legal, workplace health & safety, insurance and investor relations functions and property portfolio. Admitted as a solicitor in Queensland in 1994 and Victoria in 1997. Affiliate of Chartered Secretaries Australia. Previous company secretarial and senior executive experience with public companies.

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**
B Macdonald[(1) & (2)]	9	9	3	3
N Politis	9	8	-	-
M Ward	9	9	-	-
P Henley[(1)]	9	8	4	4
D Ryan	9	9	-	-
T Crommelin[(1)]	9	9	4	3
D Cowper[(1) & (3)]	4	4	2	2

(1) Audit, Risk & Remuneration Committee members.
(2) Retired from Audit, Risk & Remuneration Committee on 31 October 2012.
(3) Appointed as a Director and member of Audit, Risk & Remuneration Committee on 1 July 2012.

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 and accessories, repair and servicing of vehicles, provision of extended warranties, facilitation of finance and leasing in respect of motor vehicles and ownership of property. 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 Company's Net Profit Before Tax was $78.7 million in 2012. This compares to a Net Profit Before Tax of $58.2 million in 2011. Net Profit After Tax was $55.6 million in 2012 compared to $40.3 million in 2011.

The significant increases in profitability and earnings per share were due to improved operational results from the Company's Queensland/Northern Territory, South Australian cars and National Truck divisions and the inclusion for the first time of dividend income from the strategic investment in Automotive Holdings Group Ltd (AHG).

Profit Comparison	**Full Year to December 2012** **$ Million**	**Full Year to December 2011** **$ Million**	**% Change**
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Statutory profit before tax	**78.7**	**58.2**	**35%**
Impairment adjustments (1)			
Freehold Property adjustments (reversal)	(1.1)	3.2	-
Goodwill impairment	0.8	-	-
Underlying profit before tax (2)	**78.4**	**61.4**	**28%**
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Notes

(1) It is highlighted that in addition to the property impairment net reversal of $1.1 million in the current year there were specific property valuation net increases of $0.7 million which under Accounting Standards are not recognised in the Profit or Loss and instead are recognised in a revaluation reserve directly in the Statement of Financial Position. Accordingly overall increase in property fair values during the current year was $1.8 million

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The Company's 20.7% interest in MTQ Insurance provided an equity accounted profit after tax and unrealised mark to market gain on investments of $1.7 million (2011: $0.6 million gain).

Total gearing (Debt /Debt + Equity), including bailment inventory financing, was 52.3% as at 31 December 2012, as compared to 52.2% as at 31 December 2011. Bailment finance is cost effective short-term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment and including cash on hand was 30.0% as at 31 December 2012 compared to 28.3% at end 2011.

In accordance with the Company's on-market share buy-back notices, 31,569 shares (157,845 after the share split) at an average cost of $12.38 per share ($2.48 after share split) were acquired in January and February 2012.

Likely Developments

Whilst the economic environment continues to be mixed, with relatively low unemployment, moderate economic growth (3.0% of GDP), the best new car affordability in 35 years and a range of appealing product offers, the Company's business, both operationally and financially, is well placed to perform strongly again in 2013.

Operationally, the Company's focus will be on adapting to a market characterised by a high level of vehicle supply, and aggressive manufacturer marketing campaigns, often based around low interest rate offers.

The heavy and light truck market segment may provide a greater contribution as the effects of the GFC on the commercial transport sector continue to wane and previously deferred vehicle replacements enter the market.

Strategically, the Company's focus in 2013 will be on continuing to improve business processes and management, with specific focus on used car and truck trading, optimisation of the parts distribution businesses, organic growth opportunities through adding growing brands to established dealership clusters, and further earnings per share accretive acquisition growth should appropriate opportunities arise.

In January 1913, the original firm of E.G. Eager and Son Limited (a current subsidiary of A.P. Eagers Limited) was registered as a limited liability company. To celebrate the centenary milestone "100 Years Driven Together", the Company will release a book recording its history of achievement and throughout the year will conduct a series of major stakeholder events and initiatives.

Dividends

Dividends paid to members during the financial year were as follows:

Year ended 31 December	**2012** **$'000**	**2011** **$'000**
Final ordinary dividend for the year ended 31 December 2011 of 10.4 cents (2010: 8.2 cents) per share paid on 16 April 2012	16,335	12,914
Interim ordinary dividend of 7.0 cents (2011: 5.6 cents) per share paid on 5 October 2012	11,717	8,819
	28,052	21,733

A fully franked final dividend of 13 cents per share (2011: 10.4 cents) has been approved for payment on 16 April 2013 to shareholders who are registered on 2 April 2013 (Record Date). When combined with the interim dividend paid in October 2012, the total dividend based on 2012 earnings is 20 cents per share, fully franked (2011:16 cents).

The Company's dividend reinvestment plan (DRP) will operate in relation to the final dividend.

Ordinary shares will be allotted in accordance with the DRP rules at a 10% discount to the weighted average market price of the Company's shares traded on the ASX Limited during the period of five trading days immediately prior to and including the Record Date. This special 10% discount is in recognition of the Company's 100 year anniversary. Shares allotted under the DRP will rank equally in all respects with existing ordinary shares. The Company's largest shareholder has indicated it will fully support the DRP.

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 31 December 2012 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 governed by relevant legislation.

Planning approvals are required for property developments undertaken by the group. Relevant authorities are provided with appropriate details and to the Directors' knowledge all developments during the year were undertaken in compliance with the requirements of the planning approvals.

The group holds environmental licences for various service centres. 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:

	2012	2011	2010	2009	2008
NPAT ($'000)	55,551	40,289	31,637	36,588	14,541 (1)
Earnings per share - basic (c)	34.02	25.54	21.06	24.32	9.84 (1)
Dividends per share (c)	20	16	12.8	12.4	8.8
Share Price at year end ($)	4.38	2.36	2.50	2.40	1.22

(1) Includes after tax impairment adjustments of $(14,500) and a GST tax refund of $10,400.

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 by shareholders in general meeting for that purpose, currently $500,000 per annum, which was fixed at the annual general meeting in 2007.

In 2012, non-executive Director's fees were $60,000 per annum (or $75,000 per annum for Directors first appointed after 1 January 2006 as they are not eligible to participate in the shareholder-approved Retirement Allowance Program) plus superannuation benefits, and the Chairman's fee was $95,000 per annum.

The board, with the assistance of the Audit, Risk & Remuneration Committee, periodically reviews non-executive Directors' fees taking into account relevant market conditions and any expectations on whether they will receive an allowance on their retirement from office. Under the shareholder-approved Retirement Allowance Program, a retiring non-executive Director who was appointed before January 2006 and has served for five or more years may receive a retiring allowance which cannot exceed the total fees paid to the Director during the three years immediately preceding retirement. Mr Politis was paid his entitlement under the program upon his retirement by rotation at the 2012 Annual General Meeting and is no longer eligible to participate in the program. He was reappointed as a Director at the Annual General Meeting.

The Retirement Allowance Program has ceased to operate as no Directors are eligible to participate in it.

Non-executive Directors do not participate in any schemes designed for the remuneration of executives, nor do they participate in equity schemes or 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 Pool / Bonus

A short-term incentive pool is available for allocation by the Chief Executive Officer (in consultation with the Chairman) to non-commission based executives being the Company Secretary, Chief Financial Officer and Group Human Resources Manager. The allocations are determined on a discretionary basis during annual review after considering the achievements and performances of the individual executives.

(ii) Commission Structure

With the exception of the Chief Executive Officer and non-commission based executives, remuneration for senior executives is structured around measurable business performance factors linked to business strategies and designed to improve shareholder value. This commission structure is set at a percentage of net profit before tax of a business unit or business group.

d) Executive Incentive Plan (EIP)

The EIP was approved by shareholders at the annual general meeting in 2010. It is intended as both a long-term and short-term incentive, focussing on corporate performance and the creation of shareholder value over multi-year periods.

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

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

An option is a right to be given a fully paid ordinary share upon payment of an exercise price and achievement of performance hurdles. In general, the exercise price is the closing market share price 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 is further divided into sub-tranches. The tranches and sub-tranches are tested against the performance hurdles for the relevant performance period and will vest only if the hurdles are achieved.

(i) Performance Hurdles

In order for performance rights and options to vest under the EIP, the following performance hurdles must be achieved for the relevant performance period:

a) the Company must meet the applicable Earnings Per Share (EPS) hurdle (as described below);

b) the Company must meet a prescribed interest cover ratio; and

c) the executive must remain permanently employed by the group. (Where the executive has sacrificed payments into the EIP in return for rights and options, cessation of employment during the performance period would result in a prorated proportion of the rights and options remaining on issue to be tested at the end of the performance period but without the ability for any further re-testing).

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 of performance rights and each sub-tranche of options under the EIP. These EPS hurdles were pre-determined using a base-line EPS when the participant agreed to join the plan.

In general, 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 during a 12 month performance period, re-testing would be appropriate to allow for market reaction to the Company's longer term strategic initiatives.

If the EPS hurdle is not achieved during the initial 12 month performance period, re-testing would take place 12 months later over a 24 month period. If the EPS hurdle is not achieved on the re-test, it may be re-tested a second time a further 12 months later over a 36 month period. On any re-test, the EPS hurdle for the re-test period would be the combined hurdle for each individual year in the re-test period.

There cannot be more than two re-tests. Performance rights and options will immediately lapse if they do not vest on the second re-test.

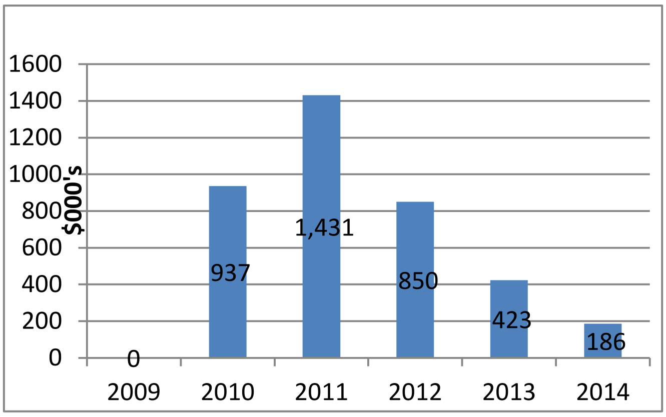
(iii) CEO's Participation in EIP

At the Company's annual general meeting in 2010, shareholders approved the Chief Executive Officer, Mr Ward, participating in the EIP. With 98.2% of proxy votes in favour or at the Chairman's discretion, shareholders approved the following:

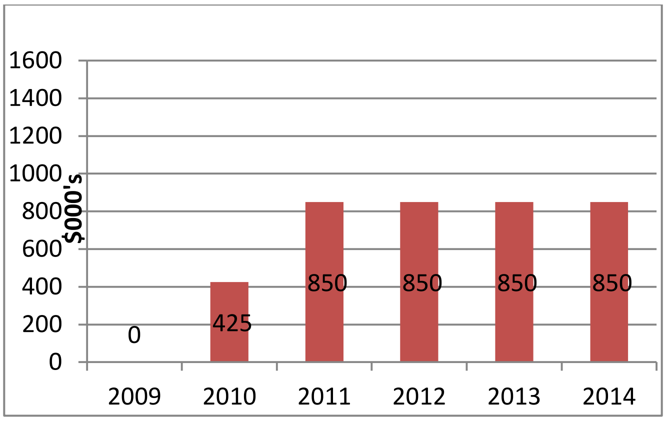
- Mr Ward's performance hurdles are measured over the five year period 2010 to 2014.
- Before any of Mr Ward's performance rights or options will vest for an individual year, the Company must achieve at least 7% annual compound growth in diluted EPS above the base-line EPS. The base-line was set when Mr Ward agreed to join the plan in mid-2009 at 16% above the average normalised basic EPS for the previous three years.
- 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 number of performance rights and options granted to Mr Ward was scaled back to reflect only 4.5 years' value, even though his performance would be measured over a full five year period. This scaling back occurred because, at the time of the 2010 annual general meeting, his previous five year equity incentive plan was due to expire mid-year on 30 June 2010.

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

- If 100% of the performance rights and options were to vest over the five year period (requiring at least 10% annual compound growth in diluted EPS for five years), the recognised cost of the plan would average $850,000 per annum for 4.5 years, or $3.825 million in total over 4.5 years. However, accounting standards require that the cost be recognised, as shown in the remuneration table on page 13, based on the progressive recognition of each share option grant over its expected vesting period, 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 are achieved over the five year EIP period, the total cost recognised in each year is 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 9% annual compound growth in diluted EPS for five years), the cost of the plan would be on average $425,000 per annum for 4.5 years (or $1,912,500 in total over 4.5 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

No performance rights or options were granted to (or forfeited from) any key management personnel during 2012. No options were exercised by any key management personnel during 2012. The following tables show details of performance rights and options which were granted to key management personnel in previous years.

Chief Executive Officer

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	28 May 2010	36,890	416,665	31 Dec 2010	$2.40	$0.808	Vested without re-testing
2	28 May 2010	82,440	815,215	31 Dec 2011	$2.286	$0.812	Vested without re-testing
3	28 May 2010	89,000	810,810	31 Dec 2012	$2.176	$0.810	Vested without re-testing
4	28 May 2010	94,890	815,215	31 Dec 2013	$2.072	$0.802	Unvested
5	28 May 2010	105,140	797,870	31 Dec 2014	$1.972	$0.806	Unvested

General Manager Queensland and Northern Territory

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	28 August 2009	22,590	104,165	31 Dec 2010	$1.66	$0.36	Vested without re-testing
2	28 August 2009	48,015	203,805	31 Dec 2011	$1.562	$0.368	Vested without re-testing
3	28 August 2009	50,950	202,705	31 Dec 2012	$1.472	$0.37	Vested without re-testing
4	28 August 2009	54,115	203,805	31 Dec 2013	$1.386	$0.368	Unvested
5	28 August 2009	57,515	199,470	31 Dec 2014	$1.304	$0.376	Unvested

Chief Financial Officer

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	28 August 2009	30,120	138,890	31 Dec 2010	$1.66	$0.36	Vested without re-testing
2	28 August 2009	32,010	135,870	31 Dec 2011	$1.562	$0.368	Vested without re-testing
3	28 August 2009	33,965	135,135	31 Dec 2012	$1.472	$0.37	Vested without re-testing
4	28 August 2009	36,075	135,870	31 Dec 2013	$1.386	$0.368	Unvested
5	28 August 2009	38,345	132,980	31 Dec 2014	$1.304	$0.376	Unvested

General Counsel & Company Secretary

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	27 January 2010	14,145	64,760	31 Dec 2010	$2.28	$0.498	Vested without re-testing
2	27 January 2010	14,875	62,260	31 Dec 2011	$2.168	$0.518	Vested without re-testing
3	27 January 2010	15,655	60,850	31 Dec 2012	$2.06	$0.53	Vested without re-testing

Group Human Resources Manager

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	27 January 2010	9,670	44,275	31 Dec 2010	$2.28	$0,498	Vested without re-testing
2	27 January 2010	10,170	42,570	31 Dec 2011	$2.168	$0.518	Vested without re-testing
3	27 January 2010	10,705	41,605	31 Dec 2012	$2.06	$0.53	Vested without re-testing

Further details of the performance rights and options granted under the EIP are specified in notes 34 and 35 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 notice within a range of four to twelve weeks and do not contain any termination payment arrangements. However, 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 would 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 group 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.

2012	Short Term benefits			Post employment benefits		Share Based Payments	Total	Performance Related percentage
	Salary & fees	Bonus & commissions	Non monetary and other benefits (3)	Superannuation benefits	Directors Retiring Allowance accrual (1)	Performance Rights & Options (2)		
	$	$	$	$	$	$	$	%
Directors								
B W Macdonald *Chairman*	95,000	-	639	-	-	-	95,639	-
M A Ward *Managing Director*	925,000	125,000	206,444 (6)	25,000	-	849,993 (5)	2,131,437 (5)	46
N G Politis *Non-executive Director*	60,000	-	639	20,700	5,000	-	86,339	-
P W Henley *Non-executive Director*	75,000	-	639	6,750	-	-	82,389	-
D T Ryan *Non-executive Director*	75,000	-	639	6,750	-	-	82,389	-
T B I Crommelin *Non-executive Director*	75,000	-	639	6,750	-	-	82,389	-
D A Cowper (4) *Non-executive Director*	37,500		319	3,375			41,194	
	1,354,500	125,000	210,597	70,315	5,000	849,993	2,615,405	
Executives								
K T Thornton *General Manager Qld & NT*	200,000	548,835	73,797	16,470	-	129,615	968,717	70
M Raywood *Group HR Manager*	130,865	20,000	24,172	36,438	-	16,036	227,511	16
S G Best *Chief Financial Officer*	286,672	87,000	28,752	27,826	-	86,410	516,660	34
D G Stark *General Counsel & Company Secretary*	243,338	25,000	28,438	21,075	-	23,455	341,306	14
	860,875	680,835	155,159	101,809	-	255,516	2,054,194	

(1) Accrued and paid on retirement.

(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 ended 31 December 2012 has been expensed in the income statement in conformity with AASB 2 and reflected in each recipient's remuneration. In 2012, performance rights and options vested under the EIP for the 2011 performance period. The vesting of rights and options under the EIP is subject to the achievement of performance hurdles as previously detailed in this Remuneration Report.

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

(4) Mr Cowper was appointed as Director on 1 July 2012.

(5) The share based payment is based on progressive recognition of each option 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".

(6) Includes $116,759 as a provision for long service leave based on Mr Ward's initial seven years' service to the Company.

2011	Short Term benefits			Post employment benefits		Share Based Payments	Total	Performance Related percentage
	Salary & fees	Bonus & commissions	Non monetary and other benefits (3)	Superannuation benefits	Directors Retiring Allowance accrual (1)	Performance Rights & Options (2)		
	$	$	$	$	$	$	$	%
Directors								
B W Macdonald *Chairman*	95,000	-	850	-	-	-	95,850	-
M A Ward *Managing Director*	911,252	75,000	111,103	24,183	-	1,431,477 (5)	2,553,015 (5)	59
A J Love *Non-executive Director*	32,496	-	850	2,922	5,671	-	41,939	-
N G Politis *Non-executive Director*	60,000	-	850	5,400	15,000	-	81,250	-
P W Henley *Non-executive Director*	75,000	-	850	6,750	-	-	82,600	-
D T Ryan *Non-executive Director*	75,000	-	850	6,750	-	-	82,600	-
G D Bignell (4) *Executive Director*	139,475	-	-	-	-	-	139,475	-
T B I Crommelin (4) *Non-executive Director*	69,903	-	709	6,291	-	-	76,903	-
	1,458,126	75,000	116,062	52,296	20,671	1,431,477	3,153,632	
Executives								
K T Thornton *General Manager Qld & NT*	191,671	374,223	90,995	15,775	-	227,984	900,648	67
M Raywood *Group HR Manager*	129,503	10,000	28,101	50,199	-	51,202	269,005	23
S G Best *Chief Financial Officer*	261,672	81,000	28,683	21,525	-	151,988	544,868	43
D G Stark *General Counsel & Company Secretary*	231,671	15,000	35,732	22,200	-	74,887	379,490	24
	814,517	480,223	183,511	109,699	-	506,061	2,094,011	

(1) Accrued but not paid until retirement.

(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 ended 31 December 2011 has been expensed in the income statement in conformity with AASB 2 and reflected in each recipient's remuneration. In 2011, performance rights and options vested under the EIP for the 2010 performance period. The vesting of rights and options under the EIP is subject to the achievement of performance hurdles as previously detailed in this Remuneration Report.

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

(4) Messrs Bignell and Crommelin were appointed as Directors on 23 February 2011. Mr Bignell retired on 13 October 2011.

(5) The share based payment is based on progressive recognition of each option 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".

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
B W Macdonald	421,875	-	-
N G Politis	62,935,353	-	-
M A Ward	2,670,280	3,655,775[(1)]	289,030[(1)]
P W Henley	101,085	-	-
D T Ryan	-	-	-
T B I Crommelin	322,269	-	-
D A Cowper	8,000	-	-

[(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

No options were granted over unissued shares during or since the end of the year under review.

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 32 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 98/0100 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 A Ward
Director

Brisbane, 27 February 2013

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ABN 74 490 121 060

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The Board of Directors
A.P. Eagers Limited
80 McLachlan Street
FORTITUDE VALLEY QLD 4006

27 February 2013

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 year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfie Nehama
Partner
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of A.P. Eagers Limited, which comprises the statement of financial position as at 31 December 2012, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 2 to 53.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Member of Deloitte Touch Tohmatsu Limited

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion,

(a) the financial report of A.P. Eagers Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on page 7 to 14 of the directors' report for the year ended 31 December 2012. 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.

Opinion

In our opinion, the Remuneration Report of A.P. Eagers Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfie Nehama
Partner
Chartered Accountants
Sydney, 27 February 2013

A. P. EAGERS LIMITED

ABN 87 009 680 013

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

A.P. EAGERS LIMITED

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 financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 1(a); 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 29 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

27 February 2013

A.P. EAGERS LIMITED

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED	
	Note	**2012**	**2011**
		$'000	**$'000**
Revenue	3	2,642,535	2,398,695
Other gains and losses excluding impairment reversal	4	(36)	1,739
Reversal of impairment of non-current assets	15	1,133	-
Share of net profits of associates	40(d)	1,673	562
Changes in inventories of finished goods and work in progress		71,997	14,562
Raw materials and consumables used		(2,255,318)	(1,995,978)
Employee benefits expense		(213,433)	(199,114)
Finance costs	5(a)	(24,812)	(25,730)
Depreciation and amortisation expense	5(a)	(11,595)	(11,161)
Impairment of non-current assets	5(b)	(810)	(3,228)
Other expenses		(132,599)	(122,194)
Profit before tax		78,735	58,153
Income tax expense	6	(23,184)	(17,864)
Profit for the year		55,551	40,289
Attributable to:			
Owners of the parent	27(b)	55,370	40,194
Non-controlling interests		181	95
		55,551	40,289
		Cents	Cents
Earnings per share:			
Basic earnings per share	37	34.0	25.5
Diluted earnings per share	37	33.2	25.2

The above Statement of profit or loss is to be read in conjunction with the accompanying notes.

A.P. EAGERS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED	
	Note	2012	2011
		$'000	$'000
Profit for the year		55,551	40,289
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property	27(a)	735	3,142
Income tax relating to items that will not be reclassified subsequently	27(a)	(222)	(942)
		513	2,200
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available for sale Investment	27(a)	21,906	-
Income tax expense	27(a)	(6,572)	-
		15,334	-
Cash flow hedges			
Fair value loss arising during the year	27(a)	(202)	(2,258)
Income tax credit	27(a)	60	677
		(142)	(1,581)
Total other comprehensive income for the year		15,705	619
Total comprehensive income for the year		71,256	40,908
Total comprehensive income attributable to:			
Owners of the parent		71,075	40,813
Non-controlling interests		181	95
		71,256	40,908

The above Statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

A.P. EAGERS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		CONSOLIDATED	
	Note	2012	2011
		$'000	$'000
Current Assets			
Cash and cash equivalents	8	8,716	13,279
Trade and other receivables	9(a)	96,567	93,217
Leasebook receivables	9(b)	650	2,281
Loans receivables	9(c)	163	121
Inventories	10	410,491	338,494
Other	11	2,629	2,601
		519,216	449,993
Property Assets held for sale	11	23,963	20,622
Total Current Assets		543,179	470,615
Non-Current Assets			
Leasebook receivables	12(a)	89	1,225
Other loan receivable	12(b)	376	575
Available-for-sale investments	13	162,590	2,345
Investment in associates	14	3,461	2,445
Property, plant and equipment	15	350,862	336,544
Intangible assets	16	117,521	118,011
Total Non-Current Assets		634,899	461,145
Total Assets		1,178,078	931,760
Current Liabilities			
Trade and other payables	17	142,826	88,817
Derivative financial instruments	18	817	490
Borrowings - bailment and finance lease payable	19(a)	304,235	252,768
Borrowings - leasebook liabilities	19(b)	504	2,706
Current tax liabilities	20	7,909	4,924
Provisions	21	15,059	14,491
Total Current Liabilities		471,350	364,196
Non-Current Liabilities			
Borrowings - leasebook liabilities	22(a)	8	822
Borrowings - others	22(b)	209,097	163,729
Derivative financial instruments	18	1,385	1,510
Deferred tax liabilities	23	20,599	15,219
Provisions	24	7,103	5,669
Total Non-Current Liabilities		238,192	186,949
Total Liabilities		709,542	551,145
Net Assets		468,536	380,615
Equity			
Contributed equity	26(a)	206,277	162,047
Reserves	27(a)	90,636	74,329
Retained earnings	27(b)	171,113	143,795
Equity attributable to equity holders of the parent		468,026	380,171
Non controlling Interest		510	444
Total Equity		468,536	380,615

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

A.P. EAGERS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	**Issued capital**	**Asset revaluation reserve**	**Hedging reserve**	**Share-based payments reserve**	**Investment revaluation reserve**	**Retained earnings**	**Attributable to owners of the parent**	**Non Controlling Interest**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2012									
Balance at 1 January 2012	162,047	70,540	(1,400)	5,189	-	143,795	380,171	444	380,615
Profit for the year	-	-	-	-	-	55,370	55,370	181	55,551
Other comprehensive income (loss)									
Gain on revaluation of properties	-	735	-	-	-	-	735	-	735
Gain on revaluation of available for sale investment					21,906	-	21,906		21,906
Loss on cash flow hedge	-	-	(202)	-		-	(202)	-	(202)
Income tax relating to components of other comprehensive income	-	(222)	60	-	(6,572)	-	(6,734)	-	(6,734)
Total comprehensive income for the year	-	513	(142)	-	15,334	55,370	71,075	181	71,256
Share based payments	-	-	-	1,494	-	-	1,494	-	1,494
Issue of shares DRP	11,619						11,619		11,619
Issue of shares (Purchase of Shares in AHG)	31,804						31,804		31,804
Issue of shares to staff	1,198	-	-	(892)	-	-	306	-	306
Share buy-back scheme	(391)	-	-	-	-	-	(391)	-	(391)
Payment of dividend	-	-	-	-	-	(28,052)	(28,052)	(115)	(28,167)
Balance 31 December 2012	206,277	71,053	(1,542)	5,791	15,334	171,113	468,026	510	468,536
2011									
Balance at 1 January 2011	163,340	68,340	181	2,621	-	125,334	359,816	401	360,217
Profit for the year	-	-	-	-	-	40,194	40,194	95	40,289
Other comprehensive income (loss)									
Gain on revaluation of property	-	3,142	-	-			3,142	-	3,142
Loss on cash flow hedge	-	-	(2,258)	-	-	-	(2,258)	-	(2,258)
Income tax relating to components of other comprehensive income	-	(942)	677	-	-	-	(265)	-	(265)
Total comprehensive income for the year	-	2,200	(1,581)	-	-	40,194	40,813	95	40,908
Share based payments	-	-	-	3,138	-	-	3,138	-	3,138
Issue of shares to staff	570	-	-	(570)	-	-	-	-	-
Share buy-back scheme	(1,863)	-	-	-	-	-	(1,863)	-	(1,863)
Payment of dividend	-	-	-	-	-	(21,733)	(21,733)	(52)	(21,785)
Balance 31 December 2011	162,047	70,540	(1,400)	5,189	-	143,795	380,171	444	380,615

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

A.P. EAGERS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED	
	Note	**2012**	**2011**
		$'000	**$'000**
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,890,402	2,623,923
Payments to suppliers and employees (inclusive of GST)		(2,795,418)	(2,519,269)
Receipt from insurance claims		456	5,661
Dividends received		5,454	820
Interest received		716	599
Interest and other costs of finance paid		(24,438)	(25,234)
Income taxes paid		(21,536)	(21,982)
Net cash provided by operating activities	38	55,636	64,518
Cash flows from investing activities			
Payments for shares in other corporations		(59,569)	(2,345)
Payment for acquisition of subsidiaries and businesses (including payment for land and buildings occupied by subsidiaries acquired)	29(a)	-	(8,026)
Payment for acquisition of brand name		(367)	(35)
Payments for property, plant and equipment		(28,843)	(13,377)
Proceeds from sale of property, plant and equipment		2,964	3,410
Proceeds from sale of businesses		-	3,115
Net cash used in investing activities		(85,815)	(17,258)
Cash flows from financing activities			
Receipt from issue of shares (net of buy-back of shares)		3,767	(1,863)
Proceeds from borrowings		75,800	8,000
Repayment of borrowings		(33,552)	(15,543)
Dividends paid to minority shareholders of a subsidiary		(115)	(52)
Dividends paid to members of A. P. Eagers Limited		(20,284)	(21,733)
Net cash provided by (used in) financing activities		25,616	(31,191)
Net increase (decrease) in cash and cash equivalents		(4,563)	16,069
Cash and cash equivalents at the beginning of the financial year		13,279	(2,790)
Cash and cash equivalents at the end of the financial year	8	8,716	13,279

The above Statement of Cash Flows is to 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.

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

For the purpose of preparing the financial statements, the company is a for profit entity.

Compliance with IFRS
The financial report complies with Australian Accounting Standards, which include AIFRS. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies 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.

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

The financial statements were authorised for issue by the directors on the 27th February 2013

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) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of A.P. Eagers Limited (the 'company' or 'parent entity') as at 31 December 2012 and the results of all subsidiaries for the year then ended. A.P. Eagers Limited and its subsidiaries together are referred to in this financial report as the 'Group' or the 'consolidated entity'.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (after adjusting for impairment), after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) automotive franchised retail (ii) truck retail (iii) property (iv) Investment and all other.

(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' motor vehicles is carried out under instructions from the customer. Service revenue is recognised based upon the percentage completion of the work requested. The percentage completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for the service to be performed. 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 straight-line basis over the lease term.

(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 leasebook and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxes (continued)

(ii) Goods and services tax ("GST")
Revenues, expenses and assets 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 as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

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

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line 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(s)). 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 a reassessment 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 incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 to sell 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 (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case, the reversal of the impairment loss is treated as a revaluation increase(refer Note 1(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.

(k) Receivables

Leasebook receivables

A receivable is recognised for this class of debtor when the loan documentation is signed. The carrying amount of the debt is net of unearned income. Income from lease and mortgage loan contracts is brought to account in accordance with a method that ensures that income earned over the term of the contract bears a constant relationship to the funds employed.

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 leasebook 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. 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 timeframe established by the market concerned, and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

(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.

(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 and 12)
Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

(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 18.

(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 cost and 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 is 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) Franchise Rights

Franchise rights are those rights conferred to the Group under its agreements with vehicle manufacturers and distributors. Such rights primarily include the right to sell and service the franchisor's product within specified geographical boundaries. Franchise rights are valued on acquisition using a discounted cash flow methodology. The Group generally expects its franchise agreements to survive for the foreseeable future and anticipates routine renewals of the agreements without substantial cost. The contractual terms of the Group's franchise agreements provide for various durations. It is generally difficult for the manufacturer or distributor to terminate or not renew a franchise unless good cause exists. The Group's experience has been that such franchise agreements are rarely involuntarily terminated or not renewed. Accordingly the Group believes that its franchise agreements will contribute to cash flows for the foreseeable future and have indefinite lives. They are recorded at cost less any impairment.

(r) 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.

(s) Goodwill

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) Employee benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave expected to be settled within 12 months from the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are measured at the present value of the estimated cash outflow.

(iii) Superannuation benefits
The consolidated entity makes contributions to several Superannuation Funds which provide accumulated benefits based on the value of the accumulated contributions and investment returns which are credited to each member's account.

(iv) Share based payments
The Group provides benefits to selected employees in the form of a Executive Incentive Plan. The relevant employees are deemed to provide services to the Group in exchange for share performance rights and options. The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date that they are granted. The fair value is determined using an option pricing model (see Note 34 for details of the calculation). In valuing the instruments, no account has been taken of the non-market performance conditions, these are assessed at each reporting date to determine the number of performance rights expected to vest, and the necessary adjustments made. The fair value of the share based payment is recognised over the relevant vesting period as an expense, with a corresponding increase in equity via a share based payment reserve.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.

(z) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:
- Costs of servicing equity (other than dividends)
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- 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

(aa) 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.

(ab) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, 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.

(ac) New or revised Standards and Interpretations that are first effective in the current reporting period

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.
The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current and prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its financial statements

The following amendments to AASBs, where applicable, have been applied in the current year and have affected the amounts reported in these financial statements.

Amendments to AASBs affecting presentation and disclosure only

Amendments to AASB 7 Disclosures – Transfers of Financial Assets

Under AASB 7 Disclosures - Transfers of Financial Assets in the current year, the amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The standard has had no impact on the disclosure in the financial report.

Amendments to AASB 101 Presentation of items of Other Comprehensive Income

The Group has applied the amendments to AASB 101 Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Standards and Interpretations in issue not yet adopted
At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective.
Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's financial report:

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'(December 2009), AASB 2009, AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1-Jan-15	31-Dec-15
AASB 9 'Financial Instruments'(December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1-Jan-15	31-Dec-15
AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'	01-Jul-12	31-Dec-13
AASB 7 'Financial Instruments: Disclosures'	01-Jul-12	31-Dec-13
AASB 10 'Consolidated Financial Statements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	01-Jan-13	31-Dec-13
AASB 11 'Joint Arrangements', AASB 2011-7'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	01-Jan-13	31-Dec-13
AASB 12 'Disclosure of Interests in Other Entities', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	01-Jan-13	31-Dec-13
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	01-Jan-13	31-Dec-13
AASB 119 'Employee Benefits'(2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011	01-Jan-13	31-Dec-13
AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'	01-Jul-12	31-Dec-13
AASB 121 'The Effects of Changes in Foreign Exchange Rates'	01-Jul-12	31-Dec-13
AASB 127 'Separate Financial Statements' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	01-Jan-13	31-Dec-13
AASB 128 'Investments in Associates and Joint Ventures'(2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	01-Jan-13	31-Dec-13
AASB 132 'Financial Instruments: Presentation'	01-Jul-12	31-Dec-13
AASB 133 'Earnings per Share'	01-Jul-12	31-Dec-13
AASB 134 'Interim Financial Reporting'	01-Jul-12	31-Dec-13
AASB 2011-4 'Amendments to Australian Accounting Standards – Remove Individual Key Management Personnel Disclosure Requirements'	01-Jul-13	31-Dec-14
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	01-Jul-12	31-Dec-13
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	01-Jan-13	31-Dec-13
AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	01-Jan-14	31-Dec-14

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	01-Jan-13	31-Dec-13
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	01-Jan-13	31-Dec-13
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	01-Jan-13	31-Dec-13
At the date of authorisation of the financial statements, the following IASB was also in issue but not effective, although an Australian equivalent Standard has not yet been issued:		
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	01-Jan-14	31-Dec-14

AASB 9 Financial Instruments

AASB 9 issued in November 2009, introduced new requirements for the classification and measurement of financial assets.
AASB 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key Requirements of AASB 9

- all recognised financial assets that are within the scope of AASB 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of AASB 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including AASB 10, AASB 11, AASB 12, AASB 127 (as revised in 2011) and AASB128 (as revised in 2011).

Key requirements of these five Standards are described below.

AASB 10 replaces the parts of AASB 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. AASB Interpretation 12 Consolidation – *Special Purpose Entities* will be withdrawn upon the effective date of AASB 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, AASB 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in AASB 10 to deal with complex scenarios.

AASB 11 replaces AASB 131 *Interests in joint Ventures*. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified AASB interpretation 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of AASB 11. Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under AASB 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under AASB 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under AASB 131 can be accounted for using the equity method of accounting or proportional consolidation.

AASB 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards.

In June 2012, the amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the application of these AASBs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The directors anticipate that the application of these five standards will not have a significant impact on amounts reported in the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 13 Fair value Measurement

AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of AASB 13 is broad: it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in AASB 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by AASB 13 to cover all assets and liabilities within its scope.

AASB 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to AASB 7 and AASB 132 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to AASB 132 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and "simultaneous realisation and settlement'.

The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to AASB 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to AASB 132 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to AASB 132 and AASB 7 will not have a significant impact on disclosures.

AASB 119 Employee Benefits

The amendments to AASB 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to AASB 119 require retrospective application. Based on the directors' preliminary assessment, when the group applies the amendments to AASB 119 for the first time for the year ending 2013 no impact is expected.

Annual Improvements to AASBs 2009 -2011 Cycle issued in May 2012

The *Annual Improvements to AASBs 2009 -2011 Cycle* include a number of amendments to various AASBs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to AASBs include:

- amendments to AASB 116 *Property, Plant and Equipment;* and
- amendments to AASB 132 *Financial Instruments: Presentation*

Amendments to AASB 116

The amendments to AASB 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and and equipment when they meet the definition of property, plant and equipment in AASB 116 and as inventory otherwise.
The directors do not anticipate that the amendments to AASB 116 will have a significant effect on the Group's consolidated financial statements.

Amendments to AASB 132

The amendments to AASB 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with AASB 112 *Income Taxes*. The directors anticipate that the amendments to AASB 132 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates, assumptions and judgements

Estimates and the 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) Estimated impairment of goodwill and other intangibles with indefinite useful lives

Goodwill and other intangibles with indefinite useful lives with a carrying value of $117,521,000 (2011: $118,011,000) 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 sell. 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 sell is assessed by the directors based on their knowledge of the industry and recent market transactions. Further information on the intangibles impairment test can be found in note 16(a).

(ii) Fair value estimation of land and buildings (including assets held for sale)

Land and buildings with a carrying value of $341,204,000 (2011: $322,587,000) 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.

(iii) Available for sale Investment

The Group acquired shares in the Automotive Holdings Group Limited (AHG) during the year. At year end the carrying value of the shares were at a fair value of $160,245,000. This fair value is determined by the market value of the shares on the last trading day of the reporting period.

(iv) Provisions for warranties

A provision for warranties of $3,313,000 (2011: $3,219,000) 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.

(v) Estimation of make good provisions

An amount of $1,767,000 (2011: $1,767,000) has been estimated in respect of a leased property for any expenditure required to be incurred to restore the property back to its original state. The lease has approximately 16 years to run at balance date, with a bank guarantee being given for the $1,767,000 recognised. 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 today.

3. REVENUE

	CONSOLIDATED	
	2012	2011
	$'000	$'000
Sales revenue		
New cars	1,612,195	1,402,534
Used cars	542,502	536,215
Parts	319,893	300,885
Service	153,418	144,113
Other	152	648
	2,628,160	2,384,395
Other revenue		
Dividend received	4,798	-
Rents	457	715
Interest	714	624
Proceeds of insurance claims	456	5,661
Commissions	6,537	5,596
Other	1,413	1,704
	14,375	14,300
Total revenue	2,642,535	2,398,695

4. OTHER GAINS AND LOSSES

(Loss)/Gain on disposal of other assets	(36)	1,739

5. EXPENSES

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

Depreciation		
Buildings	3,641	3,467
Plant and equipment	6,139	6,057
Total depreciation	9,780	9,524
Amortisation		
Leasehold improvements	1,768	1,637
Brand names	47	-
Total depreciation and amortisation (Note 15 & 16)	11,595	11,161
Finance costs		
New vehicle bailment	11,653	12,832
Other	13,159	12,898
Total finance expense	24,812	25,730
Rental expense relating to operating leases		
Minimum lease payments	16,738	16,363
Contributions to superannuation funds	17,714	16,422
Provision expenses		
Inventory	1,138	(462)
Warranties	4,462	4,309
Bad debts	451	380
	6,051	4,227
Share-based payments	1,494	3,138
Business acquisition costs	-	330

(b) Impairment of non-current assets

Impairment of intangibles (note 16)	810	-
Impairment (Reversal) of land & buildings (note 15)	(1,133)	3,228
	(323)	3,228

	CONSOLIDATED	
	2012	2011
	$'000	$'000
6. INCOME TAX		
(a) Income tax expense (benefit)		
Current income tax expense	24,536	18,630
Deferred income tax benefit (note 23)	(1,352)	(766)
	23,184	17,864
Deferred income tax expense/(benefit) included in income tax expense comprises:		
decrease in deferred tax liabilities	(1,352)	(766)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	78,735	58,153
Income tax calculated at 30% (2011 - 30%)	23,621	17,446
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	181	202
Non-taxable dividends	(1,637)	(246)
Non allowable expenses	687	1,185
Deduction for Allocable Cost Amount in respect of Adtrans subsidiaries acquired in 2010	-	(430)
Non allowable impairment expense	243	-
Sundry items	89	(293)
Income tax expense	23,184	17,864
(c) Amounts recognised directly in equity		
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss but directly credited (debited) to equity (Note 23)	6,732	265

The tax rate used in the above reconciliations is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

7. DIVIDENDS

	2012	2011
Ordinary dividends fully franked based on tax paid @ 30%		
Final dividend for the year ended 31 December 2011 of 10.4 cents per share (2010 - 8.2 cents) paid on 16 April 2012	16,335	12,914
Interim dividend of 7 cents (2011 - 5.6 cents) per share paid on 5 October 2012	11,717	8,819
Total dividends paid	28,052	21,733
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2012 and 31 December 2011 were as follows:		
Paid in cash	16,335	21,733
Satisfied by issue of shares under Dividend Reinvestment Plan	11,717	-
	28,052	21,733
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 13.0 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 16 April 2013 out of the retained profits at 31 December 2012, but not recognised as a liability at year end, is:	22,189	16,307

7. DIVIDENDS (continued)

Franked dividends

The final dividend recommended after 31 December 2012 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 2013.

	CONSOLIDATED	
	2012	**2011**
	$'000	**$'000**
Franking credits available for subsequent financial years based on a tax rate of 30% (2011 - 30%)	108,700	93,000

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 the 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	(9,510)	(6,989)

8. CURRENT ASSETS - Cash and cash equivalents

Cash at bank and on hand	2,716	5,279
Short Term Deposits	6,000	8,000
	8,716	13,279
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	8,716	13,279
Less: Bank overdrafts	-	-
Balance per statement of cash flows	8,716	13,279

9 CURRENT ASSETS - Receivables

(a) Trade and other receivables (i)	98,948	95,491
Less: Provision for doubtful receivables (ii)	2,381	2,274
	96,567	93,217
(b) Leasebook receivables	773	2,574
Less: Provision for doubtful receivables (ii)	123	293
	650	2,281
(c) Loans receivables	163	121

(i)The ageing of lease, property and trade receivables at 31 December 2012 is detailed below:

	CONSOLIDATED			
	2012		2011	
	Gross	**Provision**	**Gross**	**Provision**
	$000	$000	$000	$000
Not past due	91,457	1,511	90,748	1,460
Past due 0 -30 days	4,387	88	3,627	79
Past due 31 plus days	4,040	905	3,811	1,028
Total	99,884	2,504	98,186	2,567

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 receivable balance are debtors with a carrying amount of $7,434,000 (2011: $6,331,000) which are past due at the reporting date which the Group has not provided for as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 62 days (2011:62 days)

9. CURRENT ASSETS - Receivables (continued)

(ii) Movement in provision for doubtful receivables

	CONSOLIDATED	
	2012	**2011**
	$000	$000
Opening Balance	2,567	2,408
Additional provisions	451	380
Addition due to acquisitions		-
Amounts written off during the year	(514)	(221)
Closing Balance	2,504	2,567

In determining the recoverability of a trade receivable the Group considers any change 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.

	CONSOLIDATED	
	2012	**2011**
	$'000	**$'000**
10. CURRENT ASSETS - Inventories		
New motor vehicles & trucks - Bailment stock - at cost	289,662	231,715
Less: Write-down to net realisable value	4,449	4,184
	285,213	227,531
Used vehicles & trucks - at cost	79,782	68,915
Less: Write-down to net realisable value	3,623	2,726
	76,159	66,189
Parts and other consumables - at cost	51,056	46,735
Less: Write-down to net realisable value	1,937	1,961
	49,119	44,774
Total Inventories	410,491	338,494
11. CURRENT ASSETS - Other current assets		
Prepayments and deposits	2,629	2,601
Property assets classified as held for sale		
Land & Buildings held for sale	23,963	20,622

Property assets surplus to ongoing business requirements expected to be sold within 12 months of balance date.

12. NON-CURRENT ASSETS - Receivables		
(a) Leasebook receivables	89	1,225
(b) Loans receivables	376	575

	CONSOLIDATED	
	2012	2011
	$'000	$'000

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

Shares in an unlisted company - One Way Traffic Pty Ltd (Carsguide)[1]	2,345	2,345
Shares in a listed company - Automotive Holdings Group Limited [2]	160,245	-
	162,590	2,345

(1) The Directors have assessed the fair value of the investment as at 31 December 2012 is materially consistent with its cost of acquisition. This is a level 2 fair value measurement asset being derived from inputs other than quoted prices that are observable from the asset either directly or indirectly.
(2) The Directors have assessed the fair value of the investment as at 31 December 2012 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.

14 NON-CURRENT ASSETS - Investment in associates

Shares in an associate - M T Q Insurance Limited	3,461	2,445
	3,461	2,445

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer note 40).
Reconciliation of the carrying amount of investment in associates is set out in note 40(b).

15. NON-CURRENT ASSETS - Property, plant and equipment

Freehold Land and buildings - at fair value		
Directors' valuation at 31 December 2012		
Land	198,515	-
Buildings	118,320	-
Construction in progress	406	-
Directors' valuation at 31 December 2011		
Land	-	186,952
Buildings	-	111,877
Construction in progress	-	3,136
Total land and buildings	317,241	301,965
Leasehold improvements		
At cost	24,998	24,463
Less: Accumulated amortisation	10,411	9,277
Total leasehold improvements	14,587	15,186
Plant and equipment		
At cost	48,402	47,009
Less: Accumulated depreciation	29,368	27,616
Total plant and equipment	19,034	19,393
Total property, plant and equipment	350,862	336,544

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 2012 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.

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 $127,777,000 (2011 : $108,218,000).
If freehold buildings (including construction in progress) was carried at historical cost, its current carrying value (after depreciation) would be $123,278,000 (2011 : $117,824,000).

Non-current assets pledged as security
Refer to note 22 for information on non-current assets pledged as security by the group.

15. NON-CURRENT ASSETS - Property, plant and equipment (continued)

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:

	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Consolidated 2012						
Carrying amount at start of year	186,952	111,877	3,136	15,186	19,393	336,544
Additions	12,249	10,845	395	1,169	5,780	30,438
Disposals/Transfers	(1,753)	1,779	(3,125)	-	-	(3,099)
Revaluation gain credited to asset revaluation reserve	1,535	(800)	-	-	-	735
Revaluation gain credited to profit and loss	1,133	-	-	-	-	1,133
Depreciation/amortisation expense (Note 5)		(3,641)	-	(1,768)	(6,139)	(11,548)
Transfer to Property Assets held for sale	(1,601)	(1,740)	-	-	-	(3,341)
Carrying amount at end of year	198,515	118,320	406	14,587	19,034	350,862
Consolidated 2011						
Carrying amount at start of year	187,001	109,932	3,474	15,276	19,928	335,611
Additions	1,979	3,543	3,200	1,547	5,910	16,179
Disposals/Transfers	(1,497)	1,796	(3,538)		(156)	(3,395)
Revaluation gain credited to asset revaluation reserve	3,142	-	-	-	-	3,142
Impairment on valuation charged to profit and loss	(3,228)	-	-	-	-	(3,228)
Revaluation adjustment of plant & equipment	-	-	-	-	(232)	(232)
Depreciation/amortisation expense (Note 5)		(3,467)	-	(1,637)	(6,057)	(11,161)
Transfer to Property Assets held for sale	(445)	73	-	-	-	(372)
Carrying amount at end of year	186,952	111,877	3,136	15,186	19,393	336,544

16. NON-CURRENT ASSETS - Intangibles

	CONSOLIDATED 2012 $'000	2011 $'000
Goodwill	67,488	68,298
Franchise rights	44,816	44,816
Trade marks/brand names	5,217	4,897
	117,521	118,011
Movement - Goodwill		
Balance at the beginning of the financial year	68,298	65,316
Additional amounts recognised:		
- from business combinations during the year (Note 29(a))	-	3,482
Less: Impairment during the year (Note 16(b))	(810)	-
Less: Disposal of businesses	-	(500)
Balance at the end of the financial year	67,488	68,298
Movement - Franchise rights		
Balance at the beginning of the financial year	44,816	45,353
Less: Disposal of businesses	-	(537)
Balance at the end of the financial year	44,816	44,816
Movement - Trade marks/Brand names		
Balance at the beginning of the financial year	4,897	5,231
Purchase of brand name during the year	367	35
Less: Amortisation of Brand names	(47)	-
Less: Disposal of businesses	-	(369)
Balance at the end of the financial year	5,217	4,897

16. NON-CURRENT ASSETS - Intangibles (continued)

(a) Impairment tests for goodwill, franchise rights and trade marks / brand names

For the purpose of impairment testing, goodwill and other intangible assets with indefinite useful lives (being franchise rights and trade marks/brand names) are allocated to each of the consolidated entity's cash generating units (CGU), or groups of CGU's, that are expected to benefit from the synergies of the combinations. Each unit or groups of units to which goodwill and other indefinite life intangible assets is allocated represents the lowest level at which assets are monitored for internal management purposes and is not larger than an identified operating segment.

The CGU or groups of CGU's to which goodwill and other indefinite life intangible assets is allocated are as follows;

	CONSOLIDATED	
	2012	2011
	$'000	$'000
Automotive Dealership Operations:		
Goodwill	58,500	59,310
Franchise rights	40,316	40,316
Trade marks / brand names	4,167	3,847
	102,983	103,473
Truck Dealership Operations:		
Goodwill	8,988	8,988
Franchise rights	4,500	4,500
Trade marks / brand names	1,050	1,050
	14,538	14,538

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 to sell. 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 to sell 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.

The DCF model adopted by directors was based on the 2013 financial budgets approved by the Board, a 3% perpetual growth rate and a pre-tax discount rate of 11%. This growth rate does not exceed the long term average growth rate for the industry. The directors have applied a sensitivity analysis to the impairment assessment by increasing the discount rate by 2%. This analysis did not impact the goodwill impairment assessment.

(b) Impairment charge

The Directors' assessment in 2012 determined that goodwill and other intangible assets with indefinite useful lives was impaired to the extent of $810,000 (2011 - Nil) which has been recognised in respect of the above classes of intangible assets.

17. CURRENT LIABILITIES - Payables

	CONSOLIDATED	
	2012	2011
	$'000	$'000
Trade and other payables		
Trade payables (i)	58,339	52,960
Deferred Consideration - Share sale agreement (ii)	46,967	-
Other payables	37,520	35,857
	142,826	88,817

(i) 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.

(ii) A.P.Eagers Limited purchased 42,573,215 ordinary shares in Automotive Holdings Group Limited from PFV Pty Ltd and Jove Management Pty Ltd (Wheatley Family) on the 9th July 2012. Consideration for the purchase included a deferred payment of $46,967,099 in cash payable 4 July 2013.

18. Derivative financial instruments

		2012	2011
Interest rate swap contracts - cash flow hedges (i)			
	Current liabilities	817	490
Classified as:	Non-current liabilities	1,385	1,510
		2,202	2,000

(i) This is classified as a level 2 fair value measurement, being derived from inputs other than quoted prices that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). Refer further details relating to the derivative instruments per note 28.

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 28).

Bailment finance of the Group currently bears an average variable interest rate of 5.11% (2011 - 6.36%). It is policy to protect part of this finance exposure against increasing interest rates. Accordingly, the Group enters into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The swaps contracts in place cover approximately 41% (2011: 52%) of the bailment finance outstanding at the year end. The fixed interest rates ranged from 2.91% to 4.97% and average 4.13% (2011: 4.68%) and the variable rates were between 3.09% and 4.45% (2011: 4.43% and 4.91%). The contracts require settlement of net interest receivable or payable each 30 days.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve to the extent that the hedge is effective and re-classified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in profit or loss immediately.

At balance date, a loss from remeasuring the hedging instruments at fair value of $2,202,000 (2011: loss $2,000 000) has been recognised in equity in the hedging reserve (note 27(a)). No portion was ineffective.

	CONSOLIDATED	
	2012	2011
19. CURRENT LIABILITIES - Borrowings (secured)	$'000	$'000
(a) Bailment and finance lease payable		
Bailment finance	303,942	252,371
Finance lease payable	293	397
	304,235	252,768
(b) Leasebook liabilities	504	2,706

(i) Bailment finance
Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 5.11% p.a. applicable at 31 December 2012 (2011 - 6.36%)
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 28.
(iii) Fair value disclosures
Details of the Group's fair value of interest bearing liabilities is set out in note 28.
(iv) Security
Details of the security relating to each of the secured liabilities and further information on bank loans is set out in note 22.
(v) The leasebook liabilities are with Toyota Finance Corporation and are secured over the associated leased assets. The loans are under "back to back" lease arrangements with a weighted average interest rate of 8.32% (2011 - 7.93%)

20. CURRENT LIABILITIES - Current tax liabilities

	CONSOLIDATED	
	2012	**2011**
	$'000	**$'000**
Income tax	7,909	4,924

21. CURRENT LIABILITIES - Provisions

Employee benefits	11,746	11,272
Warranties	3,313	3,219
	15,059	14,491

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

	Warranties
Consolidated - 2012	**$'000**
Carrying amount at start of year	3,219
Additional provisions recognised	4,462
Payments charged against provisions	(4,368)
Carrying amount at end of year	3,313

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.

	CONSOLIDATED	
	2012	**2011**
	$'000	**$'000**
22. NON-CURRENT LIABILITIES - Borrowings (secured)		
(a) Leasebook liabilities (note 19(v))	8	822
(b) Borrowings - others		
Term facility	139,000	-
Bills payable	-	98,400
Capital Loan	70,000	65,000
Finance lease payables	97	329
	209,097	163,729
SECURED LIABILITIES		
Total secured liabilities (current and non-current) are:		
Term facility (i)	139,000	-
Bills payable (ii)	-	98,400
Capital Loan (ii)	70,000	65,000
Bank overdraft (ii)	-	-
Leasebook liabilities (iii)	512	3,528
Finance lease payables (iv)	390	726
Bailment finance (v)	303,942	252,371
Total secured liabilities	513,844	420,025

(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 excluding 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 bank overdraft, bills payable and Capital loan are 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) Leasebook liabilities are secured against associated leasebook receivables, and a charge over the assets of a specific subsidiary.
(iv) The finance lease liability is secured against associated leased assets.
(v) 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 and demonstrator vehicles included in inventories (bailment stock). Refer Note 10.

22. NON-CURRENT LIABILITIES - Borrowings (continued)

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

	CONSOLIDATED	
	2012	2011
	$'000	$'000
Non-current assets pledged as security -		
Freehold land and buildings -first mortgage	340,014	288,222
Other non-current assets	317,659	1,554
Current assets pledged as security -		
Inventories	303,942	252,371
Other current assets	110,261	2,971
Total assets pledged as security	1,071,876	545,118

FINANCING ARRANGEMENTS

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

	2012	2011
Total facilities		
Bank overdrafts (ii)	-	7,000
Bills facilities (i)	-	125,000
Term facility (iii)	139,000	-
Working Capital facility(includes bank overdraft)(v)	25,000	-
Capital Loan (iv)	70,000	70,000
Bailment finance (vi)	381,515	383,115
Bank guarantees	13,089	15,387
Revolving credit facility (ii)	-	15,000
Leasebook liabilities (vii)	512	3,528
Finance lease payables	390	726
	629,506	619,756
Used at balance date		
Bank overdrafts	-	-
Bills facilities	-	98,400
Term facility	139,000	-
Working Capital facility(includes bank overdraft)	-	-
Capital Loan	70,000	65,000
Bailment finance	303,942	252,371
Bank guarantees	11,487	12,567
Revolving credit facility	-	-
Leasebook liabilities	512	3,528
Finance lease payables	390	726
	525,331	432,592
Unused at balance date		
Bank overdrafts	-	7,000
Bills facilities	-	26,600
Term facility	-	-
Working Capital facility(includes bank overdraft)	25,000	-
Capital Loan	-	5,000
Bailment finance	77,573	130,744
Bank guarantees	1,602	2,820
Revolving credit facility	-	15,000
Leasebook liabilities	-	-
Finance lease payables	-	-
	104,175	187,164

22. NON-CURRENT LIABILITIES - Borrowings (continued)

ASSETS PLEDGED AS SECURITY (continued)

(i) Bills facilities at balance date were provided on a non-amortisable (interest only) basis subject to compliance with specific covenants and an annual review. Replaced with Term facility in 2012.
(ii) The revolving credit facility is utilised in conjunction with the bank overdraft facility to cover short term cash flow requirements. This facility is subject to annual review. Replaced with Working capital facility in 2012.
(iii) Term facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants for a fixed term.
(iv) Capital Loan facility at balance date was provided on a non-amortisable (interest only) basis for a fixed term.
(v) 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.
(vi) 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.
(vii) The lease book liability provides direct and specific funding to a portfolio of leases associated with the Bill Buckle Auto Group acquisition. New business is not being written under this facility and the leasebook liability will gradually wind down over a one year period in line with collection of the associated lease receivables.

		CONSOLIDATED	
		2012	**2011**
23. NON-CURRENT LIABILITIES - Deferred tax liabilities		**$'000**	**$'000**
Deferred tax liabilities		20,599	15,219
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Book versus tax carrying value of plant and equipment		2,002	2,048
Finance lease book		92	909
Inventory valuation		1,851	1,008
Prepayments		439	558
Provisions	- Doubtful Debts	(827)	(770)
	- Employee benefits	(9,516)	(8,657)
	- Warranties	(1,001)	(956)
	- Inventory write downs	(659)	(622)
Investment in associate		549	244
Sundry items		(1,184)	(130)
		(8,254)	(6,368)
Amounts recognised directly in equity			
Revaluation of available-for-sale investment		6,572	-
Revaluation of property, plant and equipment		22,942	22,187
Hedge liability		(661)	(600)
		28,853	21,587
Net deferred tax liabilities		20,599	15,219
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		15,219	15,990
Deferred tax assets relating to business combinations		-	(270)
Charged/ (credited) to profit and loss (Note 6)		(1,352)	(766)
Deferred tax recognised directly in equity			
- Revaluation of available-for-sale investment(Note 27(a))		6,572	-
- Revaluation of property plant and equipment (Note 27(a))		220	942
- Movement in fair value of cash flow hedge (Note 27(a))		(60)	(677)
Closing balance at 31 December		20,599	15,219

24. NON-CURRENT LIABILITIES - Provisions

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Employee benefits	5,336	3,902
Make good provision on leasehold premises - refer (a) and (b) below	1,767	1,767
	7,103	5,669
(a) A make good clause under a long term property lease has been recognised in the financial statements. The lessor of the property has been provided with a bank guarantee of $1,900,000 in respect of the estimated make good cost and rental costs.		
(b) Movement in the provision:		
Balance at start of year	1,767	1,767
Recognition of additional provision during the year	-	-
Carrying amount at end of year	1,767	1,767

Make good provision on leasehold improvements
A provision has been made for the expected cost of restoring the premises to its original condition at the end of the lease.

25. 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) automotive franchised retailing (ii) truck retailing (iii) property and (iv) Investment and all other, 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) Automotive Franchised Retailing
Within the Automotive Franchised 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.

(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 the Automotive Franchised 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) Investment and All Other
This segment includes dealerships within the non franchise market currently dealing in the used car market, the investment in One Way Traffic Pty Ltd, trading as Carsguide, and the investment in Automotive Holdings Group Limited

25. SEGMENT INFORMATION (continued)

Segment reporting 2012

	Automotive Franchised Retailing	Truck Retailing	Property	Investment and All Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Sales to external customers	2,145,293	400,395	457	82,472	-	2,628,617
Inter-segment sales	-	-	28,166	-	(28,166)	-
Total sales revenue	2,145,293	400,395	28,623	82,472	(28,166)	2,628,617
Other revenue	8,310	312	498	4,798	-	13,918
TOTAL REVENUE	2,153,603	400,707	29,121	87,270	(28,166)	2,642,535
SEGMENT RESULT						
Operating profit before interest	73,526	10,527	19,381	5,361	-	108,795
External interest expense allocation	(13,961)	(2,564)	(7,436)	(851)	-	(24,812)
OPERATING CONTRIBUTION	59,565	7,963	11,945	4,510	-	83,983
Share of net profit of equity accounted investments	1,673	-	-	-	-	1,673
Goodwill Impairment			-	(810)	-	(810)
Property revaluation	-	-	1,868	-	(735)	1,133
Profit on sale of property / businesses	99	-	(134)	-	-	(35)
SEGMENT PROFIT	61,337	7,963	13,679	3,700	(735)	85,944
Unallocated corporate expenses						(7,209)
PROFIT BEFORE TAX						78,735
Income tax expense						(23,184)
NET PROFIT						55,551
Depreciation and amortisation	5,907	1,326	4,149	213	-	11,595
Non cash expenses (reversal of expenses) other than depreciation and amortisation	2,115	696	-	146	-	2,957
Impairment of trade receivables	(103)	38	-	2	-	(63)
Write down (back) of inventories to net realisable value	1,415	(153)	-	(93)	-	1,169
ASSETS						
Segment assets	522,757	133,437	350,901	170,983	-	1,178,078
LIABILITIES						
Segment liabilities	343,917	98,657	163,688	103,280	-	709,542
NET ASSETS	178,840	34,780	187,213	67,703	-	468,536
Acquisitions of non current assets, including assets of businesses acquired	4,971	1,868	23,543	160,668	-	191,050

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 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 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 Automotive Franchised Retailing and Truck Retailing segments. Bills payable/ Term Facility funding costs are allocated to the Automotive Franchised Retailing , Truck Retailing and Property 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.

25. SEGMENT INFORMATION (continued)

Segment reporting 2011

	Automotive Franchised Retailing	Truck Retailing	Property	All Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
Sales to external customers	1,971,283	323,053	715	90,059	-	2,385,110
Inter-segment sales	-	-	28,039	-	(28,039)	-
Total sales revenue	1,971,283	323,053	28,754	90,059	(28,039)	2,385,110
Other revenue	12,692	470	423	-	-	13,585
TOTAL REVENUE	1,983,975	323,523	29,177	90,059	(28,039)	2,398,695
SEGMENT RESULT						
Operating profit before interest	63,971	7,218	20,075	338	-	91,602
External interest expense allocation	(14,778)	(2,943)	(8,009)	-	-	(25,730)
OPERATING CONTRIBUTION	49,193	4,275	12,066	338	-	65,872
Share of net profit of equity accounted investments	562	-	-	-	-	562
Business acquisition costs	(202)	(126)	-	-	-	(328)
Property revaluation	-	-	(86)	-	(3,142)	(3,228)
Profit on sale of property / businesses	1,723	-	16	-	-	1,739
SEGMENT PROFIT	51,276	4,149	11,996	338	(3,142)	64,617
Unallocated corporate expenses						(6,464)
PROFIT BEFORE TAX						58,153
Income tax expense						(17,864)
NET PROFIT						40,289
Depreciation and amortisation	5,805	1,214	3,970	172	-	11,161
Non cash expenses (reversal of expenses) other than depreciation and amortisation	871	758	-	(61)	-	1,568
Impairment of trade receivables	128	60	-	4	-	192
Write down (back) of inventories to net realisable value	(616)	197	-	(12)	-	(431)
ASSETS						
Segment assets	473,419	108,824	338,155	11,362	-	931,760
LIABILITIES						
Segment liabilities	292,360	91,419	164,730	2,636	-	551,145
NET ASSETS	181,059	17,405	173,425	8,726	-	380,615
Acquisitions of non current assets, including assets of businesses acquired	8,222	2,510	8,778	2,530	-	22,040

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 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 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 Automotive Franchised Retailing and Truck Retailing segments. Bills payable funding costs are allocated to the Automotive Franchised Retailing , Truck Retailing and Property 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.

	CONSOLIDATED	
	2012	2011
	$'000	$'000
26. CONTRIBUTED EQUITY		
(a) Paid up capital		
Ordinary shares fully paid	206,277	162,047

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-11	Balance	31,457,708		163,340
18-Mar-11	Issue of shares to staff under share incentive schemes	56,420	$10.11	570
1-Jan-11 to 31-Dec-11	Cancellation of shares under the buy-back scheme (see note (d) below)	(153,544)	$12.14 (average price)	(1,863)
01-Jan-12	Balance	31,360,584		162,047
1-Jan-12 to 15-Feb-12	Cancellation of shares under the buy-back scheme (see note (d) below)	(31,569)	$12.38 (average price)	(391)
28-Feb-12	Issue of shares to staff under share incentive schemes	84,420	$10.56	892
		31,413,435		
24-May-12	Share split effected - 5 for 1	157,067,175		-
09-Jul-12	Issue of shares to Wheatley Family as part consideration for purchase of shares in Automotive Holdings Group Limited	10,193,381	$3.12	31,804
31-Aug 12 to 17-Sep-12	Issue of shares to staff under share incentive schemes	126,635	$2.42	306
27-Sep-12	Dividend reinvestment Plan shortfall underwritten by broker	1,111,839	$3.55	3,949
	Underwriting commission paid to broker			(98)
05-Oct-12	Issue of shares under Dividend Reinvestment Plan	2,187,528		7,768
31-Dec-12	Balance	170,686,558		206,277

(c) The company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares to date have been issued under the plan at a 7.5% discount to the market price. The plan was fully underwritten by the broker, RBS Morgan.

(d) On 25 October 2011 the company announced to the Australian Securities Exchange that it intends to buy-back up to a maximum of 10% of its issued capital within one year, subject to market conditions. The final share buy back notice was issued 9th November 2012.

The buy-backs reflect the company's focus on maintaining an efficient statement of financial position through active capital management.

	CONSOLIDATED	
	2012	2011
27. RESERVES AND RETAINED PROFITS	$'000	$'000
(a) Reserves:		
Property, plant and equipment revaluation reserve	71,053	70,540
Hedging reserve - cash flow hedge	(1,542)	(1,400)
Share-based payments reserve	5,791	5,189
Investment revaluation reserve	15,334	-
	90,636	74,329

	CONSOLIDATED	
	2012	2011
	$'000	$'000

27. RESERVES AND RETAINED PROFITS (continued)

Movements:

	2012 $'000	2011 $'000
Property, plant and equipment revaluation reserve :		
Balance at beginning of the financial year	70,540	68,340
Revaluation surplus (deficit) during the year - gross (Note 15)	735	3,142
Transfer to retained earnings relating to properties sold	-	-
Deferred tax (Note 23)	(222)	(942)
Balance at the end of the financial year	71,053	70,540
Hedging reserve - cash flow hedge:		
Balance at beginning of the financial year	(1,400)	181
Transfer to profit and loss	2,000	(258)
Transfer to derivative financial instruments (gross)	(2,202)	(2,000)
Deferred tax (note 23)	60	677
Balance at the end of the financial year	(1,542)	(1,400)
Share-based payments reserve:		
Balance at beginning of the financial year	5,189	2,621
Share based payments	1,494	3,138
Transfer to share capital (shares issued)	(892)	(570)
Balance at the end of the financial year	5,791	5,189
Investment revaluation reserve:		
Balance at beginning of the financial year	-	-
Gain on revaluation of available-for-sale investment	21,906	-
Deferred tax (note 23)	(6,572)	-
Balance at the end of the financial year	15,334	-

(b) Retained earnings

	2012 $'000	2011 $'000
Retained profits at the beginning of the financial year	143,795	125,334
Net profit for the year	55,370	40,194
Dividends provided for or paid (note 7)	(28,052)	(21,733)
Retained profits at the end of the financial year	171,113	143,795

27. RESERVES AND RETAINED PROFITS (continued)

(c) Nature and purpose of reserves.

(1) 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).

(2) Hedging reserve

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

(3) 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 34 and 35.

(4) Investment revaluation reserve

The investments revaluation reserve represents the cumulatve 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.

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

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.

28. FINANCIAL INSTRUMENTS (continued)

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
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 22.

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.

Interest rate risk

The Group is exposed to interest rate risk as a consequence of its financing facilities as set out in Notes 19 & 22. 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 40% and 60% of its borrowings at fixed rates of interest. As at 31 December 2012, approximately 53% (2011: 60%) of the Group's borrowings were at a fixed rate of interest.
The Group hedges part of the interest rate risk (see Note 18) by swapping floating for fixed interest rates.

The Group adopts a policy that approximately 50% of its exposure to the changes in interest rates on its variable rate borrowings relating to inventories is hedged on a fixed rate basis. Seven interest rate swaps denominated in Australian dollars have been entered into towards this policy. These swaps mature between 11th June 2013 and 3 November 2014 and have a fixed rate between 2.91% and 4.97% .
At 31 December 2012 the notional average contract amount of these seven swaps was $21 million. The consolidated entity classifies interest rate swaps as cash flow hedges.

The net fair value of the swap at 31 December 2012 was $2,202,000 liability (2011:$2,000,000 liability) and has been recognised in equity for the consolidated entity.

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 would increase/decrease by $889,000 (2011: $941,000) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

28. FINANCIAL INSTRUMENTS (continued)

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	
Outstanding floating for fixed contracts	2012 %	2011 %	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Less than 1 year	4.74%	5.03%	67,500	65,000	(817)	(488)
Between 1 - 2 years	3.74%	4.79%	103,700	65,000	(1,385)	(1,126)
Between 2 - 3 years	-	4.18%	-	60,000	-	(386)
	4.13%	4.68%	171,200	190,000	(2,202)	(2,000)

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.

CREDIT RISK

Exposure to Credit Risk

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

	CONSOLIDATED	
	2012 **$'000**	**2011** **$'000**
Trade and other receivables	100,349	99,986
Less: Provision for doubtful receivable	2,504	2,567
	97,845	97,419

Impairment Losses

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

28. FINANCIAL INSTRUMENTS (continued)

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 (2011: fair value).

	CARRYING AMOUNT		FAIR VALUE	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other receivables net of doubtful debts	97,845	97,419	97,845	97,419
Derivative financial instrument	-	-	-	-
Cash and cash equivalents	8,716	13,279	8,716	13,279
	106,561	110,698	106,561	110,698
Financial liabilities				
Bills payable and fully drawn advances	139,000	98,400	139,000	98,400
Capital Loan	70,000	65,000	70,000	65,000
Vehicle bailment	303,942	252,371	303,942	252,371
Bank overdraft		-	-	-
Deferred Consideration Sale Share agreement	46,967	0	46,967	0
Leasebook liability	512	3,528	512	3,528
Finance lease payables	390	726	390	726
Trade and other payables	95,859	88,817	95,859	88,817
Derivative financial instrument	2,202	2,000	2,202	2,000
	658,872	510,842	658,872	510,842

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 quotes 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.

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 amount 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.

28. FINANCIAL INSTRUMENTS (continued)

At 31 December 2012

INTEREST BEARING	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
Floating rate							
Financial assets							
Cash and cash equivalents	8,716	-	-	-	-	-	8,716
Loan Receivable	186	399	-				585
Leasebook receivables	870	94	-	-	-	-	964
	9,772	493	-	-	-	-	10,265
Average interest rate	4.06%	7.10%					
Financial liabilities							
Vehicle bailment (current)	307,825	-	-	-	-	-	307,825
Fully Drawn Advances	1,463	21,633	7,702				30,798
Capital Loan (Non-Current)	3,633	3,633	3,633	3,633	3,633	84,859	103,024
	312,921	25,266	11,335	3,633	3,633	84,859	441,647
Average interest rate	5.13%	5.19%	5.21%	5.19%	5.19%	5.19%	
Fixed rate							
Financial liabilities							
Bills payable and fully drawn advances (1)	74,762	33,011	9,756	-	-	-	117,529
Leasebook liabilities	526	8	-	-	-	-	534
Finance lease payables	323	100	-	-	-	-	423
	75,611	33,119	9,756	-	-	-	118,486
Average Interest Rate	5.95%	5.27%	5.38%				
NON INTEREST BEARING							
Financial assets							
Trade debtors	96,444	-	-	-	-	-	96,444
Financial liabilities							
Trade and other payables	95,859	-	-	-	-	-	95,859
Deferred Consideration Share Sale Agreement	46,967	-	-	-	-	-	46,967
Derivative financial instrument	2,202	-	-	-	-	-	2,202
	145,028	0	0	0	0	0	145,028

(1) The amount included above in Bills payable and fully drawn advances relate to both fixed rate bills and advances and variable rate bills and advances that are hedged to fixed rates.

28. FINANCIAL INSTRUMENTS (continued)

At 31 December 2011

INTEREST BEARING	**Less than 1 year**	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**5+ years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Floating rate							
Financial assets							
Cash and cash equivalents	13,279	-	-	-	-	-	13,279
Loan Receivable	331	379	-				710
Leasebook receivables	2,980	1,356	-	-	-	-	4,336
	16,590	1,735	-	-	-	-	18,325
Average interest rate	5.47%	8.06%					
Financial liabilities							
Vehicle bailment (current)	256,640	-	-	-	-	-	256,640
Capital Loan (Non-Current)	4,368	4,368	69,368	-	-	-	78,104
	261,008	4,368	69,368	0	-	-	334,744
Average interest rate	6.76%	6.72%	6.72%				
Fixed rate							
Financial liabilities							
Bills payable and fully drawn	54,715	53,324	-	-	-	-	108,039
advances			-	-	-	-	-
Leasebook liabilities	2,986	887	-	-	-	-	3,873
Finance lease payables	487	369	-	-	-	-	856
	58,188	54,580	-	-	-	-	112,768
Average Interest Rate	7.13%	6.29%					
NON INTEREST BEARING							
Financial assets							
Trade debtors	92,924	-	-	-	-	-	92,924
Financial liabilities							
Trade and other payables	88,817	-	-	-	-	-	88,817
Derivative financial instrument	2,000	-	-	-	-	-	2,000
	90,817	0	0	0	0	0	90,817

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.

29. INVESTMENTS IN SUBSIDIARIES

Name of entity		Equity holding 2012 %	Equity holding 2011 %
Eagers Retail Pty Ltd	*	100	100
Eagers MD Pty Ltd		91	91
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

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')		2012 $'000	2011 $'000
Financial position			
Assets			
Current assets			-
Non-current assets		321,233	232,882
Total assets		321,233	232,882
Liabilities			
Current liabilities		7,753	4,047
Non-current liabilities		6,568	-
Total liabilities		14,321	4,047
Equity			
Issued capital		206,277	162,047
Retained earnings		77,826	59,915
Reserves	- Asset revaluation reserve	1,684	1,684
	- Investment revaluation reserve	15,334	-
	- Share based payments reserve	5,791	5,189
		306,912	228,835
Financial performance			
Profit for the year		45,963	32,522
Other comprehensive income		15,334	-

29. INVESTMENTS IN SUBSIDIARIES (continued)

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 2012. 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 2012 and their aggregate net profits after tax for the year ended 31 December 2012 were as follows:

	2012	2011
	$'000	$'000
Assets	1,178,078	916,026
Liabilities	709,542	534,792
Net profit after tax	55,370	41,014

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 30(a) and 30(b) in respect of guarantees entered into by the parent entity in relation to debts of its subsidiaries.

(a) Acquisition of businesses

The Group did not acquire any significant new business during the current year.

The Group acquired various businesses during the previous year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2011	Eblen Subaru	01-Mar-11	Motor Dealership	100%
2011	Daimler Benz Adelaide	29-Aug-11	Truck Dealership	100%

During 2011 the acquired businesses contributed revenues of $39,039,000 and profit before tax of $898,000 .
If the acquisitions had occurred on 1 January 2011, the consolidated revenue and the consolidated profit before tax would have been $2,406 million and $ 62 million respectively.

Allocation of purchase consideration

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

	Eblen Subaru	Daimler Benz Adelaide	2011 Total consolidated
	$'000	$'000	$'000
Cash consideration	5,864	2,162	8,026
Total purchase consideration	5,864	2,162	8,026
Fair Value of net identifiable tangible assets	4,881	1,662	6,543
Goodwill	983	500	1,483
	5,864	2,162	8,026

	2011 Consolidated fair value at acquisition date
Net assets acquired	
	$'000
Inventory	5,111
Property, plant and equipment	3,676
Deferred tax assets	164
Creditors, borrowings and provisions	(4,407)
Identifiable intangible assets	1,999
Net assets acquired	6,543
Acquisition cost	8,026
Goodwill on acquisition (i)	1,483

(i) Goodwill arose in the business combinations because as at the date of acquisition the consideration paid for the combination included amounts in relation to the benefit of expected synergies and future revenue and profit growth from the businesses acquired. In the previous year, the amount allocated to goodwill was provisionally determined.

29. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Disposal of businesses

There were no significant businesses disposed during the year.

During 2011 the Group disposed of its Audi business in Brookvale (NSW) for $3,500,000 and Peugeot business in Brisbane (Queensland) for $520,000 resulting in a net gain of $1,693,000

30. 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 2012 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 2012.
Under the deed of cross guarantee each company guarantees the debts of the other companies.
The maximum exposure of the parent entity in relation to the cross guarantees is $695,221,000 (2011 :$530,745,000).

	CONSOLIDATED	
	2012	**2011**
31. COMMITMENTS FOR EXPENDITURE	**$'000**	**$'000**
Capital Commitments		
Commitments for the construction of buildings and acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	1,923	5,792
Finance Lease Liabilities		
Commitments for minimum lease payments in relation to leasebook & finance Lease liabilities are payable as follows:		
Within 1 year	849	3,473
Later than 1 year but not later than 5 years	108	1,256
Later than 5 years	-	-
	957	4,729
Less future finance charges	(55)	(475)
Present value of minimum lease payments	902	4,254
Operating Lease Commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases for premises are payable as follows:		
Within 1 year	14,798	15,694
Later than 1 year but not later than 5 years	31,621	36,764
Later than 5 years	15,523	19,545
	61,942	72,003

The consolidated entity leases property under non-cancellable operating leases with expiry dates between 31 January 2013 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.

	CONSOLIDATED	
	2012	2011
	$	$
32. 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	511,125	519,500
Amounts received or due and receivable by related entities of Deloitte for:		
- other services in relation to the parent entity and any other entity in the consolidated entity	72,818	151,725
	583,943	671,225

33. SUBSEQUENT EVENTS

Nil.

34. 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 with authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly during the financial year:

(a) Details of key management personnel

(I) Directors	B W Macdonald		Chairman (non-executive)
	M A Ward		Managing Director and Chief Executive Officer
	P W Henley		Director (non-executive)
	N G Politis		Director (non-executive)
	D T Ryan		Director (non-executive)
	T.B Crommelin		Director (non-executive)
	D.A. Cowper	- appointed 1 July 2012	Director (non-executive)
(ii) Executives	S G Best		Chief Financial Officer
	M Raywood		Human Resource Manager
	K T Thornton		General Manager - Queensland and Northern Territory
	D G Stark		General Counsel/Company Secretary

(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	
	2012	2011
	$	$
Short term	3,386,966	3,127,439
Post employment	177,124	182,666
Share based payment	1,105,509	1,937,538
	4,669,599	5,247,643

(c) Option holdings of key management personnel
Details of options held by key management personnel can be found in Note 34 (g).

34. KEY MANAGEMENT PERSONNEL (continued)

(d) Relevant Interest in shares held by key management personnel

2012		At 01-Jan-12	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	At 31-Dec-12
Directors	B W Macdonald	421,875	-	-	-	-	421,875
	M A Ward	2,704,840	-	82,440	1,000	-	2,788,280
	N G Politis	59,580,340	1,207,612	-	2,147,401	-	62,935,353
	P W Henley	83,315	-	-	17,770	-	101,085
	T.B Crommelin	272,380	6,229	-	43,660	-	322,269
	D.A.Cowper	-	-	-	8,000	-	8,000
Executives	K Thornton	237,540	-	48,015	-	-	285,555
	M Raywood	62,925	-	10,170	-	-	73,095
	S G Best	72,735	-	32,010	-	-	104,745
	D G Stark	38,575	-	14,875	-	-	53,450
		63,474,525	1,213,841	187,510	2,217,831	-	67,093,707

2011		At 01-Jan-11	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	At 31-Dec-11
Directors	B W Macdonald	421,875	-	-	-	-	421,875
	M A Ward	2,648,865	-	36,890	19,085	-	2,704,840
	N G Politis	59,421,915	-	-	158,425	-	59,580,340
	P W Henley	83,315	-	-		-	83,315
	T.B Crommelin	233,980	-	-	38,400	-	272,380
Executives	K Thornton	214,950	-	22,590	-	-	237,540
	M Raywood	53,255	-	9,670	-	-	62,925
	S G Best	42,615	-	30,120	-	-	72,735
	D G Stark	24,430	-	14,145	-	-	38,575
		63,145,200	-	113,415	215,910	-	63,474,525

(e) Loans to key management personnel
There are no loans to key management personnel

(f) Other transactions with key management personnel
Other transactions with key management personnel are detailed in note 36: Related parties

34. KEY MANAGEMENT PERSONNEL (continued)

(g) Share Based Payments

Plan A: EPS Performance Rights and Options - Key Executives

The Group commenced a new 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 28 August 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	27-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%

Performance Options

Award date 28 August 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	27-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, General Manager Kloster Motor Group and 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	28-Aug-09	31-Dec-10	28-Aug-16	$ 1.66
112,035	28-Aug-09	31-Dec-11	28-Aug-16	$ 1.56
118,880	28-Aug-09	31-Dec-12	28-Aug-16	$ 1.47
126,265	28-Aug-09	31-Dec-13	28-Aug-16	$ 1.39
134,205	28-Aug-09	31-Dec-14	28-Sep-17	$ 1.30

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
381,945	28-Aug-09	31-Dec-10	28-Aug-16	$ 0.36
475,545	28-Aug-09	31-Dec-11	28-Aug-16	$ 0.36
472,975	28-Aug-09	31-Dec-12	28-Aug-16	$ 0.37
475,545	28-Aug-09	31-Dec-13	28-Aug-16	$ 0.37
465,430	28-Aug-09	31-Dec-14	27-Sep-17	$ 0.38

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 Performance Options relating to the 31 December 2012 Performance Period as set out above have vested since balance date.

The fair value of the performance rights and options was estimated as $1,675,000 (2011:$1,558,333) in total, with a cumulative expense being recognised at 31 December 2012 of $1,462,981 (2011: $1,160,545).

34. KEY MANAGEMENT PERSONNEL (continued)

(g) Share Based Payments (continued)

Plan B: EPS Performance Rights and Options - Managing Director

The Group commenced a new Earnings Per Share (EPS) based performance rights and option compensation scheme for the Managing Director 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:

Performance Rights

Award date 28 May 2010					
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	27-Sep-17
Share price at grant date	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Expected life	0.8 years	1.8 years	2.8 years	3.8 years	4.8 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	4.87%	4.97%	5.02%	5.08%	5.19%
Dividend yield	4.90%	4.90%	4.90%	4.90%	4.90%

Performance Options

Award date 28 May 2010					
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	27-Sep-17
Share price at grant date	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Exercise price	$ 1.82	$ 1.82	$ 1.82	$ 1.82	$ 1.82
Expected life	3.5 years	4.0 years	4.5 years	5.0 years	6.1 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	4.87%	4.97%	5.02%	5.08%	5.19%
Dividend yield	4.90%	4.90%	4.90%	4.90%	4.90%

The Managing Director has been granted rights and options under the EPS share incentive plan (Plan B). 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
36,890	28-May-10	31-Dec-10	28-Aug-16	$ 2.40
82,440	28-May-10	31-Dec-11	28-Aug-16	$ 2.29
89,000	28-May-10	31-Dec-12	28-Aug-16	$ 2.18
94,890	28-May-10	31-Dec-13	28-Aug-16	$ 2.07
105,140	28-May-10	31-Dec-14	28-Sep-17	$ 1.97

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
416,665	28-May-10	31-Dec-10	28-Aug-16	$ 0.81
815,215	28-May-10	31-Dec-11	28-Aug-16	$ 0.81
810,810	28-May-10	31-Dec-12	28-Aug-16	$ 0.81
815,215	28-May-10	31-Dec-13	28-Aug-16	$ 0.80
797,870	28-May-10	31-Dec-14	27-Sep-17	$ 0.81

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 Performance Options relating to the 31 December 2012 Performance Period as set out above have vested since balance date.

The fair value of the performance rights and options was estimated as $4,067,630 (2011:$3,543,395) in total, with a cumulative expense being recognised at 31 December 2012 of $3,459,213 (2011:$2,368,458).

35. OTHER SHARE BASED PAYMENTS

Recognised share-based payments expenses

Refer Note 27 for movements on share based payments reserve.

Plan C: EPS Performance Rights and Options - Senior Management (A)

The Group commenced a new 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:

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 General Counsel & Company Secretary and Group Human Resource Manager. 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
139,285	27-Jan-10	31-Dec-10	27-Jan-17	$ 2.28
186,975	27-Jan-10	31-Dec-11	27-Jan-17	$ 2.17
196,770	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
597,705	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

Rights for 8,000 shares and options for 20,000 shares were forfeited during the year. As a result of the EPS and interest cover targets being achieved the Performance Rights and Performance Options relating to the 31 December 2012 Performance Period have vested since balance date.

The fair value of the performance rights and options was estimated as $2,151,641 (2011: $2,183,491) in total, with a cumulative expense being recognised at 31 December 2012 of $2,151,641 (2011: $1,898,354). The cumulative expense recognised in respect of key management personnel included in this plan recognised at 31 December 2012 was $325,800 (2011: $286,309)

35. OTHER SHARE BASED PAYMENTS (continued)

Plan D: EPS Performance Rights and Options - Senior Management (B)

The Group commenced a new 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:

Performance Rights

Award date 22 October 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 22 October 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 D). 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	22-Oct-10	31-Dec-10	27-Jan-17	$ 2.47
40,650	22-Oct-10	31-Dec-11	27-Jan-17	$ 2.35
42,735	22-Oct-10	31-Dec-12	27-Jan-17	$ 2.23

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
39,825	22-Oct-10	31-Dec-10	27-Jan-17	$ 0.48
187,785	22-Oct-10	31-Dec-11	27-Jan-17	$ 0.51
181,365	22-Oct-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 Performance Options relating to the 31 December 2012 Performance Period have vested since balance date.

The fair value of the performance rights and options has been estimated as $419,936 (2011: $419,936) in total, with a cumulative expense being recognised at 31 December 2012 of $419,936 (2011: $331,882).

36. RELATED PARTIES

Key Management Personnel
Other information on key management personnel has been disclosed in the Directors report.

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

Other transactions of directors and director related entities
The aggregate amount of "Other transactions" with key management personnel are as follows:

(i) Mr N G Politis is a director and shareholder of a number of companies involved in the motor industry with whom the consolidated entity transacts business. These transactions, sales of $603,322 (2011 :$658,209) and purchases of $344,029 (2011: $419,364) 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) 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 in the wholly-owned group is A.P. Eagers Limited. Information relating to the wholly-owned group is set out in note 29.

37. EARNINGS PER SHARE

	CONSOLIDATED	
	2012	2011
	Cents	Cents
(a) Basic earnings per share		
Earnings attributable to the ordinary equity holders of the company	34.0	25.5
(b) Diluted earnings per share		
Earnings attributable to the ordinary equity holders of the company	33.2	25.2

(c) Reconciliations of earnings used in calculating earnings per share	CONSOLIDATED	
	2012	2011
Basic Earnings per Share	$' 000	$' 000
Profit for the year	55,551	40,289
Less: attributable to non-controlling interest	(181)	(95)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	55,370	40,194
Diluted Earnings per Share		
Profit for the year	55,551	40,289
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	55,370	40,194
Weighted average number of ordinary shares outstanding during the year	162,736,656	157,324,305
Adjustments for calculation of diluted earnings per share		
- Performance rights and options	4,025,937	2,001,385
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	166,762,593	159,325,690

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

	CONSOLIDATED	
	2012	2011
	$'000	$'000
Net profit after tax	55,551	40,289
Depreciation and amortisation	11,595	11,161
Profit on sale of property, plant and equipment	135	(46)
Share of profits of associates	(1,673)	(562)
Dividends from investments	656	820
Employee share scheme expense	1,494	3,138
Non cash impairment adjustments	(323)	3,228
Profit on sale of business	0	(1,693)
(Increase) decrease in assets -		
Receivables	(363)	501
Inventories	(73,593)	(8,345)
Prepayments	(417)	(76)
Increase (decrease) in liabilities -		
Creditors (including bailment finance)	59,003	19,895
Provisions	1,939	183
Taxes payable	1,632	(3,975)
Net cash inflow from operating activities	55,636	64,518

39. NON-CASH TRANSACTIONS

Payment of dividends totalling $11,717,103 (2011: Nil) under the Dividend Reinvestment Plan were settled by the issue of 3,299,367 ordinary shares (2011: Nil shares).

40. INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

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

	OWNERSHIP INTEREST		CONSOLIDATED	
	2012	**2011**	**2012**	**2011**
	%	**%**	**$'000**	**$'000**
Unlisted Securities	20.68%	20.76%	3,461	2,445
M T Q Insurance Services Limited				

The investment in M T Q Insurance Services Limited was equity accounted from 1 January 2006 (refer Note 14)
M T Q Insurance Services Limited is incorporated in Australia. Its principal activities are the sale of consumer credit and insurance products, as well as undertaking investment activities.

	CONSOLIDATED	
	2012	**2011**
	$'000	**$'000**
(b) Movement in the carrying amounts of investment in associate -		
Carrying amount at the beginning of the financial year	2,445	2,703
Equity share of profit/(loss) from ordinary activities after income tax	1,673	562
Dividends received during current year	(657)	(820)
Carrying amount at the end of the financial year	3,461	2,445
(c) Summarised financial information of associate		
The aggregate profits, assets and liabilities of associate are:		
Revenue	33,607	28,949
Profits (losses) from ordinary activities after income tax expense	5,239	4,749
Assets	74,732	63,794
Liabilities	55,570	46,707
(d) Share of associate's profit		
(based on the last published results for the 12 month's to 30 June 2012 plus unaudited results for the 6 months to 31 December 2012)		
Profit from ordinary activities before income tax	2,390	803
Income tax expense	(717)	(241)
Profit (loss) from ordinary activities after income tax	1,673	562
(e) Share of associate's expenditure commitments		
Lease commitments	191	224
(f) Dividends received from associates	657	820

(g) Reporting date of associate

The associate reporting dates are 30 June annually.