

BP Established 1913
EAGERS

2017 ANNUAL REPORT

5 YEAR FINANCIAL SUMMARY

Year ended 31 December	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
OPERATING RESULTS					
REVENUE	4,058,779	3,833,222	3,246,376	2,858,113	2,672,813
EBITDA	176,668	179,776	163,077	138,081	122,252
Depreciation and amortisation	(16,651)	(13,993)	(13,216)	(12,583)	(12,354)
Impairment charge	210	-	(7,610)	(578)	-
EBIT	160,227	165,783	142,251	124,920	109,898
Finance costs	(24,598)	(24,378)	(21,293)	(22,080)	(23,188)
PROFIT BEFORE TAX	135,629	141,405	120,958	102,840	86,710
Income tax expense	(37,456)	(35,879)	(33,943)	(26,150)	(22,748)
Non-controlling interest in subsidiary	(2,146)	(1,542)	(798)	(460)	(353)
ATTRIBUTABLE PROFIT AFTER TAX	96,027	103,984	86,217	76,230	63,609

OPERATING STATISTICS

Basic earnings per share - cents	50.3	55.4	47.6	43.0	36.4
Dividends per share - cents	36.0	35.0	32.0	27.0	23.0
Dividend franking - %	100	100	100	100	100

As at 31 December	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
FUNDS EMPLOYED					
Contributed equity	369,028	364,449	296,060	242,070	231,205
Reserves	38,131	55,398	105,375	99,020	108,612
Retained earnings	367,855	335,779	293,435	242,480	198,369
Non-controlling interest in subsidiary	10,761	8,166	8,139	7,486	939
Total equity	785,775	763,792	703,009	591,056	539,125
Non-current liabilities	276,092	319,846	228,479	241,875	246,082
Current liabilities	762,904	670,796	557,922	525,067	431,658
Total liabilities	1,038,996	990,642	786,401	766,942	677,740
TOTAL FUNDS EMPLOYED	1,824,771	1,754,434	1,489,410	1,357,998	1,216,865

REPRESENTED BY

Property plant and equipment	361,121	354,710	291,298	292,485	344,956
Intangibles	309,414	298,908	160,762	165,733	125,259
Available-for-sale investments	288,033	264,817	281,817	234,391	195,195
Other non-current assets	22,600	22,505	35,440	30,233	5,764
Property assets held for resale	-	-	-	27,781	21,612
Other current assets	843,603	813,494	720,093	607,375	524,079
TOTAL ASSETS	1,824,771	1,754,434	1,489,410	1,357,998	1,216,865

OTHER STATISTICS

Net tangible asset backing per share - \$	2.49	2.44	2.95	2.38	2.34
Shares on issue - '000	191,008	190,493	184,074	178,519	176,548
Number of shareholders	5,442	5,206	5,062	4,517	4,636
Total Debt ⁽¹⁾	793,544	769,525	614,280	579,799	514,889
Net debt (total debt less bailment finance less cash) - \$'000	238,523	266,035	172,611	198,467	199,001
Gearing ratio (debt/debt plus equity) - %	50.2	50.2	46.6	49.5	48.8
Gearing ratio (net debt/net debt plus total equity) - %	23.3	25.8	19.7	25.1	27.0

(1) Bailment Finance

Bailment finance is a form of financing peculiar to the motor industry, which is provided by financiers on a vehicle by vehicle basis. It is short-term in nature, is generally secured by the vehicle being financed and is principally represented on the borrower's balance sheet as vehicle inventory with the liability reflected under current liabilities. Because of its short-term nature, it is excluded from net debt and the corresponding gearing ratio.

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ANNUAL GENERAL MEETING

Our Annual General Meeting will be held at our registered office, 5 Edmund Street, Newstead, Queensland, on Wednesday 16 May 2018 at 9.00 am.

FINANCIAL CALENDAR

2017 financial year end	31 December 2017
Full year results announcement	21 February 2018
Final dividend announcement	21 February 2018
Final dividend record date	29 March 2018
Final dividend payment date	18 April 2018
Annual General Meeting	16 May 2018
Half year end	30 June 2018
Half year results announcement*	22 August 2018
Interim dividend announcement*	22 August 2018
Interim dividend record date*	Mid-September 2018
Interim dividend payment date*	Early October 2018
2018 financial year end	31 December 2018

* estimate only, subject to changes notified to the ASX.

COMMUNITY DRIVEN

In 2017 we continued our long history of supporting local communities and charities through various fund raising activities conducted by our dealerships in Northern Territory, Queensland, New South Wales, Victoria, Tasmania and South Australia.

The support for these communities and charities during 2017 exceeded \$800,000.



NUMEROUS CHARITIES AND WORTHWHILE CAUSES BENEFITTED FROM OUR FUNDRAISING INITIATIVES DURING 2017 INCLUDING:

NORTHERN TERRITORY Camp Quality • St Johns Ambulance •
Alzheimers' NT • Riding for the Disabled NT.

QUEENSLAND Life Flight • Ronald McDonald House (NQ) •
Mooloolaba Surf Life Saving Club • RSPCA (Brisbane &
Toowoomba) • Childrens' Hospital Christmas Appeal •
Cancer Council.

NEW SOUTH WALES NSW Rural Fire Services • Crohns &
Colitis Disease Australia • Newcastle Meals on Wheels •
Autism Awareness • Surf Life Saving Sydney Northern Beaches.

VICTORIA Autism Awareness • Very Special Kids Foundation •
Rotary Club of Werribee • Rotary Club of Castlemaine.

TASMANIA Hobart City Mission • Launceston City Mission.

SOUTH AUSTRALIA RSB Guide Dogs • Living With Limits
Foundation • Youth Opportunities Foundation • Novita
Childrens' Service • Riding For Disabled.

*Our commitment to community support for over 100 years
led to the establishment of the A.P. Eagers Foundation in 2013.*

*By utilising the growing scale of our dealership network, the
Foundation enhances our ability to support the communities
in which we operate.*

VISION

To actively contribute in meaningful and sustainable ways to communities, families in need and other worthy causes.

MISSION

To provide support and assistance to these community-focussed initiatives, by engaging the collaboration of A.P. Eagers and its automotive industry network, employees and other stakeholders.

OBJECTIVES

- > To encourage and support engagement by A.P. Eagers and its stakeholders in these initiatives.
- > To secure voluntary assistance through financial support, sponsorship, skills transfer and in-kind donations to worthy and well-run organisations and other causes.
- > To deliver 100 cents of every dollar donated to the intended recipients.
- > To operate with the highest standards of integrity.



1. Motors Group (TAS) The Hobart City Mission 2. Toowoomba Holden (QLD) - RSPCA 3. Bridge Toyota (Darwin) - The Sommerville Community Services Christmas Appeal 4. Audi Centre Sunshine Coast (QLD) - Mooloolaba Surf Life Saving Club 5. The Kloster Group (Newcastle) - Meals on Wheels 6. Adtrans Hino (Melbourne) - Stuff the Bus 7. Adtrans SA Cars (Adelaide) - Backpacks 4 SA Kids 8. Black Toyota (Dalby) - Life Flight

COMPANY PROFILE

ABOUT US

A.P. Eagers Limited is a pure automotive retail group with our main operations in Queensland, Adelaide, Darwin, Melbourne, Sydney, the Newcastle/Hunter Valley region of New South Wales and Tasmania.

We represent a diversified portfolio of automotive brands, including all 20 of the top 20 selling car brands in Australia and 10 of the top 11 selling luxury car brands. In total, we represent 33 car brands and 11 truck and bus brands.

Our core business consists of the ownership and operation of motor vehicle dealerships. We provide full facilities including the sale of new and used vehicles, service, parts and the facilitation of allied consumer finance.

Our operations are generally provided through strategically clustered dealerships, many of which are situated on properties owned by us, with the balance leased.

We own \$307 million of prime real estate positioned in high profile, main road locations in Brisbane, Sydney, Melbourne, Adelaide and Newcastle.

DIVIDENDS AND EPS GROWTH

We have paid a dividend to shareholders every year since listing in 1957, and a record dividend in 16 of the past 17 years. A.P. Eagers also has a track record of delivering Earnings Per Share (EPS) growth from acquisitions.

ORIGINS

Our origins trace back to 1913 when Edward Eager and his son, Frederic, founded their family automotive business, E.G. Eager & Son Ltd, which continues today as a wholly-owned subsidiary of A.P. Eagers Limited.

After establishing the first motor vehicle assembly plant in Queensland in 1922, the business secured the distributorship of General Motors' products in Queensland and northern New South Wales in 1930 and listed as a public company in 1957 under the name Eagers Holdings Limited.

A merger in 1992 with the listed A.P. Group Limited saw the addition of a number of new franchises and our name change to A.P. Eagers Limited. Further new franchises and geographic diversification have since followed.

GROWTH

Since 2000, our sales revenue has increased from \$500 million to \$4.1 billion, profit after tax has increased from \$4.3 million to \$98.2 million in 2017 and the number of employees has increased from 600 to 4,350.

We expanded into the Northern Territory with the acquisition of Bridge Toyota in 2005.

In 2007, we established ourselves on the Gold Coast with the acquisition of Surfers City Holden.

The addition of Kloster Motor Group in the Newcastle/Hunter Valley region in 2007 heralded our advance into New South Wales. Our operations in that state grew with the acquisition of Bill Buckle Auto Group in Sydney's northern beaches region including Brookvale in 2008.

In 2010, we acquired the publicly listed Adtrans Group Limited, being South Australia's premier car retailer and the operator of truck and bus dealerships in New South Wales, Victoria and South Australia. This represented our direct entry into the South Australian, Victorian and truck markets. We also acquired Caloundra City Autos Group in Queensland's growing Sunshine Coast region in 2010.

Further expansion of our truck and bus operations occurred in late 2010 with the addition of six new franchises in New South Wales, Victoria and South Australia.

Daimler Trucks Adelaide and Eblen Motors were acquired in 2011 and Main North and Unley Nissan and Renault, in Adelaide, were acquired in 2013 to complement our existing operations in South Australia.

A strategic holding in listed Automotive Group Holdings Limited (AHG) was acquired in 2012, providing us with exposure to the West Australian market. This investment represented 23.8% of AHG, valued at \$287 million, at the end of 2017.

Northern Beaches Land Rover and Jaguar were added to our Bill Buckle operations at Brookvale during 2013.

A new business, Precision Automotive Technology, was established in 2013 to source and distribute our own range of car care products under the brand names, Perfexion and 365+.

In 2014, our Queensland operations expanded through the acquisition of Ian Boettcher Motors in Ipswich representing Mazda, Nissan, Volkswagen, Suzuki and Proton, and the Craig Black Group representing Toyota, Hyundai, Volkswagen, Mitsubishi and Great Wall at multiple locations in south-west and central Queensland. Volvo Sunshine Coast and Reynella Subaru were also added to the group during 2014.

2016 saw further growth with the acquisition of Motors Group Tasmania, including state-wide representation for Holden, HSV, Hyundai, Citroen, Isuzu Trucks, Volvo Trucks, Mack Trucks and UD Trucks, together with the Victorian businesses Silver Star Motors (Mercedes-Benz) in Doncaster and Burwood, Mercedes-Benz Ringwood and Waverley Toyota in Glen Waverley. These businesses represent 12 car and truck brands.

Our representation in regional Queensland also saw substantial growth in 2016 with the acquisition of the Crampton Automotive and Tony Ireland Groups, representing Holden, Hyundai, Mercedes-Benz, Citroen, Peugeot, Jaguar, Land Rover, Subaru, Chrysler Jeep Dodge and Isuzu Trucks, and taking us into new geographic territories in Toowoomba, Townsville and Hervey Bay.

In 2016 we launched our first Carzoos retail stores at Westfield Garden City and North Lakes, in Brisbane, introducing an entirely new way for customers to buy and sell used cars. Carzoos is supported by our new finance initiative, Simplr.

In 2017 we committed to establish a major new automotive retailing and mobility hub on 61,400m² within Brisbane Airport's new \$300 million BNE Auto Mall project in 2021. The plan is to create a world-class automotive retailing experience for our customers of the future.

FURTHER INFORMATION

Please visit www.apeagers.com.au for further information about A.P. Eagers Limited.

BOARD OF DIRECTORS

Timothy Boyd Crommelin BCom, FSIA, FSLE

Chairman of Board, Member of Audit, Risk & Remuneration Committee

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

Martin Andrew Ward BSc (Hons), FAICD

Managing Director, Chief Executive Officer

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

Nicholas George Politis BCom

Director

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

Daniel Thomas Ryan BEc, MBus, FAICD

Director

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

David Arthur Cowper BCom, FCA

Director, Chairman of Audit, Risk & Remuneration Committee

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

Marcus John Birrell

Director, Member of Audit, Risk & Remuneration Committee

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

Sophie Alexandra Moore BBus, CA, FFin

Director (appointed 29 March 2017), Chief Financial Officer

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

Peter William Henley FAIM, MAICD

Director, Member of Audit, Risk & Remuneration Committee (Retired 22 February 2017)

Independent, non-executive Director from December 2006 until retirement in February 2017. Director of Thorn Group Ltd (appointed May 2007, retired August 2016). Former Deputy Chairman of MTQ Insurance Services Ltd. Former Chairman and Chief Executive Officer of GE Money Motor Solutions. Over 30 years' local and international experience in the financial services industry.

EXECUTIVE MANAGEMENT

Keith Thomas Thornton BEc

Chief Operating Officer – Cars

Commenced in July 2002. Licensed motor dealer. Responsible for all operational issues in Queensland and Northern Territory from June 2007 to 31 December 2016. Since January 2017, national responsibility for the group's car operations. Significant retail and wholesale experience in volume, niche and prestige industry sectors. Prior industry experience with various manufacturers. Director of Australian Automotive Dealer Association Limited (appointed September 2014).

Denis Gerard Stark LLB, BEc

General Counsel & Company Secretary

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

DIRECTORS' REPORT

The Directors of A.P. Eagers Limited ABN 87 009 680 013 (the Company) present their report together with the consolidated financial report of the Company and its controlled entities (the Group), for the year ended 31 December 2017 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the year, and their qualifications, experience and special responsibilities, are detailed on page 5.

COMPANY SECRETARY

The Company Secretary and his qualifications and experience are detailed on page 5.

DIRECTORS' MEETINGS

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

	Board Meetings		Audit, Risk & Remuneration Committee Meetings	
	Held	Attended	Held	Attended
T B Crommelin ⁽¹⁾	9	8	4	3
N G Politis	9	9	-	-
M A Ward	9	9	-	-
P W Henley ⁽¹⁾⁽²⁾	2	2	1	1
D T Ryan	9	9	-	-
D A Cowper ⁽¹⁾	9	9	4	4
M J Birrell ⁽¹⁾⁽³⁾	9	9	3	2
S A Moore ⁽⁴⁾	7	6	-	-

(1) Audit, Risk & Remuneration Committee members.

(2) Mr Henley retired as a Director on 22 February 2017.

(3) Mr Birrell was appointed to the Audit, Risk & Remuneration Committee on 29 March 2017.

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

PRINCIPAL ACTIVITIES

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

FINANCIAL & OPERATIONAL REVIEW

The Directors of A.P. Eagers Limited (ASX: APE) are pleased to report a 2017 Net Profit Before Tax (NPBT) of \$135.6 million. This compares to a record Net Profit Before Tax of \$141.4 million in 2016, a decrease of -4.1% on the previous corresponding period (pcp). Net Profit After Tax was \$98.2 million in 2017 compared to a record \$105.5 million in 2016, a decrease of -7.0% on the pcp. Earnings per share (basic) for 2017 were 50.3 cents compared to 55.4 cents on the pcp, a decrease of 9.2%.

Profit Comparison	Full Year to December 2017 \$Million	Full Year to December 2016 \$ Million	% Change
Statutory EPS (basic) cents	50.3	55.4	(9.2%)
Statutory profit after tax	98.2	105.5	(7.0%)
Statutory profit before tax	135.6	141.4	(4.1%)
Impairment adjustments ⁽¹⁾			
Freehold property adjustments (reversal)	(0.2)	(1.2)	
Goodwill impairment	-	-	
Business acquisition costs ⁽²⁾	0.1	1.8	
GST (refunds)/expenses ⁽³⁾	0.1	(4.5)	
Restructure costs ⁽⁴⁾	5.2	-	
Underlying profit before tax	140.8	137.5	2.3%
Underlying profit after tax ⁽⁵⁾	99.6	100.2	(0.6%)
Underlying EPS (basic) cents	52.1	53.3	(2.3%)

(1) Represents the aggregate value of freehold property fair value adjustments (positive and negative) to the Statement of Profit and Loss.

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

(3) Benefit from tax refunds associated with previous years' GST payments net of expenses.

(4) Costs related to the restructuring of underperforming and unsustainable automotive division assets and operations.

(5) Underlying profit after tax includes the adjustments per Note (1) above, and the related tax impact at 30% equating to \$1.5 million charge in 2017 (2016: \$0.3 million benefit).

The Group delivered record trading performances in Victoria, Tasmania, New South Wales Hunter Region and National Trucks division. However, challenging market dynamics related to our portfolio representation during the year in our two largest geographic market segments of Queensland and South Australia adversely impacted trading performance versus the pcp. Increased gains on sale of non-core investments and property helped offset the reduced profit contribution from car retailing operations.

The Company has recorded \$5.2 million in one-off costs associated with the re-structuring of underperforming and unsustainable businesses in the 2017 statutory Net Profit Before Tax.

DIRECTORS' REPORT CONTINUED

Dividends

A fully franked final dividend of 22.5 cents per share (2016: 22.0 cents) has been approved for payment on 18 April 2018 to shareholders who are registered on 29 March 2018 (Record Date). When combined with the interim dividend of 13.5 cents paid in October 2017, the total dividend based on 2017 earnings is 36.0 cents per share (2016: 35.0 cents) fully franked, an increase of 2.9% on 2016. The Company's dividend reinvestment plan (DRP) will not operate in relation to the final dividend.

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

Year ended 31 December	2017 \$'000	2016 \$'000
Final ordinary dividend for the year ended 31 December 2016 of 22.0 cents (2015: 20.0 cents) per share paid on 18 April 2017	41,984	37,015
Interim ordinary dividend of 13.5 cents (2016: 13.0 cents) per share paid on 6 October 2017	25,786	24,625
	67,770	61,640

External Environment

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales increased by 0.9% in 2017 to 1,189,116 units compared to a 2.0% increase in 2016. Whilst the percentage growth rate in sales reduced, 2017 represented the third record year in a row for total new unit sales volume.

New vehicle sales growth was strongest in Victoria, where the market was up 4.0% on pcp, and weakest in Western Australia where the market fell -2.5%. The two other large markets, New South Wales and Queensland, recorded neutral growth on the pcp of -0.1% and 0.0%, respectively. The remaining markets also recorded relatively flat growth on the pcp, with South Australia, Tasmania and Northern Territory up 1.0%, 0.8% and 0.2% respectively, and Australian Capital Territory down -1.5%.

A decrease of -2.5% in private sales was offset by a 2.6% increase in business sales. Luxury vehicle segment contracted from 11.4% to 10.7% of total market share, finishing -5.0% down, with record sales from brands such as Mercedes-Benz, Porsche and Maserati, being offset by declines in Audi, BMW, Infiniti, Lexus, Jaguar, Volvo, Land Rover, and Mini. Traditional fuel vehicles made up 99% of all new vehicle sales, with the sale of electric vehicles increasing 46.2% and having total sales of 1,124 units in 2017.

Australian manufactured vehicles represented only 4.8% (2016: 7.4%) of new cars sold in the national market in 2017.

Nationally, the Heavy Commercial segment recorded an 11.8% (2016: 2.9%) increase with significant increases in light/medium duty trucks and heavy-duty sales, +7.4% and +22.4% respectively. The Light Commercial segment recorded an 8.6% increase.

Business Initiatives

Our Birrell Group acquisition in Victoria/ Tasmania performed strongly in its first full year of operation within the A.P. Eagers Group in 2017. All businesses delivered record results assisted by strong market conditions in Victoria and an improved truck and car division performance in Tasmania. Encouragingly, these results have been achieved despite a brand portfolio that was challenged in Tasmania in 2017. The Crampton and Ireland Group (Queensland Provincial) acquisitions delivered stronger results in the second half of 2017.

The Group's National Trucks division capitalised on strong growth in the Heavy and Light commercial sales, resulting in a record result for 2017. This result continues the strong performance and growth of the National Trucks division since 2015.

Volatility in the new car market dynamics combined with recent regulatory pressure has increased activity in the dealership acquisition/disposal marketplace in general, with price expectations now at more reasonable multiples. We completed the acquisition of Porsche Centre Adelaide in the last quarter of 2017 and we will continue with our disciplined approach in reviewing further acquisition opportunities.

A.P. Eagers committed to establish a major new automotive retailing and mobility hub on 61,400m² within Brisbane Airport's new \$300m BNE Auto Mall project in 2021. The plan is to create a world-class automotive retailing experience for our customers of the future. We currently represent 12 major car brands within the geographic area serviced by the BNE Auto Mall, with the opportunity for a number of other brands to join the group. The existing brands collectively represent 48 per cent of the total automotive industry.

We increased our strategic investment in Automotive Holdings Group to 23.81% as at 31 December 2017 which was valued at \$287.4 million based on their closing share price of \$3.64 per share (2016: \$3.95). Whilst not included in the Company's Statutory Profit after Tax, a before tax unrealised loss of \$22.9 million has been recorded in the Statement of Comprehensive Income for the 2017 year due to their \$3.95 closing share price at 31 December 2016.

Financial Performance

Total revenue increased by 5.9% to \$4.1 billion in 2017 (2016: \$3.8 billion), with all business units reflecting increases in vehicle sales. The additional contribution from business acquisitions in 2016 and strong trading in the New South Wales and Victorian/Tasmanian car divisions also combined to boost total revenue. On a like-for-like basis, the Group recorded neutral revenue growth compared to the pcp (0.1% increase), impacted by challenging trading conditions in Queensland.

EBITDA decreased by 1.7% to \$176.7 million (2016: \$179.8 million). Profit margins declined slightly as indicated by the EBITDA/Revenue ratio of 4.4% (2016: 4.7%) and the NPBT/Sales ratio also declined to 3.3% from 3.7% (2016). This result was impacted by reduced Finance and Insurance income due to regulatory pressures and challenging trading conditions in Queensland. On an underlying basis NPBT/Sales for 2017 was 3.5%, down from 3.6% in 2016.

Borrowing costs increased by 0.9% to \$24.6 million (2016: \$24.4 million), reflecting higher average debt (including additional bailment finance for the businesses acquired in 2016) being offset by lower interest rates. The increase in depreciation and amortisation costs by 19.0% to \$16.7 million (2016: \$14.0 million) reflects the additional depreciation contributed by the businesses and properties acquired in 2016, the redevelopment of properties and one-off impacts from accelerating depreciation of underperforming assets, offset by the depreciation charges associated with the properties sold in the second half of 2017.

Business acquisition costs of \$0.1 million were expensed in the financial year relating to the acquisition of Porsche Centre Adelaide, compared to \$1.8 million relating to the Birrell, Crampton Automotive and Tony Ireland Group acquisitions.

The Company's net cash provided by operating activities was \$145.0 million in 2017 (2016: \$109.7 million), with increases due to contributions from acquisitions made in 2016, improved EBITDA to cash conversion and lower income taxes paid compared to 2016 due primarily to 2016 tax refund received in 2017 and a lower tax instalment rate.

Results Summary

Consolidated results

Year Ended 31 December	2017 \$'000	2016 \$'000	Increase/ (Decrease)
Revenue from operations	4,014,795	3,777,615	6.3%
Other revenue	43,984	55,607	(20.9%)
Total revenue	4,058,779	3,833,222	5.9%
Earnings before interest, tax, depreciation and amortisation and impairment (EBITDA)	176,668	179,776	(1.7%)
Depreciation and Amortisation	(16,651)	(13,993)	19.0%
Impairment charge/net reversal	210	-	-
Earnings before interest and tax (EBIT)	160,227	165,783	(3.4%)
Borrowing costs	(24,598)	(24,378)	0.9%
Profit before tax	135,629	141,405	(4.1%)
Income tax expense	(37,456)	(35,879)	4.4%
Profit after tax	98,173	105,526	(7.0%)
Non-controlling interest in subsidiaries	(2,146)	(1,542)	
Attributable profit after tax	96,027	103,984	(7.7%)
Earnings per share - basic	50.3 cents	55.4 cents	(9.2%)

This report is based on accounts which have been audited.

DIRECTORS' REPORT CONTINUED

Segments ⁽¹⁾

Profit before tax from our Car Retail segment was \$84.4 million, a decrease from \$104.6 million for 2016. Underlying Profit before tax for the Car Retail segment was \$89.6 million in 2017 (excludes \$5.2 million in one-off costs and restructuring of underperforming and unsustainable businesses), a decrease from \$100.2 million in 2016 (excludes \$4.4 million of GST refunds received in 2016).

Car Retail segment revenue increased by 6.1%, with the increase primarily attributable to the strong trading in New South Wales, Victoria and Tasmania and an additional 3 months' trading from the Birrell Group and an additional 6 and 9 months' trading respectively from the Crompton and Ireland Groups, offset by lower like-for-like results in Queensland due to challenging trading conditions. The strong trading was also reflected in the parts and service businesses with improvements across the Group.

The National Truck division continues to improve profitability, delivering a record profit before tax result of \$9.0 million compared to \$6.3 million for the pc, reflecting strong performance in all departments including improved results from the new truck division and service division. Revenue increased by 4.9% reflecting strong performance in the Victoria and South Australia truck divisions, partly offset by the divestment of Sydney Truck Centre in June 2017 with the segment continuing to restructure the business to drive business optimisation and deliver improved returns.

The value of the property portfolio increased to \$307 million as at 31 December 2017 compared to \$299 million as at 31 December 2016. Continued management of our property portfolio to maximise operational and financial outcomes saw the divestment of five properties and purchase of two additional properties during 2017. The divested properties included two unused sites, two non-core sites which will be exited within three years and one site which was sold to rectify a complicated lease.

The Property segment profit contribution of \$32.0 million was higher than the previous year of \$28.2 million, due to strong outcomes achieved from the Company's management of its property portfolio contributing an additional \$10.6 million to pre-tax profit in 2017. Also, 2017 valuation increases of \$5.6 million (\$0.2 million P&L, \$5.4 million revaluation reserve) in the Queensland and New South Wales portfolios compared with valuation increases in 2016 of \$12.1 million (\$1.2 million P&L, \$10.9 million revaluation reserve).

The Investment segment registered a pre-tax loss of \$8.4 million in 2017 compared to a loss of \$24.0 million for the pc, due primarily to an unrealised revaluation loss on the AHG investment of \$22.9 million. This reflected a 31 December 2017 AHG closing share price of \$3.64 per share compared with \$3.95 as at 31 December 2016.

As at 31 December 2017, the 23.81% strategic investment in AHG had a market value of \$287.4 million based on a closing share price of \$3.64 per share.

Financial Position

The Company's financial position remains very strong. EBITDA Interest Cover (EBITDA/Borrowing costs) was 7.2 times as at 31 December 2017 compared to 7.2 times as at June 2017 and 7.4 times as at 31 December 2016.

Corporate debt (Term and Capital Loan Facility) net of cash on hand was lower at \$238.5 million as at 31 December 2017 (2016: \$266.0 million) due to strong operating cash generation and repayment of debt. Total debt including vehicle bailment net of cash on hand was \$782.7 million as at 31 December 2017, as compared to \$751.9 million as at 31 December 2016.

Total gearing (Debt / Debt + Equity), including bailment inventory financing and finance leases, was 50.2% as at 31 December 2017, consistent with 50.2% as at 31 December 2016. 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 23.3% as at 31 December 2017, compared to 25.8% as at 31 December 2016.

Total inventory levels increased to \$652.7 million at 31 December 2017 from \$625.0 million at 31 December 2016.

Net tangible assets increased to \$2.49 per share as at 31 December 2017, as compared to \$2.44 per share at 31 December 2016, due to higher asset balances including higher value of AHG investment.

The Company's cash flow from operations was \$145.0 million for the year ended 31 December 2017 (2016: \$109.7 million) with the increase due to timing of receipts from customers, payments to suppliers, and lower tax payments.

Outlook and Strategy Update

Although the market dynamics remain challenging, we are encouraged by the record National new vehicle market volumes with continued record affordability and aggressive manufacturer sales campaigns driving customer demand.

Operationally, our initial focus during the first half of the year is to complete the portfolio adjustments identified as unsustainable that required the \$5.2m restructuring charge. This is expected to be completed by July 2018. Concurrently we expect to grow EPS from recent (2016/2017) acquisitions in line with historical trends and continue to redevelop and reorganise our inner-city Brisbane facilities (Newstead, Woolloongabba and Windsor) to provide improved long-term solutions for all stakeholders.

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

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

In addition, the Company continues to grow and invest in alternative and complimentary related models while exploring alternate mobility solutions via innovative vehicle usage and ownership platforms. Carzoos continues to be a focus as we refine the business model to ensure scalability benefits can be realised and maximised in the mid-term. A.P. Eagers plan to continue to be at the forefront of delivering mobility solutions while being the preferred partner for customers, manufacturers and the communities in which we operate.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

ENVIRONMENTAL REGULATION

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

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

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

REMUNERATION REPORT

1. Principles Used to Determine Remuneration

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

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

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

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

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

	2017	2016	2015	2014	2013
Statutory NPAT (\$ million)	98.2	105.5	87.0	76.7	64.0
Statutory Earnings per share – basic (c)	50.3	55.4	47.6	43.0	36.4
Dividend per share (c)	36.0	35.0	32.0	27.0	23.0
Share Price at year end (\$)	7.97	9.22	12.70	5.98	4.96

DIRECTORS' REPORT CONTINUED

2. Non-executive Directors' Remuneration Framework

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

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

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

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

3. Executives' Remuneration Framework

(a) Base Pay

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

(b) Benefits

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

(c) Short-term Performance Incentives

(i) Incentive / Bonus

Non-commission based executives are eligible to receive short-term incentive payments of up to 30% of base salary in accordance with contractual arrangements. This is not available to the Chief Executive Officer, the Chief Operating Office – Cars (as his remuneration is commission based) or any non-executive Director. The short-term incentive allocations are determined on a discretionary basis during annual review by the Chief Executive Officer in consultation with the Chairman after considering individual and Company achievements and performances.

(ii) Commission Structure

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

(d) Executive Incentive Plan (EIP)

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

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

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

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

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

(i) Performance Hurdles

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

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

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

(ii) EPS Hurdles

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

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

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

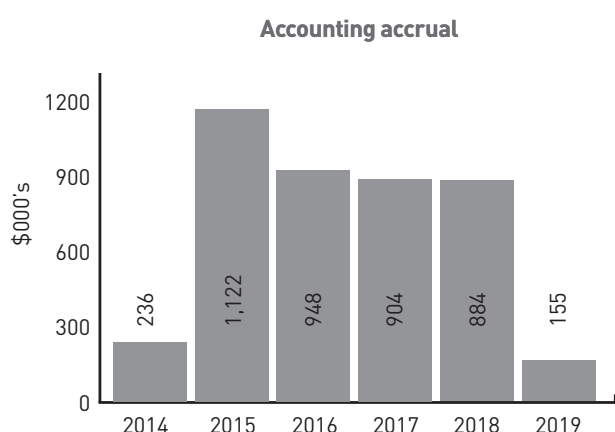
(iii) CEO’s Participation in EIP

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

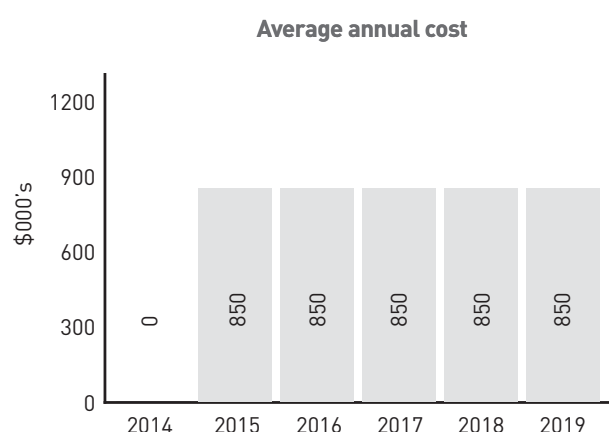
- > Mr Ward’s performance hurdles are measured over the five year period 2015 to 2019.
- > Before any of Mr Ward’s performance rights or options will vest for an individual year, the Company must achieve at least 7% annual compound growth in diluted EPS above the base-line EPS. The base-line was set at the diluted EPS for 2013. This base-line was used in order to give shareholders visibility of the base-line before they approved Mr Ward’s rights and options at the annual general meeting in 2014.
- > For 100% of Mr Ward’s performance rights and options to vest for the five years, the Company must achieve at least 10% annual compound growth in diluted EPS above the base-line.

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

- > There has been no increase to the average annual cost to the Company of Mr Ward’s participation in the EIP since 2010.
- > If 100% of the performance rights and options are to vest over the five year period 2015 to 2019 (requiring at least 10% annual compound growth in diluted EPS for five years), the recognised cost of the plan will average \$850,000 per annum being the fair value at grant date. However, accounting standards require that the cost be recognised based on the progressive recognition of each share option grant over its expected vesting period, as shown in the remuneration table on page 16, which results in a higher overall cost of the EIP in the earlier years and a lower cost in later years. On the assumption that all performance hurdles will be achieved over the five year period, the total cost recognised in each year will be as shown in the following graphs.
- > If no performance hurdles at all were to be achieved over the five year period, then no performance rights or options would vest and the plan would cost the Company zero dollars.
- > By way of comparison, if only 50% of the performance rights and options by value were to vest each year over the five year period (requiring 7% annual compound growth in diluted EPS for five years), the cost of the plan would be on average \$425,000 per annum for 5 years.



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



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

DIRECTORS' REPORT CONTINUED

3. Executives' Remuneration Framework (continued)

(d) Executive Incentive Plan (EIP) (continued)

(iv) Grants to Key Management Personnel

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

Chief Executive Officer

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

(1) Performance rights are automatically exercised upon vesting. 87,268 rights that were granted for 2016 were exercised during the year under review and these were valued at \$805,484 on the day of exercise.

(2) No options were exercised during the year under review. 50,000 options were exercised during 2016.

Chief Operating Officer - Cars

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

(1) Performance rights are automatically exercised upon vesting. 20,533 rights that were granted for 2016 were exercised during the year under review and these were valued at \$189,520 on the day of exercise.

(2) No options were exercised during the year under review.

General Counsel & Company Secretary

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised ⁽¹⁾	Fair value	No. granted	No. lapsed	No. exercised ⁽²⁾	Fair value		
1	27 Mar 2013	-	-	-	-	26,880	-	-	\$0.93	31 Dec 2013	Vested without re-testing
2	27 Mar 2013	-	-	-	-	26,880	-	-	\$0.93	31 Dec 2014	Vested without re-testing
3	27 Mar 2013	-	-	-	-	26,040	-	-	\$0.96	31 Dec 2015	Vested without re-testing
4	27 Mar 2013	-	-	-	-	25,510	-	-	\$0.98	31 Dec 2016	Vested without re-testing
5	27 Mar 2013	-	-	-	-	25,250	-	-	\$0.99	31 Dec 2017	Vested without re-testing
6	4 July 2014	2,460	-	2,460	\$5.08	13,736	-	-	\$0.91	31 Dec 2015	Vested without re-testing
7	4 July 2014	2,566	-	2,566	\$4.87	13,297	-	-	\$0.94	31 Dec 2016	Vested without re-testing
8	4 July 2014	2,676	-	2,676	\$4.67	13,157	-	-	\$0.95	31 Dec 2017	All Performance Rights and 1/3 of Options vested without re-testing. 2/3 of Options remain unvested and subject to re-testing
9	4 July 2014	2,790	-	-	\$4.48	12,376	-	-	\$1.01	31 Dec 2018	Unvested
10	4 July 2014	2,913	-	-	\$4.29	12,254	-	-	\$1.02	31 Dec 2019	Unvested

(1) Performance rights are automatically exercised upon vesting. 2,566 rights that were granted for 2016 were exercised during the year under review and these were valued at \$23,684 on the day of exercise.

(2) No options were exercised during the year under review.

Chief Financial Officer

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

(1) Performance rights are automatically exercised upon vesting. 4,624 rights that were granted for 2016 were exercised during the year under review and these were valued at \$42,680 on the day of exercise.

(2) No options were exercised during the year under review.

Further details of the performance rights and options granted under the EIP are specified in notes 37 and 38 to the consolidated financial report.

4. Hedging

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

5. Executive Employment Agreements

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

DIRECTORS' REPORT CONTINUED

5. Executive Employment Agreements (continued)

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

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

6. Details of Remuneration

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

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

(1) Includes benefits such as the provision of motor vehicles, insurance policy costs and the movement in the provision for the individual's employee entitlements. For Mr Thornton, this includes a \$78,017 reduction in the accrued provision for long service leave as a result of his reduced commission in 2017.

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

(3) The share-based payment is based on progressive recognition of each award grant over its expected vesting period, which results in an increased cost in the earlier years of the EIP and a reduced cost in later years on the assumption that all performance hurdles will be achieved over the five year period. For further details, refer to commentary on page 13 under the heading "CEO's Participation in EIP" of which the treatment of share plan expense is applicable to all key management personnel.

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

(5) Mr Henley retired as a Director on 22 February 2017.

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

	Short-term benefits			Post-employment benefits	Share-based payments	Total \$	Performance-related percentage %
	Salary & fees \$	Bonus & commission ⁽⁴⁾ \$	Non-monetary & other benefits ⁽¹⁾ \$	Super-annuation benefits \$	Performance Rights & Options ^{(2) (3)} \$		
2016							
Directors							
T B Crommelin <i>Chairman</i>	100,000	-	635	9,500	-	110,135	-
M A Ward <i>Managing Director</i>	1,200,000	-	136,556	35,000	948,336	2,319,892	41
N G Politis <i>Non-executive Director</i>	85,000	-	635	8,075	-	93,710	-
P W Henley <i>Non-executive Director</i>	85,000	-	635	8,075	-	93,710	-
D T Ryan <i>Non-executive Director</i>	85,000	-	635	8,075	-	93,710	-
D A Cowper <i>Non-executive Director</i>	85,000	-	635	8,075	-	93,710	-
M J Birrell <i>Non-executive Director</i> ⁽⁵⁾	42,500	-	275	4,038	-	46,813	-
	1,682,500	-	140,006	80,838	948,336	2,851,680	
Executives							
K T Thornton <i>General Manager Qld & NT</i>	200,004	819,230	62,663	19,616	223,138	1,324,651	79
D G Stark <i>General Counsel & Company Secretary</i>	286,677	73,000	46,554	27,234	55,218	488,683	26
S A Moore <i>Chief Financial Officer</i>	306,006	62,400	30,116	22,253	101,330	522,105	31
	792,687	954,630	139,333	69,103	379,686	2,335,439	

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

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

(3) The share-based payment is based on progressive recognition of each award grant over its expected vesting period, which results in an increased cost in the earlier years of the EIP and a reduced cost in later years on the assumption that all performance hurdles will be achieved over the five year period. For further details, refer to commentary on page 13 under the heading "CEO's Participation in EIP" of which the treatment of share plan expense is applicable to all key management personnel.

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

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

DIRECTORS' REPORT CONTINUED

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

2017	1 January 2017	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	31 December 2017
Directors						
M A Ward	4,211,387	0	87,268	0	2,000,000	2,298,655
N G Politis	68,419,139	0	0	393,942	0	68,813,081
P W Henley ⁽¹⁾	113,092	0	0	0	0	113,092
D T Ryan	0	0	0	0	0	0
T B Crommelin	378,286	0	0	5,000	0	383,286
D A Cowper	12,053	0	0	3,000	0	15,053
M J Birrell	2,000,000	0	0	0	0	2,000,000
S A Moore ⁽²⁾	2,227	0	4,624	0	0	6,851
Executives						
K T Thornton	428,585	0	20,533	0	0	449,118
D G Stark	140,574	0	2,566	0	0	143,140
	75,705,343	-	114,991	401,942	2,000,000	74,222,276

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

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

2016	1 January 2016	Dividend Reinvestment Plan	Executive Incentive Plan	Purchases	Sales	31 December 2016
Directors						
M A Ward	4,115,085	0	133,661	12,641	50,000	4,211,387
N G Politis	68,079,091	0	0	340,048	0	68,419,139
P W Henley	111,825	0	0	4,000	2,733	113,092
D T Ryan	0	0	0	0	0	0
T B Crommelin	357,229	0	0	21,057	0	378,286
D A Cowper	8,248	0	0	3,805	0	12,053
M J Birrell	0	0	0	2,000,000	0	2,000,000
Executives						
K T Thornton	448,135	0	933,635	0	953,185	428,585
D G Stark	145,624	0	115,950	0	121,000	140,574
S A Moore	0	0	2,227	0	0	2,227
	73,265,237	-	1,185,473	2,381,551	1,126,918	75,705,343

DIRECTORS' INTERESTS

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

	Ordinary Shares (fully paid)	Share Options ⁽¹⁾	Performance Rights ⁽¹⁾
T B Crommelin	383,286	-	-
N G Politis	68,813,081	-	-
M A Ward	2,389,661	2,153,985	193,933
D T Ryan	-	-	-
D A Cowper	15,053	-	-
M J Birrell	2,000,000	-	-
S A Moore	11,647	117,570	10,142

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

SHARES UNDER OPTION

No options or performance rights were granted by the Company over unissued fully paid ordinary shares during the year under review, and none have been granted since the end of the year.

640,652 shares were issued as a result of the exercise of options during or since the year under review.

175,843 shares were issued on the exercise of performance rights during or since the year under review.

At the date of this report, there are 7,628,707 unissued shares under option and 370,781 unvested performance rights.

INDEMNIFICATION AND INSURANCE

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

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

AUDITOR

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

NON-AUDIT SERVICES

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

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

Details of the amounts paid or payable to the auditor for audit and non-audit services provided to the Group during the year are set out in note 35 to the consolidated financial report.

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

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

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



Martin Ward
Director

Brisbane, 21 February 2018

AUDITOR'S DECLARATION OF INDEPENDENCE

Deloitte.

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Australia

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

21 February 2018

Dear Board Members

A.P. Eagers Limited

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

As lead audit Partner for the audit of the financial statements of A.P. Eagers Limited for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited



FINANCIAL STATEMENTS

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STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Revenue	3	4,058,779	3,833,222
Other Gains	4	17,934	4,326
Share of net profits of associate	43(d)	407	191
Changes in inventories of finished goods and work in progress		27,645	94,844
Raw materials and consumables purchased		(3,374,157)	(3,230,501)
Employee benefits expense		(331,009)	(311,423)
Finance costs	5(a)	(24,598)	(24,378)
Depreciation and amortisation expense	5(a)	(16,651)	(13,993)
Other expenses		(222,721)	(210,883)
Profit before tax		135,629	141,405
Income tax expense	6	(37,456)	(35,879)
Profit for the year		98,173	105,526
Attributable to:			
Owners of A.P. Eagers Limited		96,027	103,984
Non-controlling interests	32(e)	2,146	1,542
	30(b)	98,173	105,526
		Cents	Cents
Earnings per share:			
Basic earnings per share	40(a)	50.3	55.4
Diluted earnings per share	40(b)	49.5	54.0

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Profit for the year		98,173	105,526
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of property	30(a)	5,380	10,842
Income tax expense relating to items that will not be reclassified subsequently	30(a)	(1,614)	(3,253)
		3,766	7,589
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on revaluation of available for sale investment	30(a)	(22,920)	(36,819)
Income tax benefit	30(a)	6,876	11,046
Reclassification adjustments net of tax relating to available-for-sale financial assets disposed of in the year	30(a)	(1,482)	(1,369)
		(17,526)	(27,142)
Fair value gain arising from cash flow hedges during the year	30(a)	278	405
Income tax expense	30(a)	(84)	(121)
		194	284
Total other comprehensive income/(loss) for the year		(13,566)	(19,269)
Total comprehensive income for the year		84,607	86,257
Total comprehensive income attributable to:			
Owners of the parent		82,461	84,715
Non-controlling interests		2,146	1,542
		84,607	86,257

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	8	10,827	17,615
Trade and other receivables	9	161,807	148,746
Inventories	10	652,652	625,007
Current tax receivables	11	-	3,817
Prepayments and deposits	12(a)	11,172	8,844
Property sale receivable	12(b)	7,145	9,466
Total current assets		843,603	813,495
Non-current assets			
Other loans receivable	13	10,600	10,612
Available-for-sale financial assets	14	288,033	264,817
Investments in associates	15	12,000	11,893
Property, plant and equipment	16	361,121	354,710
Intangible assets	17	309,414	298,908
Total non-current assets		981,168	940,940
Total assets		1,824,771	1,754,435
Current liabilities			
Trade and other payables	18	152,853	133,601
Derivative financial instruments	19	20	210
Borrowings - bailment and other current loans	20(a)	545,200	485,875
Current tax liabilities	21	13,221	-
Provisions	22	51,360	51,111
Other current liabilities	23	250	-
Total current liabilities		762,904	670,797
Non-current liabilities			
Borrowings	24(a)	248,344	283,650
Derivative financial instruments	19	118	206
Deferred tax liabilities	25	2,273	7,447
Provisions	26	5,988	9,226
Other	27	19,369	19,317
Total non-current liabilities		276,092	319,846
Total liabilities		1,038,996	990,643
Net assets		785,775	763,792
Equity			
Contributed equity	29	369,028	364,449
Reserves	30(a)	38,131	55,398
Retained earnings	30(b)	367,855	335,779
		775,014	755,626
Non-controlling interests	32(e)	10,761	8,166
Total equity		785,775	763,792

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated entity 2017	Issued capital \$'000	Asset revaluation reserve \$'000	Hedging reserve \$'000	Share-based payments reserve \$'000	Investment revaluation reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total \$'000
Balance at 1 January 2017	364,449	52,781	(291)	(34,486)	37,394	335,779	755,626	8,166	763,792
Profit for the year	-	-	-	-	-	96,027	96,027	2,146	98,173
Other comprehensive income	-	3,766	194	-	(17,526)	-	(13,566)	-	(13,566)
Total comprehensive income for the year	-	3,766	194	-	(17,526)	96,027	82,461	2,146	84,607
Transfer to retained earnings	-	(3,819)	-	-	-	3,819	-	-	-
Transactions with owners in their capacity as owners:									
Share based payment expense	-	-	-	2,105	-	-	2,105	-	2,105
Dividends provided for or paid	-	-	-	-	-	(67,770)	(67,770)	(1,455)	(69,225)
Shares issued pursuant to Staff share plan	4,579	-	-	(4,579)	-	-	-	-	-
Payments received from employees for exercised shares	-	-	-	1,636	-	-	1,636	-	1,636
Sale of shares to non-controlling interests	-	-	-	-	-	-	-	1,904	1,904
Prior year tax adjustment	-	-	-	536	-	-	536	-	536
Income tax on items taken to or transferred directly from equity	-	-	-	420	-	-	420	-	420
	4,579	-	-	118	-	(67,770)	(63,073)	449	(62,624)
Balance at 31 December 2017	369,028	52,728	(97)	(34,368)	19,868	367,855	775,014	10,761	785,775
Consolidated entity 2016									
Balance at 1 January 2016	296,060	45,192	(575)	(3,778)	64,536	293,435	694,870	8,139	703,009
Profit for the year	-	-	-	-	-	103,984	103,984	1,542	105,526
Other comprehensive income	-	7,589	284	-	(27,142)	-	(19,269)	-	(19,269)
Total comprehensive income for the year	-	7,589	284	-	(27,142)	103,984	84,715	1,542	86,257
Transactions with owners in their capacity as owners:									
Shares issued as consideration for business acquisitions	32,450	-	-	-	-	-	32,450	-	32,450
Share based payments	-	-	-	2,966	-	-	2,966	-	2,966
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	(368)	(368)
Payment of dividend	-	-	-	-	-	(61,640)	(61,640)	(1,147)	(62,787)
Shares issued pursuant to Staff share plan	35,939	-	-	(35,939)	-	-	-	-	-
Payments received from employees for exercised shares	-	-	-	6,948	-	-	6,948	-	6,948
Current tax on share plan	-	-	-	(28)	-	-	(28)	-	(28)
Income tax on items taken to or transferred directly from equity	-	-	-	(4,655)	-	-	(4,655)	-	(4,655)
	68,389	-	-	(30,708)	-	(61,640)	(23,959)	(1,515)	(25,474)
Balance at 31 December 2016	364,449	52,781	(291)	(34,486)	37,394	335,779	755,626	8,166	763,792

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,426,933	4,154,100
Payments to suppliers and employees (inclusive of GST)		(4,258,688)	(4,012,247)
Receipts from insurance claims		7,235	8,737
Interest and other costs of finance paid		(24,598)	(24,151)
Income taxes paid		(20,995)	(34,028)
Dividends received		14,501	14,633
Interest received		588	2,678
Net cash provided by operating activities	41	144,976	109,722
Cash flows from investing activities			
Payment for acquisition of businesses - net of cash acquired		(11,534)	(118,333)
Payments for property, plant and equipment		(29,383)	(52,706)
Payments for intangible assets		-	(500)
Proceeds from sale of businesses	32(c)	2,303	-
Proceeds from sale of property, plant and equipment		32,115	50,077
Proceeds from sale of available-for-sale financial assets		3,116	2,633
Payments for shares in other corporations		(49,134)	(29,469)
Net cash used in investing activities		(52,517)	(148,298)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	30(a)	1,636	6,948
Proceeds from borrowings		43,200	114,650
Repayment of borrowings		(77,500)	(41,145)
Transactions with non-controlling interests		1,400	-
Dividends paid to members of A.P. Eagers Limited	7	(67,770)	(61,640)
Dividends paid to minority shareholders of a subsidiary		(213)	(157)
Net cash (used in)/provided by financing activities		(99,247)	18,656
Net decrease in cash and cash equivalents		(6,788)	(19,920)
Cash and cash equivalents at the beginning of the financial year		17,615	37,535
Cash and cash equivalents at the end of the financial year	8	10,827	17,615

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information and basis of preparation

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

Compliance with IFRS

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

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

Historical cost convention

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

Fair Value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

Functional and presentation currency

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

The financial statements were authorised for issue by the directors on the 21st of February 2018.

Reallocation of liabilities

In preparation of the financial report, the Group has reclassified "provision for annual leave" from "trade and other payables" to "current provisions". In addition to this, an adjustment to reclassify certain transactions from "trade payables" to "other payables" has been affected in the notes. The comparatives have been reclassified for the purposes of consistency. Total amount reclassified is \$24,318,000 (2016: \$24,705,000).

Accounting Policies

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

(b) Basis of consolidation

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

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Basis of consolidation (continued)

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

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

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

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

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

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

(ii) *Investments in associates*

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

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

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

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

(c) Operating segments

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

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

(d) Revenue

(i) Sales revenue

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

(ii) Service revenue

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

(iii) Rental income

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

(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) Property, Plant and Equipment sales revenue

Revenue from the sales of property, plant and equipment is recognised when the buyer has accepted the risks and rewards of ownership, generally at the transfer of ownership.

(vi) 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.

(vii) Goods and Services Tax (GST)

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

(e) Finance costs

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

(iii) Goods and services tax ("GST")

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

- > where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or is part of the expense item as applicable; and
- > receivables and payables are stated with the amount of GST included.

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

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

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

(g) Leases

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

(h) Business combinations

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

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

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

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

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

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

Trade receivables

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

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

(l) Inventories

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

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

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

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

(m) Investments and other financial assets

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

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

The Group classifies its other financial assets in the following categories; (i) available-for-sale financial assets and (ii) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Available-for-sale financial assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(m) Investments and other financial assets (continued)

(i) Available-for-sale financial assets (continued)

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, 12(b) and 13).

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

(n) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques,

such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is determined based on market expectations of future interest rates.

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

(o) Derivatives

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Refer further details in Note 19.

(i) Cash flow hedges

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

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

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

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

(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. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting or immediately prior to the initial classification of assets held for sale. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

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

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

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

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

(q) Trademarks / brand names

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

(r) Goodwill

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

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

(s) Trade and other payables

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

(t) Borrowings

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) New motor vehicle stock and related bailment

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

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the obligation.

Provision for Warranties

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

(w) Employee benefits

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

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

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

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

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

(x) Dividends

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

(y) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

(z) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

(aa) Rounding of amounts

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

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

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- > AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses
- > AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, and
- > AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group.

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

List of Standards and Interpretations in issue not yet effective

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

Title of standard	AASB 9 Financial Instruments
Nature of change	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	<p>Management has reviewed the Group's financial assets and liabilities to assess the impact of adoption of the new Standard on 1 January 2018.</p> <p>The Group's equity instruments that are currently classified as available for-sale will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI), hence there will be no change to the classification and measurement of these financial assets.</p> <p>Gains/losses realised on the sale of the financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.</p> <p>All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under AASB 139.</p> <p>The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9.</p> <p>Management does not anticipate that the application of the AASB 9 hedge accounting and new impairment model requirements will have a material impact on the Group's consolidated financial statements.</p>
Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules prospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Title of standard	AASB 15 Revenue from Contracts with Customers
Nature of change	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	<p>Management has engaged a third party to assist in the review of the adoption of the new standard on the Group's revenue from contracts with customers. Whilst this assessment is ongoing, the following areas are currently noted as being affected; however, the impact at this stage is not considered to be significant:</p> <ul style="list-style-type: none"> > Accounting for warranties – AASB 15 requires that if a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the promised service is a performance obligation. This means that the entity shall allocate a portion of the total transaction price to that performance obligation. This will result in deferral of revenue associated with the sale of standard and premium warranties, which will need to be recognised over the life of the warranty. > Accounting for returns/refunds of sales and commissions – AASB 15 requires a right of return liability to be recognised for the probable refund of sales and commissions. This will have an impact on the revenue recognised in the Group's consolidated financial statements, as any sale or commission with a high probability of being refunded shall be deferred into the right of return liability account and recognised after the refund period expires.
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Title of standard	AASB 16 Leases
Nature of change	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.
Impact	<p>Management has reviewed the Group's lease arrangements to assess the impact of adoption of the new Standard on 1 January 2019.</p> <p>The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of \$224,415,000, see note 34. Management notes that some of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in the Group's consolidated financial statements.</p> <p>However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.</p>
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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

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

During the period ended 31 December 2017, the Group increased its shareholding in AHG Limited to 23.81% of the equity shares. Although the Group owns over 20% of the voting power of AHG Limited, the Directors have rebutted the presumption of exercising significant influence on the basis that the Group has no representation on the Board of Directors of AHG Limited and limited ability to participate in policy making decisions. Therefore the investment in AHG Limited has been accounted for as an available for sale financial asset until such time as significant influence is deemed to exist.

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

Goodwill and other intangibles with indefinite useful lives with a carrying value of \$309,414,000 (2016: \$298,908,000) are tested annually for impairment, based on estimates made by directors. The recoverable amount of the intangibles is based on the greater of 'Value in use' or 'Fair value less costs to dispose'. Value in use is assessed by the directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and cost of capital. Fair value less costs of disposal is assessed by the directors based on their knowledge of the industry and recent market transactions. Further information on the intangibles impairment test can be found in Note 17.

(iii) Fair value estimation of land and buildings

Land and buildings (including construction in progress) with a carrying value of \$306,572,000 (2016: \$298,507,000) are carried at fair value. Fair value inherently involves estimates and judgements to be made. The directors determine the fair value of land and buildings at least annually and if required in contemplation of sale. The directors' assessment is supported by formal independent valuations conducted periodically but at least every three years. Further information on the fair value estimation of land and buildings can be found in Note 16.

(iv) Provisions for warranties

A provision for warranties of \$5,319,000 (2016: \$4,870,000) has been recognised for extended warranties provided for the Group's retail new and used vehicle sales. This provision has been estimated based on past experience and confirmation of future costs by the administrators of the warranty programmes. Further information on the provision for warranties can be found in Note 22.

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

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

(vi) Used vehicle write down to net realisable value

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

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

The acquisitions made by the Group have required a number of judgements and estimates to be made. The directors have judged that no significant intangible assets have been acquired in the business combinations other than Goodwill (see also (ii) above). Additionally as part of the acquisition and negotiation process judgements have been made as to the fair value of vehicle and parts inventory, warranties and other assets and liabilities acquired. Further judgements and estimates have been made in relation to the probability of achieving future milestones of certain acquired businesses as disclosed in Note 32(b).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

3 REVENUE

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Sales revenue		
New vehicles	2,544,143	2,393,429
Used vehicles	749,391	728,236
Parts	473,982	433,475
Service	246,396	224,360
Other	883	238
	4,014,795	3,779,738
Other revenue		
Dividend received	14,501	14,442
Rents	408	440
Interest	1,314	6,103
Proceeds of insurance claims	7,312	6,104
Commissions	15,385	16,961
Other	5,064	9,434
	43,984	53,484
Total revenue	4,058,779	3,833,222
4 OTHER GAINS		
Gains on disposal of other assets	15,644	1,136
Fair value gains on financial assets at fair value through profit or loss	210	1,235
Gain on disposal of Available for Sale Investments	2,080	1,955
	17,934	4,326

5 EXPENSES

		CONSOLIDATED	
	Notes	2017 \$'000	2016 \$'000
(a) Profit before income tax includes the following specific expenses:			
Depreciation			
Buildings		3,771	3,637
Plant and equipment		10,399	8,399
Total depreciation	16	14,170	12,036
Amortisation			
Leasehold improvements	16	2,387	1,863
Brand names	17	94	94
Total amortisation		2,481	1,957
Total Depreciation and Amortisation		16,651	13,993
Finance costs			
Vehicle bailment & related hedge		12,773	12,537
Other		11,825	11,841
Total finance expense		24,598	24,378
Rental expense relating to operating leases			
Minimum lease payments		41,391	37,221
Superannuation		29,866	27,942
Provision expenses			
Inventory		4,043	6,275
Warranties		7,642	6,879
Bad debts		79	580
		11,764	13,734
Share-based payments		2,105	2,966
Business acquisition costs		62	1,758
Business restructuring costs		5,145	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

6 INCOME TAX

	Notes	CONSOLIDATED	
		2017 \$'000	2016 \$'000
(a) Income tax expense			
Current income tax expense		37,808	26,885
Deferred income tax (benefit)/expense		(352)	8,994
		37,456	35,879
Deferred income tax expense/(benefit) included in income tax expense comprises:			
In respect of the current year		272	8,407
Deferred tax reclassified from equity to profit or loss		(624)	587
Closing balance	25	(352)	8,994
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		135,629	141,405
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)		40,689	42,422
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non-deductible capital expenditure		19	304
Non-taxable dividends		(4,350)	(4,390)
Non-allowable expenses		400	355
Property (revaluation) / impairment		(63)	(371)
Tax offsets		-	(306)
Sundry items		761	(2,135)
Income tax expense		37,456	35,879
(c) Tax benefit/(expense) relating to items of other comprehensive income			
Aggregate deferred tax arising in the reporting period and directly debited to other comprehensive income		5,178	7,672

7 DIVIDENDS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
(a) Ordinary dividends fully franked based on tax paid @ 30%		
Final dividend for the year ended 31 December 2016 of 22.0 cents per share (2015: 20.0 cents) paid on 15 April 2017	41,984	37,015
Interim dividend of 13.5 cents per share (2016: 13.0 cents) paid on 6 October 2017	25,786	24,625
Total dividends paid	67,770	61,640
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2017 and 2016 were as follows:		
Paid in cash	67,770	61,640
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22.5 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 April 2018 out of the retained profits at 31 December 2017 but not recognised as a liability at year-end is:	43,083	41,923
(c) Franked dividends		
The final dividend recommended after 31 December 2017 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 2017.		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2016 - 30.0%)	166,029	169,770
The above amounts represent the balances of the franking account as at the end of the financial year, adjusted for:		
(a) franking credits that will arise from the payment of the current tax liability		
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and		
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.		
Impact on franking credits of dividends not recognised	(18,464)	(17,967)

8 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Current assets		
Cash at bank and on hand	10,827	12,615
Short term deposits	-	5,000
	10,827	17,615

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Trade and other receivables	164,429	151,933
Provision for doubtful receivables	(2,622)	(3,187)
	161,807	148,746

(a) The ageing of lease, property and trade receivables at 31 December 2017 is detailed below:

	CONSOLIDATED			
	2017		2016	
	Gross \$'000	Provision \$'000	Gross \$'000	Provision \$'000
Not past due	154,100	1,985	142,265	2,504
Past due 0-30 days	5,283	132	5,325	108
Past due 31 days plus	5,046	505	4,343	575
Total	164,429	2,622	151,933	3,187

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

Included in the Group's trade receivables balance are debtors with a net carrying amount of \$9,692,000 (2016: \$8,985,000) which are past due at the reporting date. The Group has not provided for these balances as there have not been any specifically identified factors that would indicate a deterioration of credit quality. The Group therefore still considers the amounts recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 62 days (2016: 62 days).

(b) Movement in provision for doubtful receivables

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Opening balance	3,187	2,771
Additional provisions	(79)	580
Amounts written off during the year	(486)	(164)
Closing balance	2,622	3,187

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

10 CURRENT ASSETS – INVENTORIES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
New and demonstrator motor vehicles & trucks - bailment stock - at cost	501,770	473,127
Less: Write-down to net realisable value	(10,458)	(8,900)
	491,312	464,227
Used vehicles & trucks - at cost	101,319	103,594
Less: Write-down to net realisable value	(5,109)	(5,664)
	96,210	97,930
Parts and other consumables - at cost	67,123	64,678
Less: Write-down to net realisable value	(1,993)	(1,828)
	65,130	62,850
Total inventories	652,652	625,007

11 CURRENT ASSETS - CURRENT TAX RECEIVABLES

Current tax receivables	-	3,817
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12 CURRENT ASSETS – OTHER CURRENT ASSETS**(a) Prepayments and deposits**

Prepayments and deposits	11,172	8,844
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(b) Property sale receivables

Property sale receivables	7,145	9,466
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Sale of property where proceeds are expected to be received within 12 months of balance date.

13 NON-CURRENT ASSETS – RECEIVABLES

Other loans receivable	10,600	10,612
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

14 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE INVESTMENTS CARRIED AT FAIR VALUE

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Available-for-sale financial assets		
Shares in a listed company - Automotive Holdings Group Limited ⁽¹⁾	287,445	261,989
Shares in a listed company - Smartgroup Corporation Ltd ⁽¹⁾	-	2,828
Shares in an unlisted company - Dealercell Holdings Pty Ltd ⁽²⁾	588	-
	288,033	264,817

(1) The Directors have assessed the fair value of the investment as at 31 December 2017 based on the market price of the shares on the last trading day of the reporting period. This is a level 1 fair value measurement asset being derived from inputs based on quoted prices that are observable.

(2) The Directors have assessed the fair value of the investment as at 31 December 2017 is materially consistent with its cost of acquisition. This is a level 3 fair value measurement asset being derived from inputs other than quoted prices that are unobservable from the asset either directly or indirectly.

Valuation of available-for-sale investments

Details of the Group's available for sale investments and information about the fair value hierarchy as at 31 December 2017 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	Carrying Amount 31/12/17 \$'000	Carrying Amount 31/12/16 \$'000	Valuation Technique	Key Input
Level 1 Available-for-sale investments - listed entities	287,445	264,817	Quoted bid prices in an active market.	Quoted bid prices in an active market.
Level 3 Available-for-sale investments - unlisted entities	588	-	Net asset assessment and available bid prices from equity participants.	Pre tax operating margin taking into account managements' experience and knowledge of market conditions and financial position. Market information based on available bid prices.

There were no transfers between levels in the year.

15 NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Shares in associate - Norna Limited	1,620	1,620
Shares in associate - DealerMotive Ltd	10,380	9,973
Shares in associate - Carzapp Pty Ltd	-	300
	12,000	11,893

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

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

16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Freehold land and buildings - at fair value		
<i>Directors' valuation</i>		
Land	199,489	188,108
Buildings	106,860	106,693
Total land and buildings	306,349	294,801
Construction in progress - at cost		
Construction in progress	223	3,706
Leasehold improvements		
At cost	28,756	32,469
Accumulated depreciation	(11,847)	(14,328)
Total leasehold improvements	16,909	18,141
Plant and equipment		
At cost	85,795	78,032
Accumulated depreciation	(48,155)	(39,970)
Total plant and equipment	37,640	38,062
Total property, plant and equipment	361,121	354,710

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2017 valuations were made by the Directors based on their assessment of prevailing market conditions and supported by fair value information received from independent expert property valuers on certain properties and the Group's own market activities and market knowledge.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2017 are as follows:

Unobservable inputs used in determination of fair values										
Class of Financial Assets & Liabilities	Carrying Amount 31/12/17 \$'000	Carrying Amount 31/12/16 \$'000	Valuation Technique	Key Input	Input	Average / Range 2017	Average / Range 2016	Other Key Information	Range [weighted average] 2017	Range [weighted average] 2016
Level 3 Car - HBU Alternate Use	75,313	49,747	Direct comparison	External valuations	Price /sqm land	Average \$2,276/sqm Range \$1,260 - \$4,004/sqm	Average \$1,563/sqm Range \$1,262 - \$3,584/sqm	Land size	Average 5,516 sqm Range 2,015 - 18,070 sqm	Average 7,952 sqm Range 779 to 24,160 sqm
Level 3 Car Dealership	199,591	205,157	Summation method, income capitalisation and direct comparison	External valuations industry benchmarks	Capitalisation rate	Average 7.3% Range 3.2% - 10.9%	Average 7.3% Range 3.1% - 9.9%	Net rent / sqm land Net rent / sqm GBA	Average \$100/sqm Range \$25 - \$297/sqm Average \$206/sqm Range \$106 - \$1,573/sqm	Average \$102/sqm Range \$25 - \$297/sqm Average \$212/sqm Range \$73 - \$806/sqm
Level 3 Development - Car Dealership	-	9,328	Direct comparison	External valuations	Price /sqm land	Average \$0/sqm Range \$0/sqm	Average \$458/sqm Range \$330 - \$817 /sqm			
Level 3 Truck Dealership	18,098	18,319	Direct comparison	External valuations	Price /sqm land Price/sqm GBA	Average \$324/sqm Range \$201 - \$428 /sqm	Average \$328/sqm Range \$203 - \$434 /sqm	Land size Net rent/sqm land Capitalisation rate	Average 18,641 sqm Range 7,218 - 25,700 sqm Average \$22/sqm Range \$17 - \$27/sqm Average 6.7% Range 5.6% - 8.7%	Average 18,641 sqm Range 7,218 to 25,700 sqm Average \$30/sqm Range \$17 to \$43/sqm Average 9.2% Range 7.9% to 9.8%
Level 3 Other Logistics	13,347	12,250	Income capitalisation method supported by market comparison	External valuations	Capitalisation Rate	Average 7.1% Range 6.4% - 9.5%	Average 7.8% Range 6.9% - 8.4%	Net rent / sqm GBA	Average \$109/sqm Range \$79 - \$179/sqm	Average \$109/sqm Range \$79 - \$179/sqm
Total	306,349	294,801								

There were no transfers between levels in the year.

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

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

If freehold land was carried at historical cost, its current carrying value would be \$132,688,000 (2016: \$130,861,000). If freehold buildings (including construction in progress) were carried at historical cost, its current carrying value (after depreciation) would be \$106,860,000 (2016: \$106,693,000).

Non-current assets pledged as security

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

Reconciliations

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

	Freehold land \$'000	Freehold buildings \$'000	Construction in progress \$'000	Leasehold improve- ments \$'000	Motor vehicles under lease \$'000	Plant and equipment \$'000	Total \$'000
Consolidated 2017							
Opening net book amount	188,108	106,693	3,706	18,141	-	38,062	354,710
Additions	22,432	1,748	4,782	2,421	-	12,875	44,258
Disposals/transfers	(16,641)	2,190	(8,265)	(1,266)	-	(2,898)	(26,880)
Revaluation gain credited to asset revaluation reserve	5,380	-	-	-	-	-	5,380
Revaluation charged to profit and loss	210	-	-	-	-	-	210
Depreciation/ amortisation charge	-	(3,771)	-	(2,387)	-	(10,399)	(16,557)
Carrying amount at end of year	199,489	106,860	223	16,909	-	37,640	361,121
Consolidated 2016							
Opening net book amount	149,592	99,377	277	14,509	1,140	26,403	291,298
Additions	26,461	10,999	3,429	5,121	-	22,583	68,593
Disposals/transfers	(22)	(46)	-	374	(1,140)	(2,525)	(3,359)
Revaluation gain credited to asset revaluation reserve	10,842	-	-	-	-	-	10,842
Revaluation charged to profit and loss	1,235	-	-	-	-	-	1,235
Depreciation/ amortisation charge	-	(3,637)	-	(1,863)	-	(8,399)	(13,899)
Carrying amount at end of year	188,108	106,693	3,706	18,141	-	38,062	354,710

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

17 NON-CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Goodwill	302,833	292,233
Trade marks/brand names	6,581	6,675
	309,414	298,908
Movement - Goodwill		
Balance at the beginning of the financial year	292,233	153,993
<i>Additional amounts recognised:</i>		
- from business combinations during the year (Note 32(a))	10,600	138,240
Balance at the end of the financial year	302,833	292,233
Movement - Trade marks/brand names		
Balance at the beginning of the financial year	6,675	6,769
Amortisation of brand names	(94)	(94)
Balance at the end of the financial year	6,581	6,675

(a) Impairment tests for goodwill

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

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

Automotive dealership operations:

Goodwill	294,683	284,283
Trade marks/brand names	5,531	5,625
	300,214	289,908

Truck dealership operations:

Goodwill	8,150	7,950
Trade marks/brand names	1,050	1,050
	9,200	9,000
	309,414	298,908

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

The DCF model adopted by Directors was based on the 2018 financial budgets approved by the Board, a 3% (2016: 3%) perpetual growth rate and a pre-tax discount rate of 11% (2016: 11%). This growth rate does not exceed the long term average growth rate for the industry.

For the automotive dealership operations, the Directors believe that any reasonable change in the key assumptions on which the recoverable amount is based is not expected to cause the carrying amount to exceed the recoverable amount of the segment, however see Note 32(b) for considerations surrounding contingent consideration.

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

18 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Trade and other payables		
Trade payables ⁽¹⁾	56,555	57,652
Other payables	96,298	75,949
	152,853	133,601

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

19 DERIVATIVE FINANCIAL INSTRUMENTS

Current liabilities

Interest rate swap contracts - cash flow hedges	20	210
Total current derivative financial instrument liabilities	20	210

Non-current liabilities

Interest rate swap contracts - cash flow hedges	118	206
Total non-current derivative financial instrument liabilities	118	206
	138	416

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 31).

Bailment finance of the Group currently bears an average variable interest rate at 31 December 2017 of 4.18% (2016: 4.12%). As per Group policy bailment finance is not hedged.

The interest rate swaps currently in place are providing a fixed rate of interest on the variable cash advances drawn down under the term facility. The swap contracts in place cover approximately 14% (2016: 34%) of the term facility outstanding at the year end. The contracts require settlement of net interest receivable or payable each 30 days.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve to the extent that the hedge is effective and re-classified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in profit or loss immediately. At balance date, a gain from remeasuring the hedging instruments at fair value of \$138,000 (2016: \$416,000) has been recognised in equity in the hedging reserve (Note 30(a)). No portion was ineffective.

Valuation of derivative financial instruments

Details of the Group's derivative financial instruments and information about the fair value hierarchy as at 31 December 2017 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	Carrying Amount 31/12/17 \$'000	Carrying Amount 31/12/16 \$'000	Valuation Technique	Key Input
Level 2	138	416	Discounted cash flow	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Cash flow hedges – Interest rate swaps				

There were no transfers between levels in the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

20 CURRENT LIABILITIES - BORROWINGS - BAILMENT AND OTHER CURRENT LOANS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
(a) Bailment finance and other current loans		
Bailment finance	544,194	485,875
Capital loan	1,006	-
	545,200	485,875

(i) Bailment finance

Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 4.18% p.a. applicable at 31 December 2017 (2016: 4.12%). 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 31.

(iii) Fair value disclosures

Details of the Group's fair value of interest bearing liabilities is set out in Note 31.

(iv) Security

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

21 CURRENT LIABILITIES - CURRENT TAX LIABILITIES

Income tax	13,221	-
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22 CURRENT LIABILITIES - PROVISIONS

Annual Leave	24,318	24,705
Long Service Leave	21,723	21,536
Warranties	5,319	4,870
	51,360	51,111

(a) Movements in provisions

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

Warranties

Carrying amount at the start of the year	4,870	4,183
Additional provisions recognised	7,642	6,879
Payments charged against provisions	(7,193)	(6,789)
Acquired through business combination	-	597
	5,319	4,870

(b) Warranty Provision

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

23 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Other current liabilities	250	-

Other current liabilities represent the estimated fair value of the contingent consideration relating to the acquisition of Tony Ireland Group (see Note 32(b)). There has been no change in the fair value of the contingent consideration since the acquisition date.

24 NON-CURRENT LIABILITIES – BORROWINGS (SECURED)

(a) Borrowings – others

Term facility	170,200	204,500
Capital loan	78,144	79,150
	248,344	283,650

SECURED LIABILITIES

Total secured liabilities (current and non-current) are:

Term facility ⁽ⁱ⁾	170,200	204,500
Capital loan ⁽ⁱⁱ⁾	79,150	79,150
Bailment finance ⁽ⁱⁱⁱ⁾	544,194	485,875
	793,544	769,525

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

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

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

Refer to Note 31 for maturities.

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

Non-current assets pledged as security

Freehold land and buildings – first mortgage	304,456	297,083
Other non-current assets	674,645	651,999

Current assets pledged as security

Inventories	544,194	485,875
Other current assets	143,416	177,304

Total assets pledged as security	1,666,711	1,612,261
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

24 NON-CURRENT LIABILITIES – BORROWINGS (SECURED) (CONTINUED)

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
FINANCING ARRANGEMENTS		
The consolidated entity has access to the following lines of credit at balance date:		
Total facilities		
Term facility ⁽ⁱ⁾	290,000	260,000
Working capital facility (includes bank overdraft) ⁽ⁱⁱ⁾	25,000	25,000
Capital loan ⁽ⁱⁱⁱ⁾	79,150	79,150
Bailment finance ^(iv)	694,294	671,534
Bank guarantees	27,018	22,000
	1,115,462	1,057,684
Used at balance date		
Term facility	170,200	204,500
Capital loan	79,150	79,150
Bailment finance	544,194	485,875
Bank guarantees	15,039	19,879
	808,583	789,404
Unused at balance date		
Term facility	119,800	55,500
Working capital facility (includes bank overdraft)	25,000	25,000
Bailment finance	150,100	185,659
Bank guarantees	11,979	2,121
	306,879	268,280

(i) Term facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants for a fixed term.

(ii) Working capital facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants and an annual review.

(iii) Capital loan facility at balance date was provided on a non-amortisable (interest only) basis for a fixed term.

(iv) Bailment facilities are used to finance the acquisition of new vehicle and some used vehicle trading stock. These facilities include a combination of fixed term and open ended arrangements and are subject to review periods ranging from quarterly to annual. These facilities generally include short term termination notice periods and are disclosed as current liabilities in the statement of financial position.

25 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Deferred tax liabilities	2,273	7,447
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Book versus tax carrying value of plant and equipment	(866)	(1,488)
Inventory valuation	4,384	4,225
Prepayments	1,715	661
Provisions		
Doubtful debts	(788)	(956)
Employee benefits	(15,609)	(13,310)
Warranties	(2,254)	(5,339)
Property receivable	-	(66)
Sundry items	(4,324)	(937)
Total amounts recognised in profit or loss	(17,742)	(17,210)
<i>Amounts recognised directly in equity</i>		
Revaluation of available-for-sale investment	8,603	15,964
Revaluation of property, plant and equipment	18,898	16,094
Hedge liability	(41)	(125)
Share options trust	(7,445)	(7,276)
Total amounts recognised directly in equity	20,015	24,657
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 2017	7,447	7,718
Deferred tax assets relating to business combinations	(109)	(2,343)
Reinstatement of Gabba Property	1,557	-
Deferred tax expense/(benefit)	6(a) (352)	8,994
Current year adjustments related to prior year deferred tax	(48)	(3,318)
Deferred tax recognised directly in equity		
Revaluation of available-for-sale investment	30(a) (6,876)	(11,046)
Revaluation of property plant and equipment	30(a) 1,614	3,253
Movement in fair value of cash flow hedge	30(a) 84	121
Share options trust	30(a) (420)	4,655
Arising on income and expenses reclassified from equity to profit & loss		
- relating to available-for-sale financial assets	(624)	(587)
Closing balance at 31 December 2017	2,273	7,447

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

26 NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Employee benefits - long service leave	5,988	7,256
Make good provision (a)	-	1,970
	5,988	9,226

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

(b) Movement in the make good provision:

Balance at start of year	1,970	2,122
Payments against provision	-	(152)
Derecognised during the year	(1,970)	-
Carrying amount at end of year	-	1,970

27 NON-CURRENT LIABILITIES – OTHER NON-CURRENT LIABILITIES

Other (contingent consideration)	19,369	19,317
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Other liabilities represent the estimated fair value of the contingent consideration relating to the acquisitions of Birrell Motors Group and Tony Ireland Group (see Note 32(b)). There has been no change in the fair value of the contingent consideration since the acquisition date except for unwinding of the discounting.

28 SEGMENT INFORMATION

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

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

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

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

(a) Car Retailing

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

(b) Truck Retailing

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

(c) Property

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

(d) Investments

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

Geographic Information

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

28 SEGMENT INFORMATION (CONTINUED)

(e) Segment results

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

29 CONTRIBUTED EQUITY

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
(a) Paid up capital		
Ordinary shares - fully paid	369,028	364,449

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-2017	Opening balance	190,492,806		364,449
16-Jan-2017	Issue of options to staff under share incentive schemes	50,460	\$9.06	457
24-Feb-2017	Issue of options to staff under share incentive schemes	175,843	\$9.28	1,632
27-Mar-2017	Issue of options to staff under share incentive schemes	116,960	\$9.27	1,084
04-Jul-2017	Issue of options to staff under share incentive schemes	172,409	\$8.16	1,406
31-Dec-2017	Closing balance	191,008,478		369,028
01-Jan-2016	Opening balance	184,073,803		296,060
09-Feb-2016	Issue of options to staff under share incentive schemes	220,430	\$11.30	2,491
29-Feb-2016	Issue of options to staff under share incentive schemes	164,031	\$10.90	1,788
17-Mar-2016	Issue of options to staff under share incentive schemes	615,175	\$10.48	6,447
31-Mar-2016	Issue of shares as partial consideration for acquisition of Birrell Motors Group	2,200,000	\$9.75	21,450
01-Jul-2016	Issue of shares for Crompton acquisition	937,742	\$11.73	11,000
19-Jul-2016	Issue of options to staff under share incentive schemes	1,164,695	\$11.80	13,742
17-Aug-2016	Issue of options to staff under share incentive schemes	50,000	\$12.25	612
05-Oct-2016	Issue of options to staff under share incentive schemes	1,008,375	\$10.20	10,281
07-Nov-2016	Issue of options to staff under share incentive schemes	58,555	\$9.87	578
31-Dec-2016	Closing balance	190,492,806		364,449

30 RESERVES AND RETAINED EARNINGS

		CONSOLIDATED	
	Notes	2017 \$'000	2016 \$'000
(a) Reserves:			
Property, plant and equipment revaluation reserve		52,728	52,781
Hedging reserve - cash flow hedge		(97)	(291)
Share-based payments reserve		(34,368)	(34,486)
Investment revaluation reserve		19,868	37,394
		38,131	55,398
Movements:			
<i>Property, plant and equipment revaluation reserve:</i>			
Balance at beginning of the financial year		52,781	45,192
Revaluation surplus/(deficit) during the year - gross	16	5,380	10,842
Transfer to retained earnings relating to properties sold	30(b)	(3,819)	-
Deferred tax	25	(1,614)	(3,253)
Balance at the end of the financial year		52,728	52,781
<i>Hedging reserve - cash flow hedge:</i>			
Balance at beginning of the financial year		(291)	(575)
Movement during the year		278	405
Deferred tax	25	(84)	(121)
Balance at the end of the financial year		(97)	(291)
<i>Share-based payments reserve:</i>			
Balance at beginning of the financial year		(34,486)	(3,778)
Deferred tax	25	420	(4,655)
Payments received from employees for exercised options		1,636	6,948
Prior period tax adjustment		536	-
Employee share schemes - value of employee services		2,105	2,966
Transfer to share capital (shares issued)		(4,579)	(35,939)
Current tax on share plans		-	(28)
Balance at the end of the financial year		(34,368)	(34,486)
<i>Investment revaluation reserve:</i>			
Balance at beginning of the financial year		37,394	64,536
Gain/(loss) on revaluation of available-for-sale investment		(22,920)	(36,819)
Deferred tax	25	6,876	11,046
Cumulative gain (net of tax) reclassified to profit or loss on disposal of available for sale financial assets		(1,482)	(1,369)
Balance at the end of the financial year		19,868	37,394

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

30 RESERVES AND RETAINED EARNINGS (CONTINUED)

		CONSOLIDATED	
	Notes	2017 \$'000	2016 \$'000
(b) Retained earnings			
Retained profits at the beginning of the financial year		335,779	293,435
Net profit for the year		98,173	105,526
Less: NCI Share		(2,146)	(1,542)
Transfer from asset revaluation reserve re properties sold		3,819	-
Dividends provided for or paid	7	(67,770)	(61,640)
Retained profits at the end of the financial year		367,855	335,779

(c) Nature and purpose of other reserves

(i) Property, plant and equipment revaluation reserve

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

(ii) Hedging reserve

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

(iii) Share-based payments reserve

The share-based payment reserve is used to recognise the fair value of performance rights expected to vest and the fair value of equity expected to be issued under various share incentive schemes referred to in Notes 37 and 38.

(iv) Investment revaluation reserve

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

31 FINANCIAL INSTRUMENTS

Overview

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

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

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

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

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

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

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

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

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

CREDIT RISK

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

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and other receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

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

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

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

LIQUIDITY RISK

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

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

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

MARKET RISK

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

(i) Interest rate risk

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

The Group's policy is to keep between 0% and 50% of its borrowings at fixed rates of interest. As at 31 December 2017, approximately 29% (2016: 42%) of the Group's borrowings were at a fixed rate of interest. The Group hedges part of the interest rate risk (see Note 19) by swapping floating for fixed interest rates.

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

The net fair value of the swaps at 31 December 2017 was \$138,000 liability (2016: \$416,000 liability), with the movement being recognised in equity for the consolidated entity.

(ii) Interest rate sensitivity

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's net profit after tax would increase/decrease by \$3,923,000 (2016: \$3,699,000) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

31 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK (continued)

(iii) Interest rate swap contracts

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

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

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2017 %	2016 %	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Outstanding floating for fixed contracts						
Less than 1 year	2.34%	2.59%	8,000	46,200	(20)	(210)
Between 1 - 2 years	2.38%	2.34%	15,000	8,000	(118)	(54)
Between 2 - 3 years	-	2.38%	-	15,000	-	(152)
	2.36%	2.44%	23,000	69,200	(138)	(416)

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

(i) Exposure to Credit Risk

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Trade and other receivables	182,174	172,011
Less: Provision for doubtful receivables	(2,622)	(3,187)
	179,552	168,824

(ii) *Impairment Losses*

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

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

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Financial assets		
Trade and other receivables net of doubtful debts	179,552	168,824
Cash and cash equivalents	10,827	17,615
	190,379	186,439
Financial liabilities		
Bills payable and fully drawn advances	170,200	204,500
Capital loan	78,144	79,150
Vehicle bailment	544,194	485,875
Trade and other payables	152,853	133,601
Derivative financial instruments	138	416
	945,529	903,542

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

31 FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK (continued)

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

Maturity profile

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

Contractual maturities of financial liabilities

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

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

Maturity profile (continued)

At 31 December 2016	Less than 1 year \$'000	1 - 2 years \$'000	2 - 3 years \$'000	3 - 4 years \$'000	4 - 5 years \$'000	5+ years \$'000	Total \$'000
INTEREST BEARING							
Floating rate							
<i>Financial assets</i>							
Cash and cash equivalents	17,615	-	-	-	-	-	17,615
Average interest rate	2.39%	-	-	-	-	-	
<i>Financial liabilities</i>							
Vehicle bailment (current)	506,322	-	-	-	-	-	506,322
Fully drawn advances	8,596	112,197	3,677	3,677	3,677	99,951	231,775
Fully drawn advances ⁽¹⁾	1,145	52,145	181	-	-	-	53,471
Capital loan (Non-current)	1,036	1,036	1,036	1,036	1,036	41,138	46,318
	517,099	165,378	4,894	4,713	4,713	141,089	837,886
Average interest rate	4.10%	3.35%	3.79%	3.51%	3.51%	3.51%	
Fixed rate							
<i>Financial liabilities</i>							
Capital loan (Non-current)	2,669	51,305	-	-	-	-	53,974
Average interest rate	5.20%	5.20%	-	-	-	-	
NON-INTEREST BEARING							
<i>Financial assets</i>							
Property sale receivables	9,466	-	-	-	-	-	9,466
Trade debtors	159,358	-	-	-	-	-	159,358
	168,824	-	-	-	-	-	168,824
<i>Financial liabilities</i>							
Trade and other payables	158,305	19,317	-	-	-	-	177,622

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

32 INVESTMENTS IN SUBSIDIARIES

Name of Entity		EQUITY HOLDING	
		2017 %	2016 %
Eagers Retail Pty Ltd	*	100	100
Eagers MD Pty Ltd		80	80
Eagers Finance Pty Ltd	*	100	100
Nundah Motors Pty Ltd	*	100	100
Eagers Nominees Pty Ltd	*	100	100
Austral Pty Ltd	*	100	100
E G Eager & Son Pty Ltd	*	100	100
A.P. Group Ltd	*	100	100
A.P. Ford Pty Ltd	*	100	100
A.P. Motors Pty Ltd	*	100	100
A.P. Motors (No.1) Pty Ltd	*	100	100
A.P. Motors (No.2) Pty Ltd	*	100	100
A.P. Motors (No.3) Pty Ltd	*	100	100
Associated Finance Pty Limited	*	100	100
Leaseline & General Finance Pty Ltd	*	100	100
City Automotive Group Pty Ltd	*	100	100
PPT Investments Pty Ltd	*	100	100
PPT Holdings No 1 Pty Ltd	*	100	100
PPT Holdings No 2 Pty Ltd	*	100	100
PPT Holdings No 3 Pty Ltd	*	100	100
Bill Buckle Holdings Pty Ltd	*	100	100
Bill Buckle Autos Pty Ltd	*	100	100
Bill Buckle Leasing Pty Ltd	*	100	100
Adtrans Group Limited	*	100	100
Adtrans Corporate Pty Ltd	*	100	100
Adtrans Automotive Group Pty Ltd	*	100	100
Stillwell Trucks Pty Ltd	*	100	100
Adtrans Trucks Pty Ltd	*	100	100
Graham Cornes Motors Pty Ltd		90	90
Whitehorse Trucks Pty Ltd	*	100	100
Adtrans Used Pty Ltd	*	100	100
Adtrans Hino Pty Ltd	*	100	100
Adtrans Australia Pty Ltd	*	100	100
Melbourne Truck and Bus Centre Pty Ltd	*	100	100
Adtrans Truck Centre Pty Ltd	*	100	100
Adtrans Trucks Adelaide Pty Ltd	*	100	100
Precision Automotive Technology Pty Ltd	*	100	100
IB Motors Pty Ltd	*	100	100
IB MD Pty Ltd		80	80
AP Townsville Pty Ltd	*	100	100
South West Queensland Motors Pty Ltd		80	80
BASW Pty Ltd		80	80
Western Equipment Rentals Pty Ltd		80	80
Boonarga Welding Pty Ltd		80	80
Black Auto CQ Pty Ltd	*	100	100
CH Auto Pty Ltd		80	100
Auto Ad Pty Ltd	*	100	100
Motors TAS Pty Ltd	*	100	100
WS Motors Pty Ltd	*	100	100
MB VIC Pty Ltd	*	100	100
Carzoos Pty Ltd	*	100	100
Crampton Automotive Pty Ltd	*	100	100
Motors Group (Glen Waverley) Pty Ltd		80	80

32 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Entity		EQUITY HOLDING	
		2017 %	2016 %
Port City Autos Pty Ltd	*	100	100
Adverpro Pty Ltd	*	100	100
AP Queensland (No. 1) Pty Ltd	*	100	100
Eurocars (SA) Pty Ltd	*	100	-
Finmo Pty Ltd	*	100	-

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

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

	2017 \$'000	2016 \$'000
Financial position		
Assets		
Current assets	-	-
Non-current assets	519,535	510,553
	519,535	510,553
Liabilities		
Current liabilities	11,366	5,836
Non-current liabilities	25,975	16,005
	37,341	21,841
Equity		
Issued capital	369,028	364,449
Retained earnings	122,835	115,459
Reserves		
Asset revaluation reserve	1,683	1,683
Investment revaluation reserve	19,868	37,394
Share based payments reserve	(31,220)	(30,274)
	482,194	488,711
Financial performance		
Profit for the year	74,230	60,221
Other comprehensive income	(17,526)	(38,774)

All subsidiaries were parties to a deed of cross guarantee with A.P. Eagers Limited pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 which has been lodged with and approved by Australian Securities and Investments Commission as at 31 December 2017. 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 2017 and their aggregate net profit after tax for the year ended 31 December 2017 match the reported balances within the Statement of Financial Position and the Statement of Profit or Loss respectively.

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

Also refer Notes 33(a) and 33(b) in respect of guarantees entered into by the parent entity in relation to debts of its subsidiaries.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

32 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of businesses

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

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

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

Allocation of purchase consideration

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

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

Consolidated fair value at acquisition date

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

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

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

(b) Acquisition of businesses in prior year

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

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

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

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

Allocation of purchase consideration

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

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

Consolidated fair value at acquisition date

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

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

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

(ii) Goodwill arose in the business combinations because as at the date of acquisition the consideration paid for the combination included amounts in relation to the benefit of expected synergies and future revenue and profit growth from the businesses acquired. These benefits were not recognised separately from goodwill as the future economic benefits arising from them could not be reliably measured in time for inclusion in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

32 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Acquisition of businesses in prior year (continued)

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

(c) Disposal of businesses

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

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

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

(d) Disposal of businesses in prior year

There were no businesses sold by the Group during 2016.

(e) Details of non-wholly owned subsidiaries

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

	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Individually immaterial subsidiaries with non-controlling interest	2,146	1,542	10,761	8,166

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Movement – Non-Controlling Interest		
Balance at the beginning of the financial year	8,166	8,139
Profit for the year	2,146	1,542
Payment / (repayment) for shares	1,904	(368)
Payment of dividend	(1,455)	(1,147)
Balance at the end of the financial year	10,761	8,166

33 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 2017 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 2017. Under the deed of cross guarantee each company within the closed Group guarantees the debts of the other companies. The maximum exposure of the parent entity in relation to the cross guarantees is \$1,012,855,000 (2016: \$968,800,000).

(c) Buy back agreements

As at 31 December 2017, entities within the Group had entered into sale and buy back agreements for new vehicles. The financial exposure to the Group is immaterial.

34 COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED	
	2017 \$'000	2016 \$'000

(a) Capital commitments

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

Within one year	218	2,949
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(b) Operating lease commitments

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

Within one year	39,640	38,758
Later than 1 year but not later than 5 years	107,255	103,067
Later than 5 years	77,520	83,450
	224,415	225,275

The consolidated entity leases property under non-cancellable operating leases with expiry dates between 31 January 2018 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.

35 REMUNERATION OF AUDITOR

Amounts received or due and receivable by Deloitte Touche Tohmatsu ("Deloitte") for:

- Audit or review of the financial report of the parent entity and any other entity in the consolidated entity	745	762
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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	274	438
	1,019	1,200

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

36 SUBSEQUENT EVENTS

Commencing 16 January 2018, the Group acquired a further 3.7 million shares in Automotive Holdings Group Limited ('AHG') at a total cost of \$13.4 million through a series of on-market share purchases. As a result, the Group's shareholding in AHG increased from 23.81% as at 31 December 2017 to 24.94%.

37 KEY MANAGEMENT PERSONNEL

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

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

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

(a) Details of key management personnel

<i>(i) Directors</i>	T B Crommelin	Chairman (non-executive)
	M A Ward	Managing Director and Chief Executive Officer
	S A Moore	Director and Chief Financial Officer - appointed 29th March 2017
	D A Cowper	Director (non-executive)
	P W Henley	Director (non-executive) - resigned 22nd February 2017
	N G Politis	Director (non-executive)
	D T Ryan	Director (non-executive)
	M J Birrell	Director (non-executive)
<i>(ii) Executives</i>	D G Stark	General Counsel & Company Secretary
	K T Thornton	Chief Operating Officer - Cars

	CONSOLIDATED	
	2017 \$'000	2016 \$'000

(b) Compensation of key management personnel

The aggregate compensation made to key management personnel of the Company and the Group is as follows:

Short term	3,425	3,709
Post employment benefits	137	150
Share based payments	1,238	1,328
	4,800	5,187

(c) Option holdings of key management personnel

Details of options held by key management personnel can be found in Note 37(f).

(d) Loans to key management personnel

There are no loans to key management personnel.

(e) Other transactions with key management personnel

Other transactions with key management personnel are detailed in Note 39.

(f) Share Based Payments

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

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

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

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

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

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

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

A total of 30,168 rights and 136,039 options were forfeited or expired during the year. A total of 137,571 rights were issued and 130,289 options exercised during the year.

As a result of the partial achievement of specific EPS and interest coverage targets, all of the performance rights and one third of the options relating to the 31 December 2017 performance period have vested.

The value of the performance rights and options expensed during the year was \$1,363,178, with a cumulative expense being recognised at 31 December 2017 of \$5,059,792 (2016: \$3,696,614).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

38 OTHER SHARE BASED PAYMENTS

Recognised share-based payments expenses

Refer Note 30(a) for movements in share based payments reserve.

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

The Group commenced an Earnings Per Share (EPS) based performance rights and options 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 the General Counsel & Company Secretary. The modified grant date method [AASB 2] is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS and interest cover targets being achieved and vesting occurring. The number of rights and options granted under the plan is as follows:

Performance Rights				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
162,310	27-Jan-10	31-Dec-10	27-Jan-17	\$ 2.28
219,265	27-Jan-10	31-Dec-11	27-Jan-17	\$ 2.17
230,750	27-Jan-10	31-Dec-12	27-Jan-17	\$ 2.06

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

No rights or options were forfeited or expired during the year. A total of 50,460 options were exercised during the year.

No costs of the share plan were expensed during 2017 (2016: \$nil). The share plan was fully expensed by the end of 2012.

Plan F: EPS Performance Options – Senior Management 2013

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

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

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

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

A total of 65,650 options in 2017 were forfeited or expired during the year. A total of 159,080 options were exercised during the year.

As a result of the specific EPS target being achieved the options relating to the 31 December 2017 performance period have vested.

The value of the options expensed during the year was \$132,142, with a cumulative expense being recognised at 31 December 2017 of \$3,607,822 (2016: \$3,475,680).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

38 OTHER SHARE BASED PAYMENTS (CONTINUED)

Plan H: EPS Performance Rights and Options – Key Executives

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

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

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

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

Performance Rights				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
14,412	21-Jan-15	31-Dec-15	21-Jan-22	\$5.55
15,065	21-Jan-15	31-Dec-16	12-Feb-22	\$5.31
15,746	21-Jan-15	31-Dec-17	12-Feb-22	\$5.08
16,459	21-Jan-15	31-Dec-18	12-Feb-22	\$4.86
17,202	21-Jan-15	31-Dec-19	30-Sep-22	\$4.65

Performance Options				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
95,235	21-Jan-15	31-Dec-15	21-Jan-22	\$0.84
93,020	21-Jan-15	31-Dec-16	12-Feb-22	\$0.86
93,020	21-Jan-15	31-Dec-17	12-Feb-22	\$0.86
91,953	21-Jan-15	31-Dec-18	12-Feb-22	\$0.87
93,020	21-Jan-15	31-Dec-19	30-Sep-22	\$0.86

A total of 6,175 performance rights and 34,748 options were forfeited or expired during the year. A total of 15,065 performance rights were issued during the year.

As a result of the partial achievement of specific EPS and interest coverage targets, all of the performance rights and one third of the options relating to the 31 December 2017 performance period have vested.

The value of the performance rights and options expensed during the year was \$151,658, with a cumulative expense being recognised as at 31 December 2017 of \$574,293 (2016: \$422,635).

Plan I: EPS Performance Rights and Options – Key Executives

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

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

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

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

Performance Rights				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
9,045	12-Feb-15	31-Dec-15	12-Feb-22	\$5.97
9,440	12-Feb-15	31-Dec-16	12-Feb-22	\$5.72
9,836	12-Feb-15	31-Dec-17	12-Feb-22	\$5.49
11,406	12-Feb-15	31-Dec-18	30-Sep-22	\$5.26
11,881	12-Feb-15	31-Dec-19	30-Sep-22	\$5.05

Performance Options				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
97,590	12-Feb-15	31-Dec-15	12-Feb-22	\$0.83
95,294	12-Feb-15	31-Dec-16	12-Feb-22	\$0.85
94,186	12-Feb-15	31-Dec-17	12-Feb-22	\$0.86
102,272	12-Feb-15	31-Dec-18	30-Sep-22	\$0.88
102,272	12-Feb-15	31-Dec-19	30-Sep-22	\$0.88

No performance rights or options were forfeited or expired during the year. A total of 9,440 performance rights were issued during the year.

As a result of the specific performance targets being achieved the performance rights and options relating to the 31 December 2017 performance period have vested since balance date.

The value of the performance rights and options expensed during the year was \$161,139, with a cumulative expense being recognised as at 31 December 2017 of \$512,134 (2016: \$350,995).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

38 OTHER SHARE BASED PAYMENTS (CONTINUED)

Plan J: EPS Performance Rights and Options – Key Executives

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

Performance Rights					
Award date 12 June 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	12-Jun-22	12-Jun-22	12-Jun-22	30-Sep-22	30-Sep-22
Share price at grant date	\$9.25	\$9.25	\$9.25	\$9.25	\$9.25
Expected life	0.8 years	1.8 years	2.8 years	3.8 years	4.8 years
Volatility	24%	24%	24%	24%	24%
Risk free interest rate	1.98%	1.99%	2.06%	2.18%	2.33%
Dividend yield	3.7%	3.7%	3.7%	3.7%	3.7%

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

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

Performance Rights				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
2,783	12-Jun-15	31-Dec-15	12-Jun-22	\$8.98
5,780	12-Jun-15	31-Dec-16	12-Jun-22	\$8.65
5,995	12-Jun-15	31-Dec-17	12-Jun-22	\$8.34
6,218	12-Jun-15	31-Dec-18	30-Sep-22	\$8.04
6,458	12-Jun-15	31-Dec-19	30-Sep-22	\$7.74

Performance Options				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
17,605	12-Jun-15	31-Dec-15	12-Jun-22	\$1.42
33,783	12-Jun-15	31-Dec-16	12-Jun-22	\$1.48
32,678	12-Jun-15	31-Dec-17	12-Jun-22	\$1.53
31,645	12-Jun-15	31-Dec-18	30-Sep-22	\$1.58
31,250	12-Jun-15	31-Dec-19	30-Sep-22	\$1.60

No performance rights or options were forfeited or expired during the year. A total of 5,780 performance rights were issued during the year. As a result of the partial achievement of specific EPS and interest coverage targets, all of the performance rights and one third of the options relating to the 31 December 2017 performance period have vested.

The value of the performance rights and options expensed during the year was \$111,421, with a cumulative expense being recognised as at 31 December 2017 of \$321,405 (2016: \$209,984).

Plan K: EPS Performance Rights and Options – Key Executives

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

Performance Rights				
Award date 31 March 2016				
Vesting date	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24
Share price at grant date	\$9.75	\$9.75	\$9.75	\$9.75
Expected life	1.0 year	2.0 years	3.0 years	4.0 years
Volatility	27%	27%	27%	27%
Risk free interest rate	1.95%	1.88%	1.90%	1.98%
Dividend yield	3.8%	3.8%	3.8%	3.8%
Performance Options				
Award date 31 March 2016				
Vesting date	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24
Share price at grant date	\$9.75	\$9.75	\$9.75	\$9.75
Exercise price	\$10.34	\$10.34	\$10.34	\$10.34
Expected life	4.5 years	5.0 years	5.5 years	6.0 years
Volatility	27%	27%	27%	27%
Risk free interest rate	2.03%	2.08%	2.13%	2.18%
Dividend yield	3.8%	3.8%	3.8%	3.8%

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

Performance Rights				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
7,987	31-Mar-16	31-Dec-16	31-Mar-24	\$9.39
8,296	31-Mar-16	31-Dec-17	31-Mar-24	\$9.04
8,620	31-Mar-16	31-Dec-18	31-Mar-24	\$8.70
8,960	31-Mar-16	31-Dec-19	31-Mar-24	\$8.37
Performance Options				
Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
48,076	31-Mar-16	31-Dec-16	31-Mar-24	\$1.56
46,012	31-Mar-16	31-Dec-17	31-Mar-24	\$1.63
44,910	31-Mar-16	31-Dec-18	31-Mar-24	\$1.67
43,859	31-Mar-16	31-Dec-19	31-Mar-24	\$1.71

No performance rights or options were forfeited or expired during the year. A total of 7,987 rights were issued during the year.

As a result of the specific targets not being achieved the performance rights and options relating to the 31 December 2017 performance period have not vested.

The value of the performance rights and options expensed during the year was \$181,063, with a cumulative expense being recognised as at 31 December 2017 of \$395,511 (2016: \$214,448).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

39 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 \$510,641 (2016: \$462,274) and purchases of \$398,021 (2016: \$520,476) during the last 12 months, are primarily the sale and purchase of spare parts and accessories and are carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.
- (ii) Mr M Birrell is a director and owner of a number of properties leased by subsidiaries of A. P. Eagers. The lease transactions of \$4,351,456 (2016 for 6 months since his appointment to the board: \$1,956,301) have been carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

Mr M Birrell also has a consultancy arrangement with AP Eagers whereby he is paid a consultancy fee in consideration for provision of professional services provided for AP Eagers' Victorian and Tasmanian businesses. There were nil transactions (2016: nil) since his appointment to the board.

Mr M Birrell was a party to the Birrell Motors Group business acquisition which is subject to a contingent consideration arrangement whereby an additional amount is payable at 31 December 2019 if a specified performance target is met. The contingent consideration has been recognised as a financial liability as at 31 December 2017, refer to Note 27.

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

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

Wholly-owned group

The parent entity of the wholly-owned group is A.P. Eagers Limited. Information relating to the wholly-owned group is set out in Note 32.

40 EARNINGS PER SHARE

	CONSOLIDATED	
	2017 Cents	2016 Cents
(a) Basic earnings per share		
Earnings attributable to the ordinary equity holders of the Company	50.3	55.4
(b) Diluted earnings per share		
Earnings attributable to the ordinary equity holders of the Company	49.5	54.0

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
Profit for the year	98,173	105,526
Less: attributable to non-controlling interest	(2,146)	(1,542)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	96,027	103,984
<i>Diluted earnings per share</i>		
Profit for the year less attributable to non-controlling interest	96,027	103,984
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	96,027	103,984
	Number	Number
Weighted average number of ordinary shares outstanding during the year	190,865,298	187,811,094
Shares deemed to be issued for no consideration in respect of employee options ⁽¹⁾	3,167,755	4,747,506
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	194,033,053	192,558,600

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

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

Net profit after tax		98,173	105,526
Depreciation and amortisation	5	16,651	13,993
Net gain on sale of available-for-sale financial assets	4	(2,080)	(1,955)
Share of profits of associate		(407)	(191)
Dividends from investments		-	191
Gain on sale of property, plant & equipment		(15,644)	(1,136)
Employee share scheme expense		2,105	2,966
Non controlling interest adjustments		-	(535)
Property receivable and deposits		2,321	22,547
Gain to property revaluation (through P&L)		(210)	(1,235)
<i>(Increase)/decrease in assets</i>			
Receivables		(13,061)	(39,631)
Inventories		(27,645)	(94,844)
Prepayments		(2,328)	(588)
<i>Increase/(decrease) in liabilities</i>			
Creditors (including bailment finance)		78,225	103,090
Provisions		(2,988)	5,737
Taxes payable		11,864	(4,213)
Net cash inflow from operating activities		144,976	109,722

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2017

42 NON-CASH TRANSACTIONS

In 2017, the Group entered into a contract for the sale of 157-159 Newmarket Road, Windsor. As a result a profit of \$2.3 million was recognised in 2017 and was included in the amount disclosed in Note 4. Consideration for the sale totalling \$7.2 million will be received in 2018.

43 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

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

Name of company	OWNERSHIP INTEREST		CONSOLIDATED	
	2017 %	2016 %	2017 \$'000	2016 \$'000
Unlisted securities				
Norna Limited (formerly MTQ Insurance Services Limited)	20.65	20.65	1,620	1,620
DealerMotive Ltd	25.50	25.76	10,380	9,973
Carzapp Pty Ltd	-	10.00	-	300
			12,000	11,893

Norna Limited (formerly MTQ Insurance Servers Limited)

In 2014 MTQ Insurance Services Limited changed its name to Norna Limited. On 29 August 2014 MTA Insurance Limited (a wholly owned subsidiary of Norna Limited) was sold to AAI Limited with settlement to take place in instalments, the final of which is expected to be realised in 2018. Once the sale is completed Norna Limited will be liquidated.

AP Eagers Limited will remain a shareholder in Norna Limited with a 20.65% interest (2016: 20.65%) and will continue to equity account the investment in the associate which has been equity accounted from 1 January 2006 (refer Note 15), until the final distributions are received and Norna Limited is liquidated.

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

DealerMotive Limited

In 2016, AP Eagers transferred its shares in One Way Traffic Pty Ltd (Carsguide) and Auto Trader Australia Pty Ltd (Auto Trader) to DealerMotive Limited (DealerMotive) under a scheme of arrangement, in return for an equal dollar value of shares in DealerMotive. AP Eagers also subscribed to shares in DealerMotive during the year as part of a capital raising. AP Eagers holds a 25.5% shareholding in DealerMotive as at 31 December 2017.

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000

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

Carrying amount at the beginning of the financial year	11,893	1,620
Equity share of profit from ordinary activities after income tax	407	191
Dividends received during the year	-	(191)
Equity accounted investments acquired	-	10,273
Disposal of investment	(300)	-
Carrying amount at the end of the financial year	12,000	11,893

	CONSOLIDATED	
	2017 \$'000	2016 \$'000

(c) Summarised financial information of associates

The aggregate profits, assets and liabilities of associate are:

Revenue	68,922	112
Profits from ordinary activities after income tax expense	3,375	925
Assets	46,786	50,537
Liabilities	6,827	57

(d) Share of associate profit

Based on the last published results for the 12 months to 30 June 2017 plus unaudited results up to 31 December 2017.

Profit from ordinary activities after income tax	407	191
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(e) Dividends received from associates

Dividends received from associates	-	191
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(f) Reporting date of associates

The associates reporting dates are 30 June annually.

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;
- (c) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 1(a) to the financial statements; and
- (d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*

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

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Corporation Instrument applies, as detailed in Note 32 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



M A Ward

Director

Brisbane,
21st February 2018

INDEPENDENT AUDITOR'S REPORT



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of A.P. Eagers Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

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Member of Deloitte Touche Tohmatsu Limited

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Recoverability of goodwill</p> <p>As detailed in note 17, the Group has recognised goodwill of \$309 million at 31 December 2017 as a result of historic acquisitions over a number of years.</p> <p>As set out in note 2a (ii), the director's assessment of the recoverability of goodwill requires the exercise of significant judgement, in particular, in estimating future growth rates, discount rates and the expected cash flows of businesses (cash generating units or CGUs) to which the goodwill has been allocated.</p> <p>Estimating future cash flows requires the exercise of judgement as to the likely impact of:</p> <ul style="list-style-type: none"> • competitive pressures in specific markets; and • technological, legislative and regulatory developments across the automotive industry. <p>We have focused our testing on the CGUs that were most sensitive to the above mentioned factors.</p>	<p>Our procedures, performed in conjunction with our valuation specialists included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key controls and processes associated with the preparation and review of the valuation models used to assess the CGUs. • Reconfirming our previously obtained understanding of the Group's identification of CGUs. • Evaluating management's ability to accurately forecast cash flows by assessing the accuracy of the prior year forecasts against actual outcomes. • Testing the mathematical accuracy of the cash flow models. • Challenging the reasonableness of management's assumptions by: <ul style="list-style-type: none"> ◦ Evaluating the discount rate utilised by management to an independently calculated discount rate ◦ Assessing forecast cash flows by evaluating them against past results ◦ Comparing growth rates with third party data for the motor industry ◦ Performing sensitivity analysis on the cash flows with a focus on growth and discount rates. • Comparing the CGU's forecast cash flows to the board approved budget; and • Evaluating the adequacy of the related disclosures in note 2a (ii) and note 17.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Recoverable amount of used and demonstrator vehicles inventory</p> <p>As disclosed in note 10 the Group has recognised provisions against the cost of its new and used motor vehicle and truck inventory amounting to \$17.6 million.</p> <p>As set out in note 2a (v) and (vi) the estimation of net realisable value requires the directors to make certain judgements and estimates based on the age, condition, brand of the vehicle and historic sales outcomes.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Developing an understanding of management's processes and judgements applied in estimating the net realisable value of demonstrator and used vehicles and trucks. • Validating the aging and cost, on a sample basis, of used, demonstrator vehicle and truck inventory at year-end as key inputs into management's calculation of the write down provisions. • Evaluating management's judgements in estimating net realisable value by: <ul style="list-style-type: none"> ◦ comparing the carrying value of vehicles and trucks to post year-end sales; and/or ◦ evaluating the carrying value of vehicle and truck inventory to external third party valuation data; and/or ◦ comparison to historical sales data. • Evaluating the adequacy of the related disclosures in note 2a (v) and (vi) as well as note 10.
<p>Classification of investment in Automotive Holdings Group Limited</p> <p>As detailed in note 14 the Group holds an investment in Automotive Holdings Group Limited (AHG) of \$287.4 million relating to its 23.81% (2016: 19.99%) shareholding.</p> <p>As disclosed in note 2a (i), in accounting for its investment in AHG, the Group has exercised judgement in rebutting the presumption of having significant influence over the entity, despite holding more than 20% of the issued share capital of that entity.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating management's determination that the Group does not exert significant influence over AHG against guidance from AASB 128 <i>Investments in Associates and Joint Ventures</i>. • Assessing whether the Group and its related parties have relationships and/or influence over AHG, including through Board representation or additional interests. • Evaluating the adequacy of the related disclosures in note 2a (i) and 14.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of A.P. Eagers Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Stephen Tarling

Partner
Chartered Accountants
Brisbane, 21 February 2018

SHAREHOLDER INFORMATION

AS AT 12 MARCH 2018

EQUITY SECURITIES

The company's quoted securities consist of 191,309,301 ordinary fully paid shares (ASX: APE).

TOP 20 HOLDERS OF ORDINARY SHARES

	No. of Shares	% of Issued Shares
WFM Motors Pty Ltd	68,782,275	35.97
Patterson Cheney Investments Pty Ltd	12,591,761	6.58
Jove Pty Ltd	10,560,000	5.52
HSBC Custody Nominees (Australia) Limited	8,751,237	4.57
Alan Piper Investments (No1) Pty Ltd	6,406,250	3.35
Milton Corporation Limited	5,833,107	3.05
Argo Investments Limited	4,432,620	2.32
UBS Nominees Pty Ltd	2,812,452	1.47
Citicorp Nominees Pty Limited	2,562,199	1.34
Berne No 132 Nominees Pty Ltd <315738 A/C>	2,444,101	1.28
Martin Ward	2,389,661	1.25
Birrell Investments Pty Ltd <Birrell Investments A/C>	2,000,000	1.05
Diane Colman	1,881,710	0.98
Australian Foundation Investment Company Limited	1,404,001	0.73
J P Morgan Nominees Australia Limited	1,313,784	0.69
Hegford Pty Ltd	1,264,563	0.66
ANZ Trustees Limited <Queensland Common Fund A/C>	1,181,920	0.62
National Nominees Limited	1,174,348	0.61
Peter Gary Robinson	1,116,455	0.58
Trevor Reading	1,107,550	0.58

SHAREHOLDER INFORMATION

AS AT 12 MARCH 2018 CONTINUED

Distribution of Shareholders

Range			No. of Shareholders
1	-	1,000	1,967
1,001	-	5,000	1,990
5,001	-	10,000	606
10,001	-	100,000	823
100,001 and over			103
			5,489

134 shareholders hold less than a marketable parcel of 58 shares at \$8.75 per share.

Substantial Shareholders*

	Notice Date	No. of Shares*
WFM Motors Pty Ltd	17 October 2012	62,817,353
Patterson Cheney Investments Pty Ltd	2 May 2016	12,591,761
Jove Pty Ltd	11 July 2012	10,193,381

* As disclosed in substantial holding notices received by the company.

Performance Rights and Options

370,781 unvested performance rights, 2,276,860 unvested options and 5,343,076 vested options are on issue to forty-nine holders pursuant to the Executive Incentive Plan. Vesting is subject to the achievement of pre-determined performance hurdles, as described in the Directors' Report. The rights and options do not have any dividend or voting rights.

On-market Buy-back

The company does not have a current on-market share buy-back.

Voting Rights

The following voting rights attach to ordinary shares, subject to the company's constitution:

- > A shareholder entitled to attend and vote at a meeting may do so in person or by proxy, attorney or corporate representative.
- > On a show of hands, each shareholder entitled to vote has one vote.
- > On a poll, each shareholder entitled to vote has one vote for each fully paid share and a fraction for each partly paid share.
- > If a share is held jointly with two or more holders in attendance, only the holder whose name appears first in the register may vote.

Corporate Governance Statement

The company's Corporate Governance Statement is located on the company's website at <http://www.apeagers.com.au/shareholders/corporate-governance/>.

CORPORATE DIRECTORY

A.P. EAGERS LIMITED

ABN 87 009 680 013

INCORPORATION

Incorporated in Queensland on 17 April 1957

REGISTERED OFFICE

5 Edmund Street
Newstead Qld 4006

POSTAL ADDRESS

PO Box 199
Fortitude Valley Qld 4006

TELEPHONE

(07) 3608 7100

FACSIMILE

(07) 3608 7111

WEBSITE

www.apeagers.com.au

AUDITOR

Deloitte Touché Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
Brisbane Qld 4000

Enquiries within Australia: 1300 552 270

Enquiries outside Australia: +61 3 9415 4000

BOARD OF DIRECTORS

Tim Crommelin, *Chairman, Non-executive Director*

Martin Ward, *Managing Director & Chief Executive Officer*

Nick Politis, *Non-executive Director*

Dan Ryan, *Non-executive Director*

David Cowper, *Non-executive Director*

Marcus Birrell, *Non-executive Director*

Sophie Moore, *Executive Director & Chief Financial Officer*

COMPANY SECRETARY

Denis Stark, *General Counsel & Company Secretary*

CONTROLLED ENTITIES

Adtrans Australia Pty Ltd	ABN 47 008 278 171
Adtrans Automotive Group Pty Ltd	ABN 83 007 866 917
Adtrans Corporate Pty Ltd	ABN 85 056 340 928
Adtrans Group Ltd	ABN 28 008 129 477
Adtrans Hino Pty Ltd	ABN 51 127 369 260
Adtrans Truck Centre Pty Ltd	ABN 17 106 764 327
Adtrans Trucks Adelaide Pty Ltd	ABN 45 151 699 651
Adtrans Trucks Pty Ltd	ABN 71 008 264 935
Adtrans Used Pty Ltd	ABN 11 074 561 514
Adverpro Pty Ltd	ABN 72 612 630 618
A.P. Ford Pty Ltd	ABN 43 010 602 383
A.P. Group Ltd	ABN 53 010 030 994
A.P. Motors Pty Ltd	ABN 76 010 579 996
A.P. Motors (No.1) Pty Ltd	ABN 95 010 585 234
A.P. Motors (No.2) Pty Ltd	ABN 97 010 585 243
A.P. Motors (No.3) Pty Ltd	ABN 99 010 585 252
AP Queensland (No.1) Pty Ltd	ABN 30 616 472 729
AP Townsville Pty Ltd	ABN 12 600 279 927
Associated Finance Pty Ltd	ABN 76 009 677 678
Austral Pty Ltd	ABN 89 009 662 202
Auto Ad Pty Ltd	ABN 23 605 815 021
BASW Pty Ltd	ABN 63 601 452 199
Bill Buckle Autos Pty Ltd	ABN 75 000 388 054
Bill Buckle Holdings Pty Ltd	ABN 44 062 951 106
Bill Buckle Leasing Pty Ltd	ABN 52 000 871 910
Black Auto CQ Pty Ltd	ABN 50 135 015 191
Boonarga Welding Pty Ltd	ABN 31 099 480 903
Carzoos Pty Ltd	ABN 35 608 791 911
CH Auto Pty Ltd	ABN 20 600 297 783
City Automotive Group Pty Ltd	ABN 14 067 985 602
Crompton Automotive Pty Ltd	ABN 64 057 283 253
E.G. Eager & Son Pty Ltd	ABN 20 009 658 306
Eagers Finance Pty Ltd	ABN 65 009 721 288
Eagers MD Pty Ltd	ABN 58 009 727 753
Eagers Nominees Pty Ltd	ABN 98 009 723 488
Eagers Retail Pty Ltd	ABN 91 009 662 211
Eurocars (SA) Pty Ltd	ABN 20 114 124 346
FinMo Pty Ltd	ABN 85 621 801 054
Graham Cornes Motors Pty Ltd	ABN 73 008 123 993
IB MD Pty Ltd	ABN 50 169 210 173
IB Motors Pty Ltd	ABN 90 169 209 607
Leaseline & General Finance Pty Ltd	ABN 51 010 131 361
MB Vic Pty Ltd	ABN 12 608 791 877
Melbourne Truck and Bus Centre Pty Ltd	ABN 42 143 202 699
Motors Group (Glen Waverley) Pty Ltd	ABN 85 164 997 228
Motors Tas Pty Ltd	ABN 69 608 791 680
Nundah Motors Pty Ltd	ABN 52 009 681 556
Port City Autos Pty Ltd	ABN 43 160 315 579
PPT Holdings No 1 Pty Ltd	ABN 13 078 207 333
PPT Holdings No 2 Pty Ltd	ABN 13 078 207 397
PPT Holdings No 3 Pty Ltd	ABN 30 078 207 468
PPT Investments Pty Ltd	ABN 80 000 868 860
Precision Automotive Technology Pty Ltd	ABN 59 163 233 207
South West Queensland Motors Pty Ltd	ABN 21 600 279 589
Stillwell Trucks Pty Ltd	ABN 19 008 014 720
Western Equipment Rentals Pty Ltd	ABN 91 131 269 184
Whitehorse Trucks Pty Ltd	ABN 13 116 437 702
WS Motors Pty Ltd	ABN 99 608 791 804



**UP
EAGERS** Established 1913