

This statement outlines the Company's corporate governance practices against the framework established through the principles and recommendations set by the ASX Corporate Governance Council.

The Company has followed the Council's recommendations throughout the year ended 31 December 2008 except as referred to in this statement.

**Principle 1      Lay solid foundations for management and oversight**

The Company has a small and dynamic Board which, over many years, has developed and implemented policies and practices designed to promote a culture of good corporate governance.

The Board has adopted a Charter which lists the Board's key responsibilities including delegation of powers to the Chief Executive Officer as necessary for the Company's day to day business. In recognition of the need for small Boards to operate effectively and efficiently the Charter does not prescribe the delegated functions (ASX recommendation 1.1).

The Board's Charter is published on the Company's website [www.apeagers.com.au](http://www.apeagers.com.au).

The process for evaluating the performance of senior executives is as disclosed in the Remuneration Report, with evaluations taking place during the reporting period in accordance with that process.

**Principle 2      Structure the Board to add value**

The Board comprises four non-executive Directors and one executive Director (Mr Ward, the Managing Director and Chief Executive Officer).

Of the four non-executive Directors, three are considered by the Board to be independent in terms of the Board's Charter. Messrs Macdonald (Chairman), Love and Henley are each considered to be independent of management and free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's unfettered and independent judgement and ability to act in the best interests of the Company.

In considering the question of independence, the Board takes into account the ASX Corporate Governance Council's guidelines and is not aware of any relationship which could affect the independence of Messrs Macdonald, Love and Henley. Materiality thresholds are assessed on a case-by-case basis from the perspective of both the Company and each Director.

The Board also derives significant benefit from the expertise of non-executive Director, Mr Politis. Mr Politis has vast industry experience and is a Director and controlling shareholder of the Company's largest shareholder, WFM Motors Pty Ltd.

As the Board is relatively small and stable, the Board as a whole acts as a Nomination Committee (rather than establishing a separate committee for that purpose) and has determined that it is not necessary to establish a formal policy for the nomination and appointment of Directors (ASX recommendations 2.4 and 2.6). If a vacancy occurs the Board will identify candidates with appropriate levels of knowledge, experience and expertise having regard to various factors including the Company's strategic and operational requirements and the attributes of incumbent Directors. Candidates would require a disposition that would enable them to offer and resolve differing views and to ask discerning questions, and would be

made aware of the time commitments needed of the Company's Directors.

Any newly appointed Directors will be provided with an induction program to allow them to participate fully, actively and effectively in Board decision-making at the earliest opportunity and designed to meet all relevant ASX requirements.

Non-executive Directors are required to retire periodically and may re-submit themselves to shareholders for re-election in accordance with the requirements of the Corporations Act, the ASX listing rules and the Company's constitution.

In accordance with the Board's Charter, the Chairman is responsible for ensuring that Board meetings are conducted competently and ethically and that Directors individually and as a group have opportunities to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Company. In this context, the Chairman undertakes a continuous review of the performance and contribution of individual Directors, whilst the Board as a whole conducts an ongoing evaluation of its performance and that of its Committee.

Details of each Director's term in office, qualifications, professional skills, experience, expertise and responsibilities are listed in the Directors' Report.

To assist in the proper discharge of their duties, Directors are entitled to obtain independent professional advice at the Company's expense with the prior approval of the Chairman which would not be unreasonably withheld.

### **Principle 3 Promote ethical and responsible decision-making**

The Company has established a range of procedures, practices and policies which promote and encourage:

- ethical and responsible decision-making
- compliance with relevant legal obligations
- the reporting of suspected violations of laws and unethical business practices
- the fair, impartial and prompt consideration at an appropriate level of any grievances raised by employees and other stakeholders

These procedures, practices and policies (rather than a specific code of conduct - ASX recommendation 3.1) are incorporated into an "Employee Information and Policy Manual" which is provided to all employees and Directors. They help to foster a sound culture of compliance. Training for relevant legislative requirements is provided where considered necessary.

The Company has established a securities trading policy which is set out in full on the Company's website [www.apeagers.com.au](http://www.apeagers.com.au) and summarised as follows:

- Directors and employees must not buy or sell the Company's securities (or suggest that anyone else do so) while they are aware of information that would be likely to materially affect the security's price if it were made public. This restriction also applies to any other company's shares where a person learns price sensitive information about the other company through their role at A.P. Eagers.
- If not prohibited by the previous paragraph, Directors, the Chief Executive Officer, anyone who reports directly to the Chief Executive Officer and employees who have access to monthly management reports may trade in the Company's securities only

- during “trading windows” which open for six weeks from any of the following:
  - Announcement of the Company’s half-yearly or annual results
  - The Company’s Annual General Meeting
  - Any other event determined by the Chairman to open a Trading Window
- Dealing in the Company’s securities outside the trading windows is permitted if approved as follows:
  - For dealings by the Chairman, if approved by another non-executive Director
  - In the case of a Director or the Chief Executive Officer, if approved by the Chairman (or in his absence, a non-executive Director nominated by the Chairman)
  - In all other cases, if approved by the Chief Executive Officer (or in his absence, the Chairman or a senior executive nominated by the Chief Executive Officer)
- Directors are to inform the Company of any change in their relevant interests in the Company’s shares as soon as reasonably possible and within three business days so the Company may advise the ASX of the change.
- Directors have agreed not to take out margin loans against the Company’s shares.

#### **Principle 4      Safeguard integrity in financial reporting**

The Company has an established Audit Committee, which was renamed in July 2008 as the Audit & Risk Committee to reflect the broadening of its role to include oversight of the Company’s risk management system and internal audit function.

The Committee is comprised of three independent non-executive Directors, being Messrs Love (Committee Chairman), Macdonald and Henley. Details of their qualifications, experience and attendance at Committee meetings are disclosed in the Directors’ Report.

The Committee Chairman may invite any member of management, the external or internal auditor or any other person to attend Committee meetings. The Committee may also meet with any auditor or other person without management in attendance.

In accordance with the Committee’s Charter (which is available on the Company’s website [www.apeagers.com.au](http://www.apeagers.com.au)), the Committee reviews and makes recommendations to the Board in relation to:

- Accounting Practices and Tax - annual and half yearly financial reports, significant accounting policy changes, the adequacy and effectiveness of reporting and accounting controls and practices and material taxation matters
- External Audit - the external auditor’s appointment (including procedures for the selection and appointment of the auditor and for the rotation of the audit engagement partner), fees, audit plan, performance, independence, provision of non-audit services and management letters
- Internal Audit - the internal audit charter, plan, reports and independence, the provision of non-audit services and any restrictions on the auditor
- Risk Management - the adequacy and effectiveness of risk management and internal control systems and the standard of corporate conduct in arms-length dealings and likely conflicts of interest
- Other - any special projects as directed by the Board from time to time

## **Principle 5      Make timely and balanced disclosure**

The Board understands and respects that prompt disclosure of price-sensitive information is central to the efficient operation of the ASX's securities market. Policies have been adopted requiring compliance with all applicable regulatory requirements including the ASX listing rules and also noting both a legal and moral responsibility to conform with these obligations.

ASX continuous disclosure obligations and any share transactions by Directors are reviewed at each scheduled Board meeting as standing agenda items. The Directors have also entered into agreements with the Company which require them to provide all of the information necessary to enable the Company to comply with its disclosure obligations under ASX listing rule 3.19A. The Company's securities trading policy confirms the agreement by Directors to inform the Company of any change in their relevant interests as soon as reasonably possible and within three business days, so that the Company may comply with its obligation to notify the ASX.

The Company Secretary is the nominated continuous disclosure officer for the purpose of overseeing and coordinating prompt disclosure of information to the ASX.

## **Principle 6      Respect the rights of shareholders**

The Board appreciates the importance of effective communications with shareholders. It promotes communication with shareholders and keeps them properly and promptly informed by the following means notwithstanding the absence of a specific communications policy (ASX recommendation 6.1):

- Reports to the ASX and media releases
- Half yearly and full year profit announcements (and market updates, as appropriate)
- Annual Reports
- Addresses by the Chairman and Chief Executive Officer to the Annual General Meeting
- Placing the above reports and announcements on the Company's website

Shareholders are encouraged to attend the Annual General Meeting and participate by submitting questions and comments through the Chairman either before or during the meeting.

The external auditor also attends the Annual General Meeting to answer questions about the audit and independent audit report.

## **Principle 7      Recognise and manage risk**

The Board places a high priority on the identification of material risks and also opportunities throughout the Company's operations. These risks and opportunities are overseen and managed through the implementation of the following framework which has been formalised with the adoption of the Company's risk management policy in January 2009, as disclosed on the Company's website (ASX recommendation 7.1).

The Board as a whole is responsible for:

- overseeing the Company's risk management function
- ensuring a sound system of risk oversight, management and internal control is in place

- ensuring material business risks are effectively managed
- monitoring and reporting on any material changes to the Company's risk profile

The Audit & Risk Committee assists the Board by monitoring, assessing and reporting on the effectiveness of the Company's risk management system and reviewing the internal audit function. The internal audit function operates independently from, but in consultation with, the external auditor.

In addition, the Chief Financial Officer has been charged with responsibility for the establishment, implementation and maintenance of the risk management system.

These controls are intended to assist the Company to manage risk at acceptable levels taking into account the Company's objectives, business model, ownership structure, industry/market environment and appetite for risk.

By understanding and managing risk, greater certainty and confidence can be provided to shareholders, employees, customers, franchise partners and other stakeholders.

Management has designed and is implementing the Company's risk management and internal control system to manage material business risks. A Group risk register methodology has been developed and is being implemented for that purpose. Significant risks have been identified and prioritised so they may be appropriately managed. Further development of the control system will continue in 2009. Risk management performance will be monitored, reviewed and reported to the Board through the Audit & Risk Committee.

The executive has reported to the Board on the effectiveness of the Company's management of its material business risks. Strategic risks and opportunities are also reported to the Board on an ongoing basis.

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer have declared in writing to the Board that in their opinion:

- the financial records of the Company for the 2008 financial year have been properly maintained in accordance with section 286
- the financial statements and notes for the financial year comply with the accounting standards
- the financial statements and notes give a true and fair view of the financial position and performance of the Company and the consolidated entity

The Board has also received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **Principle 8      Remunerate fairly and responsibly**

As the Board is relatively small, the Board as a whole performs the function of a Remuneration Committee rather than establishing a separate committee for that purpose (ASX recommendation 8.1).

Comprehensive details of the Company's remuneration arrangements are set out in the Remuneration Report which is contained in the Directors' Report. In particular, the Remuneration Report notes a clear distinction between the structure of non-executive Directors' remuneration and that of executive Directors and senior executives.

Consistent with the ASX Corporate Governance Council's guidelines, the Board has

determined that the shareholder approved scheme for retirement benefits for non-executive Directors does not apply to new Directors appointed after 1 January 2006. Details of the scheme are included in the Remuneration Report.

The Company's securities trading policy prohibits any Director or employee who participates in a share or option 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.