27 March 2009

Company Announcements Office
ASX Limited

Full Year Accounts

I **attach** the following documents for the year ended 31 December 2008:

1. Directors' Report
2. Auditor's Declaration of Independence
3. Independent Auditor's Report
4. Financial Report

These documents comprise the information given to the ASX under listing rule 4.5.

Yours faithfully
A.P. Eagers Limited

Denis Stark.

Denis Stark
Company Secretary

A. P. EAGERS LIMITED
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The Directors present their report, together with the financial report, of A.P. Eagers Limited ("the Company") and the consolidated financial report of the Group being the Company and its controlled entities, for the financial year ended 31 December 2008 and the auditor's report thereon.

Directors

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

Benjamin Wickham Macdonald AM, FAICD
Chairman, Member of Audit & Risk Committee

Independent non-executive Director since January 1992. Chairman of Reef Corporate Services Ltd (appointed September 1995). Mr Macdonald has previously served as a Director of numerous public companies including FKP Ltd (appointed August 2004, retired March 2009), Macdonald Hamilton & Co Ltd (Managing Director), Perpetual Trustees Australia Ltd (Chairman), Bank of Queensland Ltd (Deputy Chairman), AMP Society (Australian Board), Queensland Cotton Holdings Ltd (Chairman), CSR Ltd, Placer Pacific Ltd, Allgas Energy Ltd and Casinos Austria International Ltd.

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

Executive Director since March 2006. Motor vehicle dealer. Director of Adtrans Group Limited (appointed May 2007). Formerly Chief Executive Officer of Ford Motor Company's Sydney Retail Joint Venture.

Antony James Love BCom, AAUQ, FAPI, FAICD
Director, Chairman of Audit & Risk Committee

Independent non-executive Director since March 1994. Property consultant. Managing Director of McGee Isles Love Pty Ltd. Director of Campbell Brothers Ltd (appointed in 1986). Formerly a Director of Bank of Queensland Ltd (from June 1995 to December 2008).

Nicholas George Politis BCom
Director

Non-executive Director since May 2000. Motor vehicle dealer. Executive Chairman of WFM Motors Pty Ltd and a substantial number of other proprietary limited companies. Formerly a Director of the Bank of Cyprus (from August 2000 to June 2006).

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

Independent non–executive Director since December 2006. Director of RR Australia Ltd (appointed May 2007). Director of AFICO Pty Ltd, formerly United Financial Services Group Ltd, (appointed August 2007). Deputy Chairman of MTQ Insurance Services Ltd and MTA Insurance Ltd (appointed November 2008, having been an Alternate Director from June 2008). Mr. Henley was formerly Chairman and Chief Executive Officer of GE Money Motor Solutions and has 30 years local and international experience in the financial services industry.

Company Secretary

Denis Gerard Stark LLB, BEc
General Counsel & Company Secretary

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

Directors' Meetings

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

	Board Meetings		Audit & Risk Committee[(1)] Meetings	
	Held	**Attended**	**Held**	**Attended**
B W Macdonald[(2)]	12	11	4	4
A J Love[(2)]	12	12	4	4
N G Politis	12[(3)]	8	-	-
M A Ward	12	12	-	-
P W Henley[(2)]	12	11	4	4

(1) The Audit Committee was renamed as the Audit & Risk Committee on 23 July 2008 to reflect the broadening of its role to include oversight of the Group's risk management system and internal audit function.
(2) Audit & Risk Committee members.
(3) Mr Politis was not eligible to attend 2 meetings which pertained to transactions with his related parties.

Principal Activities

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

Financial Review

The Group's Net Profit Before Tax and before non cash impairment adjustments in 2008 was $37.7 million. This compares to a Net Profit Before Tax of $40.0 million in 2007. The 2008 result included $11.5 million from a tax refund of GST that had previously been paid on holdback payments.

Net Profit After Tax and before non cash impairment adjustments in 2008 was $29.0 million compared to $28.6 million in 2007.

Non cash impairment adjustments before tax in 2008 were $(17.8) million and after tax were $(14.5) million, leading to a final Net Profit After Tax and non cash impairment adjustments of $14.5 million as compared to $28.6 million in 2007.

Total revenue increased by 1.5% on 2007 to $1.7 billion for 2008.

A net benefit of $11.5 million before tax, $10.4 million after tax, was received as a refund of GST that the Group had previously paid on manufacturer holdback income.

EBITDA increased by 10.0% to $72.5 million compared to $65.9 million in 2007. EBITDA margin improved to 4.3% from 3.9% in 2007. Excluding the GST tax refund, EBITDA margin reduced to 3.5%.

Intangible assets were impaired by $6.8 million, representing goodwill and franchise rights of the franchise automotive retail businesses.

Supported by a full independent property valuation, the total value of the Group's property portfolio was stable. Downward revaluations on specific properties in excess of their revaluation reserves resulted in an after tax income statement loss of $(1.0) million.

During the year, the Company paid $2.7 million for 739,134 shares in ASX listed Adtrans Group Limited, bringing its total shareholding to 24.86% (6,136,944 shares). The carrying value of the investment was reduced by $6.7 million after tax, consistent with the Adtrans share price as at 31 December 2008 and adjusted for a 10% large holding premium. This investment contributed an equity accounted Net Profit After Tax of $2.0 million (2007: $1.5 million). Adtrans operates motor vehicle dealerships in Adelaide and truck dealerships in Adelaide, Melbourne and Sydney.

Cash flow from operations increased by 32% to $48.5 million, compared to $36.7 in 2007.

The Group was able to rapidly adjust to the current capital constrained economic environment by reducing its combined bank debt and floor plan vehicle finance by $111 million or 26% from June to December 2008. Over the same period, bank borrowings were reduced by $28 million to $145.5 million, drawn from an interest-only commercial bill facility, with the Group in compliance with its banking covenants.

EBITDA Interest Cover decreased to 2.7 times as at 31 December 2008, compared to 3.2 times at 31 December 2007. Despite the reduced borrowings by year's end, average borrowing costs over the full year increased by 31% to $26.6 million, reflecting higher average debt levels and interest rates.

Gearing (Debt/Debt + Equity), including bailment inventory financing, decreased to 50.2% at end 2008, as compared to 51.5% a year earlier. Bailment finance is cost effective short term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment increased to 31.9% at end 2008 from 30.6% at end 2007.

Operational Review

The Group's sales revenue from operations was $1.69 billion for 2008, up from $1.67 billion in 2007. Revenue from existing operations decreased by 8.5%, reflecting reduced turnover in new and used cars. The $32.4 million acquisition of the Bill Buckle Auto Group business contributed $109 million to the increased revenue, assisted with geographic diversification into the Sydney market and enhanced exposure to quality brands.

Despite a year on year decline of 3.6% in the number of new cars sold across the industry in 2008, the Group adjusted quickly to the resulting oversupply of new car inventory in Australia. The Group's new and demonstrator vehicle inventory levels were, on a like for like basis, 15% lower at December 2008 compared to December 2007.

The Group's new car sales increased by 5.5% to 34,016 units in 2008. Profit margins on new cars decreased as a result of a shift in product mix to smaller and non-luxury cars and industry-wide price discounting to clear excess inventory.

In response to slowing retail demand, the Group implemented dealership rationalisations with the closure of the Southside Ford and Southside Land Rover/Volvo retail businesses in Queensland.

The Group's used car sales increased by 4.2% to 16,472 units in 2008. Used car profit margins decreased due to an industry-wide devaluation of mid and large size vehicle inventories caused by a reduction in demand for larger vehicles and new car price discounting. However, the Group's stock turn, provisioning and valuation policies ensured a quick adjustment to the change in vehicle values. By the last quarter, profitability of the Group's used car business had returned to normal levels.

The difficult trading conditions experienced in the new and used car businesses were substantially offset by improved profitability of the Group's parts and service businesses.

A rationalisation of distribution facilities resulted in productivity gains for the Group's parts business, with revenue improving by 5% and margins by 35% for 2008.

The Group's service business performed strongly, growing revenue and margin by 23% and 22% respectively, reflecting a number of consecutive years of strong new car sales, an increasing number of cars on Australia's roads and the success of the Group's margin improvement initiatives.

The Group's commission based retail finance income increased substantially reflecting the competitiveness of the finance arrangements established in late 2007.

Given the Group's strong balance sheet and relationships with its financiers, it was able to quickly arrange alternate wholesale and retail funding capacity with both existing and new financiers when GE Finance and GMAC decided to withdraw from the Australian automotive finance market. At year end, the Group was utilising less than 60% of its approved wholesale capacity limits.

The Group's suite of financiers now includes Toyota Financial Services, St. George Finance, Capital Finance, ANZ, Volkswagen Financial Services, Subaru Finance and BMW Financial Services.

The Group's Franchised Automotive Retail operating segment contributed a profit before tax of $20.1 million (excluding GST refund and non-cash impairment losses), compared to $33.7 million in 2007. The 2008 result represented a 9.5% after tax return on segment net assets, compared to 15.4% in 2007.

Operational profit before tax from the Group's Property operating segment was $8.6 million, representing an after tax return on net assets of 3.7% (2007: 17.3%).

Likely Developments

a) Acquisition Opportunities and Debt Reduction

The Group continues to evaluate potential acquisition opportunities within the motor vehicle industry. In preparation for further expansion, the Group's debt has been significantly reduced, with a total reduction of $111 million in the 2nd half of 2008 and a further $11 million reduction in bank debt in the first two months of 2009. In addition, the sale of selected non-core properties that are desirable to others (circa 15% of the total property portfolio) is being actively pursued subject to the achievement of acceptable pricing and terms.

b) Profit Improvement

Despite the profitability of the Group as a whole during 2008, a number of dealership business units performed poorly with a few producing losses. In all cases management plans are in place to resolve these issues, with execution of the plans progressing well.

c) The Market

Reduced economic growth and business investment, increased unemployment and restricted credit availability are expected to result in a smaller new car market in 2009. Annualised national vehicle sales of 850,000 to 900,000 units are expected and the Group has adjusted its plans to this lower volume market. Used car volume is expected to be stable, with prices and margins expected to be maintained or stronger as many imported new vehicles increase in price during 2009 due to the lower Australian dollar.

The Group's parts and service businesses will remain strong as the Australian vehicle "parc" (being the number of cars on Australia's roads) has grown rapidly over the last five years.

d) Summary

Plans are in place to improve profit performance whilst expecting a lower new car volume market. The Group's debt reduction program has already achieved success with more to come which will lead to significantly lower interest costs particularly in the second half of 2009 as hedging contracts expire and the full benefits of lower debt and interest rates flow through.

The above initiatives are designed to deliver a solid result in difficult economic conditions setting the platform to enable future growth. This is greatly assisted by the Group's substantial property asset base which allows for debt reduction capacity, where desired, along with greater flexibility in business reorganisation of underperforming dealerships. Shareholders should particularly note that the Group's net tangible assets after impairment represent $8.11 per share.

The acquisition of value accretive automotive retail businesses in locations and franchises that will provide further growth and diversification remains a core part of the Group's strategy. There is an expectation that in the current economic environment such opportunities will increasingly become available to the Group during late 2009 and 2010.

Other information on likely developments in the Group's operations, on the expected results of those operations and in relation to the Group's business strategies and prospects for future financial years, has not been included in this report as the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Dividends

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

Year ended 31 December	2008 $'000	2007 $'000
Final ordinary dividend for the year ended 31 December 2007 of 36 cents (2006: 24 cents) per share paid on 26 May 2008	10,546	6,729
Interim ordinary dividend of 22 cents (2007: 22 cents) per share paid on 30 September 2008	6,565	6,314
	17,111	13,043

The Directors have also declared the payment of a final fully franked ordinary dividend of 22 cents per share to be paid on 9 April 2009.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

The Directors are not aware of any matter or circumstance not dealt with in this report or the consolidated financial report that has arisen since 31 December 2008 and has significantly affected or may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group in future financial years.

Environmental Regulation

The Group's property development and service centre operations are subject to various environmental regulations governed by relevant federal, state and local legislation.

Planning approvals are required for property developments undertaken by the Group. The relevant authorities are provided with appropriate details and to the Directors' knowledge all developments have been undertaken in compliance with the requirements of the planning approvals.

The Group holds environmental licences for service centres. Management works with the regulatory authorities to achieve, where reasonably possible, best practice in environmental management so as to minimise risk to the environment, reduce waste and ensure compliance with regulatory requirements in all material respects. There were no material adverse environmental issues during the year to the Directors' knowledge.

Remuneration Report

Key management personnel include the Directors and group executives who have responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. Key management personnel details are shown below.

a) Principles Used to Determine Remuneration

The Board as a whole is responsible for recommending and reviewing remuneration arrangements for non-executive Directors, whilst the Board (excluding the Managing Director / Chief Executive Officer) reviews the performance of the Managing Director / Chief Executive Officer on a continual basis and ensures the reward framework is appropriate. Likewise, the Managing Director / Chief Executive Officer in consultation with the Board 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 the Chief Executive Officer and senior executives has been developed to provide, where appropriate, a high proportion of "at risk" remuneration 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:

	2008	2007	2006	2005	2004
NPAT ($'000)	14,541[1]	28,612	25,787[2]	13,298[3]	12,619[4]
Earnings per share (c)	49.2[1]	102.2	65.5 [5]	61.0	61.6
Dividends per share (c)	44.0	58.0	43.0	38.0	36.0
Share Price at year end ($)	6.10	15.95	10.00	7.50	6.56

(1) Includes after tax impairment adjustments of $(14,500) and a GST tax refund of $10,400.
(2) Includes an after tax profit on sale of surplus property of $10.0 million.
(3) Restated on adoption of revised Accounting Standard AASB 139: Financial Instruments – Recognition and measurement.
(4) Restated to comply with Australian Equivalents to International Financial Reporting Standards (AIFRS).
(5) Excludes the gain on the sale of a property during the period. If the property sale gain was included the earnings per share figure would be 110.5 cents.

b) Non-executive Directors' Remuneration Framework

Non-executive Directors are remunerated for their services by way of fees (and where applicable, superannuation) from the maximum amount approved by shareholders in general meeting for that purpose, currently $500,000 fixed at the Annual General Meeting on 18 May 2007.

Director's fees are currently $45,000 per annum (or $60,000 per annum for Directors appointed after 1 January 2006 as they are not eligible to participate in the shareholder approved Directors' Retirement Allowance Program). The Chairman's fee is $80,000 per annum.

The Board periodically reviews non-executive Directors' fees taking into account relevant market conditions and any expectations on whether non-executives will receive an allowance on their retirement from office. Under the existing Directors' Retirement Allowance Program, a retiring non-executive Director who was appointed before 1 January 2006 and has served for not less than five years may, at the discretion of the Directors, receive a retiring allowance which cannot exceed the total fees paid to the Director during the three years immediately preceding retirement, resignation or death. Directors appointed after 1 January 2006 are not eligible to participate in the program.

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

c) Executives' Remuneration Framework

(i) 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.

(ii) 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, health insurance. Retirement benefits are delivered under superannuation funds nominated by the individuals providing accumulation benefits. No lump sum defined benefits are provided.

(iii) Short-tem Performance Incentives

- **Incentive Pool (Bonus)**

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

- **Commission Structure**

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

This structure delivered an average remuneration package with a base pay component of 47% and an "at-risk" component of 53% in 2008 (2007:39% and 61% respectively).

- **Tax Exempt Share Plan (TESP)**

Under the TESP, shares up to a value of $1,000 may be granted annually to eligible employees for no cash consideration. The grant of shares in any given year is subject to the achievement of performance hurdles introduced in 2007 based on Group earnings per share and profit per employee. The shares may not be sold until the earlier of three years after issue or cessation of employment.

Permanent employees who have been continuously employed by the Group for at least one year are eligible to participate in the plan. However, the Chief Executive Officer and executives who participate in the SEDC Plan are not eligible to participate in the TESP.

The purpose of the TESP is to encourage employees to improve the performance of the Company and its return to shareholders by providing an opportunity to share in the growth and value of the Company and thereby assist in the attraction and retention of employees.

(iv) Long-term Performance Incentives

These long-term incentives focus on corporate performance and the creation of shareholder value over multi year periods.

- **Senior Executive Deferred Commission Plan (SEDC Plan)**

Linked to the commission structure and incentive pool, the SEDC Plan was established in December 2005. Senior executives (other than the Chief Executive Officer) may elect to sacrifice a portion of their commissions and incentive payments to participate in the plan.

The sacrificed commissions and incentive payments are used to pay for ordinary shares in the Company at a 20% discount to market. The shares are allocated to the plan participants as soon as practicable after the end of each six month period and then held in trust for the participants. Disposal restrictions of up to ten years apply to the shares, with participants entitled to any dividends and voting rights.

The purpose of the SEDC Plan is to encourage senior executives to improve the performance of the Company and its return to shareholders by providing an opportunity to share in the growth and value of the Company. The plan is considered to be both a long-term and short-term incentive plan.

- **Share Incentive Plan (SIP)**

The SIP was established on 1 July 2005. It provides the Chief Executive Officer and the General Manager Queensland and Northern Territory with an entitlement to shares conditional upon the achievement of specified market linked performance targets. The plan is intended as both a long-term and short-term incentive.

The performance targets under the SIP are based on the Company's Total Shareholder Return (TSR) which is compared to the TSR achieved by a peer group comprised of the ASX 300 index companies.

TSR is the return to shareholders provided by growth in share price plus reinvested dividends, expressed as a percentage of the investment over a specified performance period.

Relative TSR performance was chosen as an appropriate performance measure because:

a) TSR is a clearly defined and measurable indicator of the level of value created for shareholders over a specified period and therefore, when used as the basis for determining remuneration reward, provides a linkage between those rewards and shareholder wealth.

b) As the value delivered to participants is determined by the Company's level of relative performance, the effects of market cycles are minimised. Rewards are reduced or cease during periods of under-performance, even in a rising market. Conversely, superior performance is rewarded, even in a declining market.

The ASX 300 index was selected as the peer group as there was no other suitable comparative group. At the time of implementation of the SIP there was only one other listed retail motor industry related company.

Under the SIP, 500,000 performance rights (comprised of five equal tranches) were granted to the Chief Executive Officer on the commencement of his employment with the Company on 1 July 2005. 30,000 performance rights (comprised of three equal tranches) were also granted to the General Manager Queensland and Northern Territory on 1 July 2007.

To the extent performance hurdles are met, 100,000 performance rights vest in favour of the Chief Executive Officer and 10,000 vest in favour of the General Manager Queensland and Northern Territory each year. Upon vesting the performance rights are automatically exercised and shares allocated to the participants. The shares are then subject to a holding lock restricting disposal of the shares.

The Company's TSR must rank at or above the 51st percentile against the peer group for any vesting to be achieved. At the 51st percentile, 50% of the relevant performance rights vest; at the 75th percentile or above, 100% of the performance rights vest; and there is straight line vesting between 50% and 100% where TSR performance is between the 51st and 75th percentile.

For each tranche of performance rights, TSR performance is measured initially over a 12 month period.

To the extent 100% vesting of a tranche is not achieved, TSR performance is re-tested 12 months later and measured over a 24 month period.

If 100% vesting of a tranche is still not achieved after the first re-test, TSR performance is again re-tested on the next anniversary of the start date so that performance is measured over a 36 month period.

If after the second re-test, a tranche of performance rights is still not 100% vested, the remaining unvested portion will lapse.

It is important to note that the base pays of the Chief Executive Officer and General Manager Queensland and Northern Territory were set at levels considerably lower than could be commanded for comparable positions and that their "at risk" earnings are demonstrably linked to the creation of shareholder value. Accordingly it is considered appropriate that re-testing for vesting purposes, as described above, be permitted to allow for market reaction to longer term strategic initiatives. For the current period, 36% of the Chief Executive Officer's and 26% of the General Manager Queensland and Northern Territory pay was made up of this incentive (2007: 43% and 14% respectively).

The following tables show the number of performance rights granted and vested.

Chief Executive Officer

Tranche No.	Grant date	No. of performance rights granted	End of 1st performance period	Expiry date	Fair value of each performance right	Status
1	1 July 2005	100,000	30 June 2006	1 July 2008	$4.78	100% vested in 2007 after 1st re-test
2	1 July 2005	100,000	30 June 2007	1 July 2009	$4.92	100% vested in 2007 without re-testing
3	1 July 2005	100,000	30 June 2008	1 July 2010	$4.68	100% vested in 2008 without re-testing
4	1 July 2005	100,000	30 June 2009	1 July 2011	$4.46	Unvested
5	1 July 2005	100,000	30 June 2010	1 July 2012	$4.25	Unvested

General Manager Queensland and Northern Territory

Tranche No.	Grant date	No. of performance rights granted	End of 1st performance period	Expiry date	Fair value of each performance right	Status
1	1 July 2007	10,000	30 June 2008	1 July 2010	$10.65	100% vested in 2008 without re-testing
2	1 July 2007	10,000	30 June 2009	1 July 2011	$10.31	Unvested
3	1 July 2007	10,000	30 June 2010	1 July 2012	$9.99	Unvested

Vesting of the Chief Executive Officer's first three tranches and the General Manager Queensland and Northern Territory's first tranche of performance rights has occurred through the achievement of the performance hurdles.

The Chief Executive Officer's first tranche vested after retesting over the 24 month period from 1 July 2005 to 30 June 2007. The Company's TSR for the period was 106.32%, ranking it at 61 out of the ASX 300 listed companies at a percentile rating of 76.65.

The Chief Executive Officer's second tranche, measured over the period from 1 July 2006 to 30 June 2007, vested on a TSR of 97.82%, ranking the Company at 23 out of the ASX 300 listed companies at a percentile rating of 91.94.

The Chief Executive Officer's third tranche and the General Manager Queensland and Northern Territory's first tranche, measured over the period from 1 July 2007 to 30 June 2008, vested on a TSR of 0.774%, ranking the Company at 57 out of the ASX 300 listed companies at a percentile rating of 79.18.

No performance rights have vested subsequent to the end of the financial year under report.

The Board has adopted a policy which 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. 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.

d) Executive Employment Agreements

Executives whose remunerations are disclosed in the "Details of Remuneration" section of this Remuneration Report are employed under common employment agreements. The agreements do not have a finite term, can be terminated by either the employer or employee giving notice within a range of four to twelve weeks and do not contain any termination payment arrangements. However, the Board has discretion to extend the termination notice period given to an executive and to make payments upon termination, as appropriate in the circumstances.

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 6 months or for cause. Termination for any other reason would entitle the Chief Executive Officer to a termination benefit equivalent to two times annual remuneration current at the time of termination.

- The Chief Executive Officer may terminate his employment agreement on six months notice unless otherwise agreed with the Company.

e) Details of Remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors and other executives. Details of remuneration of key management personnel are set out in the following tables.

2008	Short Term benefits			Post employment benefits			Share Based Payments	Total	Performance Related percentage
	Salary & fees	Bonus & commissions	Non monetary and other benefits (iii)	Superannuation benefits	Directors Retiring Allowance accrual (i)	Termination Benefits (vii)	Performance Rights (ii)		
	$	$	$	$	$	$	$	$	%
Directors									
B W Macdonald *Chairman*	80,000	-	887	-	9,000	-	-	89,887	-
M A Ward *Managing Director*	458,637	-	51,432	41,363	-	-	303,948	855,380	36
A J Love *Non-executive Director*	45,000	-	887	4,050	5,000	-	-	54,937	-
N G Politis *Non-executive Director*	45,000	-	887	4,050	5,000	-	-	54,937	-
P W Henley *Non-executive Director*	60,000	-	887	5,400	-	-	-	66,287	-
	688,637	-	54,980	54,863	19,000	-	303,948	1,121,428	
Executives (viii)									
K T Thornton *General Manager Qld & NT*	150,000	185,180	52,192	19,861	-	-	143,977	551,210	60
M Raywood *Group HR Manager*	88,500	30,000	30,148	65,063	-	-	-	213,711	14
S G Best *Chief Financial Officer*	220,000	50,000	32,220	19,800	-	-	-	322,020	16
D G Stark **(iv)** *General Counsel & Company Secretary*	194,107	40,000	38,047	17,469	-	-	-	289,623	14
D W Hull **(v)** *Company Secretary*	131,210	-	11,615	58,449	-	141,624	-	342,898	-
G I Walker **(vi)** *Chief Information Officer*	105,000	-	37,088	13,125	-	51,210	-	206,423	-
	888,817	305,180	201,310	193,767	-	192,834	143,977	1,925,885	

(i) Accrued but not paid until retirement.

(ii) Performance rights granted to specific executives under the Share Incentive Plan are valued using a Monte Carlo simulation which can be viewed as an extension of the Black-Scholes valuation framework. That portion of the performance rights attributable to the year ended 31 December 2008 has been expensed in the income statement in conformity with AASB 2. Whilst the predetermined value of the performance rights has been expensed in the Company's financial statements and reflected in the recipient's remuneration, at the date of this report only 300,000 shares have been issued to Mr Ward (200,000 in 2007 and 100,000 in 2008) and 10,000 to Mr Thornton (all in 2008). The actual issue of shares in respect of the performance rights is subject to the achievement of the performance hurdles previously detailed in this report.

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

(iv) Commenced employment on 14 January 2008.

(v) Retired on 31 July 2008.

(vi) Ceased employment on 5 August 2008.

(vii) Includes termination, severance and ex gratia payments.

(viii) Named executives represent the five highest paid group executives of the consolidated entity.

2007	Salary & fees	Short Term benefits Bonus & commissions	Non monetary and other benefits (iii)	Post employment benefits Superannuation benefits	Directors Retiring Allowance accrual (i)	Termination Benefits	Share Based Payments Performance Rights (ii)	Total	Performance Related percentage
	$	$	$	$	$	$	$	$	%
Directors									
B W Macdonald *Chairman*	80,000	-	812	-	15,000	-	-	95,812	-
M A Ward *Managing Director*	459,440	100,000	52,325	40,560	-	-	502,216	1,154,541	52
A J Love *Non-executive Director*	45,000	-	812	4,050	5,000	-	-	54,862	-
N G Politis *Non-executive Director*	45,000	-	812	4,050	5,000	-	-	54,862	-
P W Henley *Non-executive Director*	60,000	-	812	5,400	-	-	-	66,212	-
	689,440	100,000	55,573	54,060	25,000	-	502,216	1,426,289	
Executives (v)									
D W Hull *Company Secretary*	212,750	55,000	55,702	100,000	-	-	-	423,452	13
G I Walker *Chief Information Officer*	172,000	38,500	68,245	21,500	-	-	-	300,245	13
K T Thornton *General Manager Qld & NT*	140,000	255,141	58,372	12,600	-	-	75,585	541,698	61
M Raywood *Group HR Manager*	91,666	39,000	38,506	43,675	-	-	-	212,847	18
S G Best **(iv)** *Chief Financial Officer*	50,205	19,975	12,429	4,502	-	-	-	87,111	23
	666,621	407,616	233,254	182,277	-	-	75,585	1,565,353	

(i) Accrued but not paid until retirement.

(ii) Performance rights granted to specific executives under the Share Incentive Plan are valued using a Monte Carlo simulation which can be viewed as an extension of the Black-Scholes valuation framework. That portion of the performance rights attributable to the year ended 31 December 2007 has been expensed in the income statement in conformity with AASB 2. Whilst the predetermined value of the performance rights has been expensed in the Company's financial statements and reflected in the recipient's remuneration, only 200,000 shares had been issued to Mr Ward in 2007 and none to Mr Thornton. The actual issue of shares in respect of the performance rights is subject to the achievement of the performance hurdles previously detailed in this report.

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

(iv) Appointed 10 October 2007.

(v) Named executives represent the five highest paid group executives of the consolidated entity.

Directors' Interests

The relevant interest of each Director in the shares and rights issued by the Company are as follows:

	Ordinary Shares	Performance Rights (Share Incentive Plan)
B W Macdonald	84,375	-
A J Love	39,626	-
N G Politis	11,827,267	-
M A Ward	329,773	200,000[(i)]
P W Henley	13,576	-

(i) Performance rights will convert to ordinary shares only if performance hurdles are met in accordance with the Share Incentive Plan, as described in the Remuneration Report.

Shares Under Option

There are no shares under option.

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 during the year are set out in Note 34 to the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the partiality and objectivity of the auditor.

- None of the services undermines the general principles relating to audit independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Martin A Ward
Director

Brisbane, 27 March 2009

Deloitte.

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

27 March 2009

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 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of A.P. Eagers Limited which comprises the balance sheet as at 31 December 2008 and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of A.P. Eagers Limited is in accordance with the Corporations Act 2001, including:
  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 31 December 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of A.P. Eagers Limited for the year ended 31 December 2008, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
27 March 2009

A. P. EAGERS LIMITED

ABN 87 009 680 013

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

A.P. EAGERS LIMITED

DIRECTORS' DECLARATION

The directors declare that :

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

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

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

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

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

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

On behalf of the Directors

M A Ward
Director

27 March 2009

A.P. EAGERS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

		CONSOLIDATED		PARENT ENTITY	
	Note	**2008**	**2007**	**2008**	**2007**
		$'000	**$'000**	**$'000**	**$'000**
Revenue	3	1,701,338	1,675,505	27,463	19,773
Other income	4	14	-	-	-
Changes in inventories of finished goods and work in progress		(23,201)	66,547	-	-
Raw materials and consumables used		(1,408,536)	(1,501,995)	-	-
Employee benefits expense		(124,050)	(109,447)	-	-
Finance costs	5(a)	(26,649)	(20,399)	-	-
Depreciation and amortisation expense	5(a)	(9,412)	(8,018)	-	-
Impairment of non-current assets	5(b)	(17,784)	-	(14,995)	-
Other expenses		(73,014)	(64,689)	-	-
Share of net profits of associates accounted for using the equity method	42(c)	1,210	2,520	-	-
Profit before tax		19,916	40,024	12,468	19,773
Income tax (expense) / benefit	6	(5,375)	(11,412)	2,472	-
Profit for the year	29(b)	14,541	28,612	14,940	19,773

		Cents	Cents
Earnings per share:			
Basic earnings per share	39	49.2	102.2
Diluted earnings per share	39	48.8	101.0

The above Income Statement is to be read in conjunction with the accompanying notes.

A.P. EAGERS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Current Assets					
Cash and cash equivalents	8	46	965	-	-
Trade and other receivables	9(a)	57,150	69,079	-	-
Leasebook receivables	9(b)	9,319	-	-	-
Inventories	10	206,807	230,008	-	-
Other	11	3,771	1,107	1,269	-
Total Current Assets		277,093	301,159	1,269	-
Non-Current Assets					
Leasebook receivables	12(a)	17,037	-	-	-
Amounts receivables from subsidiaries	12(b)	-	-	87,595	88,400
Investments accounted for using the equity method	13(a)	17,638	24,942	-	-
Available-for-sale financial assets	13(b)	-	-	16,570	22,077
Derivative financial instruments	14	-	760	-	-
Other financial assets	13(c)	-	-	71,791	64,428
Property, plant and equipment	15	358,748	332,067	-	-
Deferred tax assets	16	-	-	1,749	-
Intangible assets	17	67,615	60,936	-	-
Total Non-Current Assets		461,038	418,705	177,705	174,905
Total Assets		738,131	719,864	178,974	174,905
Current Liabilities					
Trade and other payables	18(a)	45,728	48,689	-	-
Derivative financial instruments	18(b)	3,135	-	-	-
Borrowings - bailment and bank overdraft	19(a)	168,470	188,217	-	-
Borrowings - leasebook liabilities	19(b)	7,553	-	-	-
Current tax liabilities	20	-	4,830	-	4,830
Provisions	21	8,452	8,104	-	-
Other	22	250	343	-	-
Total Current Liabilities		233,588	250,183	-	4,830
Non-Current Liabilities					
Borrowings - leasebook liabilities	23(a)	17,616	-	-	-
Borrowings - others	23(b)	145,860	133,849	-	-
Deferred tax liabilities	24	25,085	27,124	-	722
Provisions	25	3,904	3,372	-	-
Other	26	971	1,792	-	-
Total Non-Current Liabilities		193,436	166,137	-	722
Total Liabilities		427,024	416,320	-	5,552
Net Assets		311,107	303,544	178,974	169,353
Equity					
Contributed equity	28(a)	148,135	135,812	148,135	135,812
Reserves	29(a)	106,672	108,862	2,028	2,559
Retained earnings	29(b)	56,300	58,870	28,811	30,982
Total Equity		311,107	303,544	178,974	169,353

The above Balance Sheet is to be read in conjunction with the accompanying notes.

A.P. EAGERS LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2008

		CONSOLIDATED		PARENT ENTITY	
	Note	2008	2007	2008	2007
		$'000	$'000	$'000	$'000
Gain on revaluation of land and buildings, net of tax	29(a)	1,067	19,642	-	-
Changes in the fair value of cashflow hedge, net of tax	29(a)	(2,726)	(72)	-	-
Net (expense)/ income recognised directly in equity		(1,659)	19,570	-	-
Profit for the year		14,541	28,612	14,940	19,773
Total recognised income and expense for the year		12,882	48,182	14,940	19,773
Attributable to equity holders of the parent entity		12,882	48,182	14,940	19,773

The above Statement of Recognised Income and Expense is to be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		1,865,142	1,830,159	-	-
Payments to suppliers and employees (inclusive of GST)		(1,790,620)	(1,763,036)	-	-
Receipt from insurance claim		847	-	-	-
Dividends received		1,683	1,457	-	-
GST on holdback refund (net of costs)	3	11,469	-	-	-
Interest received		609	866	-	-
Interest and other costs of finance paid		(27,327)	(20,188)	-	-
Income taxes paid		(13,281)	(12,516)	-	-
Net cash provided by operating activities	40	48,522	36,742	-	-
Cash flows from investing activities					
Payments for shares in associated entity		(2,719)	(11,186)		
Payment for acquisition of subsidiaries and businesses (including payment for land and buildings occupied by subsidiaries acquired)	31(a)	(32,357)	(72,074)	-	-
Payment for acquisition of brand name		(47)	(132)	-	-
Payments for property, plant and equipment		(10,613)	(27,217)	-	-
Proceeds from sale of property, plant and equipment		459	-	-	-
Net cash used in investing activities		(45,277)	(110,609)	-	-
Cash flows from financing activities					
Proceeds from borrowings		26,900	25,000	-	-
Repayment of borrowings		(21,567)	-	-	-
Dividends paid	7	(10,704)	(5,032)	-	-
Net cash (used in)/provided by financing activities		(5,371)	19,968	-	-
Net decrease in cash and cash equivalents		(2,126)	(53,899)	-	-
Cash and cash equivalents at the beginning of the financial year		965	54,864	-	-
Cash and cash equivalents at the end of the financial year	8	(1,161)	965	-	-

The above Cash Flow Statement is to be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Information and basis of preparation

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

The financial statements were authorised for issue by the Board of Directors on 27 March 2009.

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

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

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

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

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 consisitently applied, unless otherwise stated.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of A.P. Eagers Limited (the 'company' or 'parent entity') as at 31 December 2008 and the results of all subsidiaries for the year then ended. A.P. Eagers Limited and its subsidiaries together are referred to in this financial report as the 'Group' or the 'consolidated entity'.

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

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

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

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

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement as revenue, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Operating Segments

Operating segments are identified based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.
The Group has two operating Segments being (i) automotive franchised retail and (ii) property.

(d) Revenue

(i) Sales revenue

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

(ii) Service revenue

Service work on customers' motor vehicles is carried out under instructions from the customer. Service revenue is recognised based upon the percentage completion of the work requested. The percentage completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for the service to be performed. Revenue arising from the sale of parts fitted to customers' vehicles during service is recognised upon delivery of the fitted parts to the customer upon completion of the service.

(iii) Rental income

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

(iv) Interest revenue

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

(v) Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates are accounted for in accordance with the equity method of accounting in the consolidated financial statements.

(vi) Goods and Services Tax (GST)

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

(e) Finance costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:
- interest on bank overdrafts, short and long-term borrowings
- interest on vehicle bailment arrangements
- interest on leaseback liabilites
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings

(f) Taxes

(i) Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxes (continued)

(ii) Tax consolidation legislation
A.P. Eagers Limited and its wholly-owned subsidiaries implemented the tax consolidation legislation as of 1 January 2003. A.P Eagers Limited, as the head entity in the tax consolidated group, recognises current tax amounts and deferred tax originating from available tax losses of subsidiaries, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

Entities within the tax consolidated group have entered into a tax funding and tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, AP Eagers Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the parent entity's financial statements.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

(iii) Goods and services tax ("GST")
Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

Cash flows are included in the Cash Flow Statement 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 the income statement on a straight-line basis over the period of the lease.

(h) Business Combinations

The purchase method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. 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 minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(s)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(k) Receivables

Leasebook receivables

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

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

In respect of trade and leasebook receivables, collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provisions 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 the income statement.

(l) Inventories

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

Used motor vehicles are stated at the lower of cost and net realisable value on a unit by unit basis. Net realisable value has been determined by reference to the likely net realisable value given the age of the vehicles at year end. Costs are assigned on the basis of specific identification.

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

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

(m) Investments and other financial assets

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

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.
Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements, less any impairment.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

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

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

The Group assesses at each balance 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 and loss - is removed from equity and recognised in the income statement.

(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 sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 9 and 12)
Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

(n) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on quoted market prices at the balance sheet 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 14.

(i) Cash flow hedge
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 the income statement immediately.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Property, plant and equipment

Land and buildings are shown at fair value, based on annual assessment by the directors supported by periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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 - 10 years

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

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

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

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

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

(q) Franchise Rights

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

(r) Trademarks / Brand Names

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

(s) Goodwill

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

(t) Trade and other payables

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement 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 sheet date.

(v) New motor vehicle stock and related bailment

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

(w) Provisions

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

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

(x) Employee benefits

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

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

(iii) Share based payments
The Group provides benefits to selected employees in the form of a Share Incentive Plan. The relevant employees are deemed to provide services to the Group in exchange for shares. The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date that they are granted. The fair value is determined using an option pricing model (see Note 2(a)(iv) for details of the calculation). In valuing the performance rights, no account has been taken of the non-market performance conditions, these are assessed at each reporting date to determine the number of performance rights expected to vest, and the necessary adjustments made. The fair value of the share based payment is recognised over the relevant vesting period as an expense, with a corresponding increase in equity.

Performance rights granted after 7 November 2002 and vested after 1 January 2005
The fair value of performance rights granted under the Share Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the chief executive officer becomes unconditionally entitled to the performance rights.
The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the term of the performance rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance rights, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance rights.

The fair value of the performance rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. At each balance date, the entity revises its estimate of the number of rights that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.
Upon the vesting of performance rights, the balance of the share-based payments reserve relating to those rights is transferred to share capital.

(y) Dividends

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(aa) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ab)Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity and the company:		
- AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	31 December 2009
- AASB 123 'Borrowing Costs - revised standard' AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	31 December 2009
- AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occuring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2009-3 (1 July 2009)	31 December 2010
- AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	31 December 2009
- AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	31 December 2009
- AASB 2008-5 'Improvements to IFRSs (2008)'	1 January 2009	31 December 2009
- AASB 2008-6 'Improvements to IFRSs (2008)'	1 July 2009	31 December 2010
- AASB 2008-7 'Amendments to Australian Accounting Standards' - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	31 December 2009
- AASB 2008-8 'Amendment to Australian Accounting Standards - Eligible Hedged Items'	1 July 2009	31 December 2010
- AASB 2008-10 'Amendments to Australian Accounting Standards - Reclassification of Financial Assets'	1 July 2008	31 December 2009
- AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of non-cash assets to owners'	1 July 2009	31 December 2010
- AASB Interpretation 13 'Customer Loyalty Programs'	1 July 2008	31 December 2009
- AASB Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009	31 December 2009
- AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	31 December 2009
- AASB Interpretation 17 'Distributions of Non-Cash Assets to Owners'	1 July 2009	31 December 2010

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates, assumptions and judgements

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

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

(i) Estimated impairment of goodwill and other intangibles with indefinite useful lives

Goodwill and other intangibles with indefinite useful lives with a carrying value of $67,615,000 (2007: $60,936,000) are tested annually for impairment, based on estimates made by directors. The recoverable amount of the intangibles is based on the greater of 'Value in use' or ‘Fair value less costs to sell. Value is use is assessed by the directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and cost of capital. Fair value less costs to sell is assessed by the directors based on their knowledge of the industry and recent market transactions. Further information on the intangibles impairment test can be found in note 17(a).
The recoverable amount of other intangible assets with indefinite lives, principally franchise rights and trademarks / brand names, is based on the value in use determined through a discounted cash flow analysis.

(ii) Fair value estimation of land and buildings

Land and buildings with a carrying value of $326,554,000 (2007: $304,738,000) are carried at valuation. This fair value is determined by the directors and is supported by formal independent valuations conducted at least every three years with an informal independent market assessment being received in the intervening years to support that the current carrying value approximates the fair value.

(iii) Provisions for warranties

A provision for warranties of $2,597,000 (2007: $2,205,000) 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.

(iv) Share based payments

The Group operates a ‘Performance Rights’ compensation scheme for specific executive officers. The fair value of these performance rights is calculated on grant date, and recognised over the period to vesting. The fair value has been calculated using an option pricing model and is based on numerous variables, many of which are estimated. Included in these estimations are the following:
- Share price growth, reinvestment of dividends and adjustment for capital changes over the period. These have been estimated based on a basket of similar peer group companies.
- Volatility. This has been based on historical experience that is commensurate with the expected life of the performance rights, and weekly observations of historical volatility.
- Expected life has been estimated between grant date and vesting date for each tranche.
- Risk free interest rate has been derived as the implied yield on a zero coupon Australian government bond with a life similar to the performance right, expressed as a continually compounded rate.
- Dividend yield is based on the dividend expected for the Group’s shares, expressed as a continually compounded percentage of the future share price.

The fair value of the performance rights has been estimated as $2,618,500 (2007 -$2,618,500) in total, with a cumulative expense being recognised at 31 December 2008 of $2,287,385 (2007 - $1,839,875). At this stage 310,000 performance rights have vested with the expectation that all performance rights will vest.

(v) Estimation of make good provisions

An amount of $1,700,000 (2007: $1,700,000) has been estimated in respect of a leased property for any expenditure required to be incurred to restore the property back to its original state. The lease has approximately 20 years to run at balance date, with a bank guarantee being given for the $1,700,000 recognised. In terms of the lease, this amount will be indexed and will increase in the future, therefore it is the maximum estimate of what would be payable today.

(vi) Recoverable value of investments in Associates

The recoverable value of investments in associates is determined by reference to greater of 'Value in Use' or ''Fair value less cost to sell'.
In respect of the investment in Adtrans Limited, the fair value has been determined based on the number of shares held multiplied by the balance date mid market value of Adtrans Limited shares of $2.45 plus a large holding premium of 10%. Post year-end, as at 25 March 2009, the mid market value of Adtrans Limited shares was $2.01.

3. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Sales revenue				
Sale of goods	1,584,487	1,592,847	-	-
Services	102,027	81,010	-	-
	1,686,514	1,673,857	-	-
Other revenue				
Rents	475	317	-	-
Interest	589	677	-	-
Dividends		86	27,463	19,773
Proceeds of insurance claim for hail damage	847	-	-	-
GST on holdback refund (net of costs)	11,469	-	-	-
Other	1,444	568	-	-
	14,824	1,648	27,463	19,773
Total revenue	1,701,338	1,675,505	27,463	19,773

4. OTHER INCOME

Gain on disposal of property, plant and equipment	14	-	-	-

5. EXPENSES

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

Depreciation				
Buildings	3,273	2,870	-	-
Plant and equipment	5,464	4,616	-	-
Total depreciation	8,737	7,486	-	-
Amortisation				
Leasehold improvements	675	532	-	-
Total Depreciation and Amortisation (Note 15)	9,412	8,018	-	-
Finance costs				
Interest and finance charges - paid/payable				
New vehicle bailment	14,028	11,975	-	-
Other	12,621	8,424	-	-
Total finance expense	26,649	20,399	-	-
Rental expense relating to operating leases				
Minimum lease payments	7,298	5,810	-	-
Contributions to superannuation funds	9,591	7,221	-	-
Provision expenses				
Inventory	(650)	574	-	-
Warranties	1,897	1,468	-	-
Bad debts	397	424	-	-
	1,644	2,466	-	-
Share-based payments				
Equity- settled share-based payments	2,549	2,854	-	-

(b) Impairment of non-current assets

Write down of value of investment in associate - Adtrans Limited (note 42(b))	9,550	-	8,236	-
Impairment of intangibles (note 14)	6,759	-	-	-
Deficit on revaluation of properties	1,475	-	-	-
Impairment of investment in subsidiaries	-	-	6,759	-
	17,784	-	14,995	-

Note: The parent entity is an investment holding company. It has no operating activities. All expenses are borne by its subsidiaries.

6. INCOME TAX

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
(a) Income tax expense(benefit)				
Current income tax expense	6,536	11,742	-	-
Deferred income tax expense/(benefit)	(1,074)	(186)	(2,472)	-
Over provision in prior years	(87)	(144)	-	-
	5,375	11,412	(2,472)	-
Deferred income tax expense/(benefits) included in income tax expense comprises:				
(Increase) decrease in deferred tax assets	-	-	(2,472)	-
Increase (decrease) in deferred tax liabilities	(1,074)	(186)	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	19,916	40,024	12,468	19,773
Income tax calculated at 30% (2007 - 30%)	5,975	12,007	3,740	5,932
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	148	198	-	-
Non-taxable dividends	(505)	(437)	(8,240)	(5,932)
Non-taxable other income	(2,388)	-	-	-
Non allowable expenses	257	236	-	-
Non allowable impairment expense	2,028	-	2,028	-
Sundry items	(53)	(448)	-	-
Under (over) provision in previous year	(87)	(144)	-	-
Income tax expense (benefit)	5,375	11,412	(2,472)	-
(c) Amounts recognised directly in equity				
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited to equity (Note 24)	(712)	8,387	-	-

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

7. DIVIDENDS

	PARENT ENTITY	
	2008	2007
	$'000	$'000
Ordinary dividends fully franked based on tax paid @ 30%		
Final dividend for the year ended 31 December 2007 of 36 cents per share (2006 -24 cents) paid on 26 May 2008	10,546	6,729
Interim dividend of 22 cents (2007 - 22 cents) per share paid on 30 September 2008	6,565	6,314
Total dividends paid	17,111	13,043
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2008 and 31 December 2007 were as follows:		
Paid in cash	10,704	5,032
Satisfied by issue of shares	6,407	8,011
	17,111	13,043
Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 9 April 2009 out of the retained profits at 31 December 2008, but not recognised as a liability at year end, is:	6,619	10,547

7. DIVIDENDS (continued)

Franked dividends

The final dividend recommended after 31 December 2008 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 2009.

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 - 30%)	35,000	31,700	35,000	31,700

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

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

Impact on franking credits of dividends not recognised	(2,837)	(4,520)	(2,837)	(4,520)

8. CURRENT ASSETS - Cash and cash equivalents

Cash at bank and on hand	46	965	-	-
	46	965	-	-
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:				
Balances as above	46	965	-	-
Less: Bank overdrafts (note 19)	(1,207)	-	-	-
Balance per statement of cash flows	(1,161)	965	-	-

9 CURRENT ASSETS - Receivables

(a) Trade and other receivables (i)	58,430	70,169	-	-
Less: Provision for doubtful receivables (ii)	1,280	1,090	-	-
	57,150	69,079	-	-
(b) Leasebook receivables	9,319	-	-	-

(i)The ageing of lease and trade receivables at 31 December 2008 is detailed below:

	CONSOLIDATED			
	2008		2007	
	Gross	Provision	Gross	Provision
	$000	$000	$000	$000
Not past due	62,121	-	64,775	-
Past due 0 -30 days	2,760	-	2,908	-
Past due 31 plus days	2,868	1,280	2,486	1,090
Total	67,749	1,280	70,169	1,090

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.
Trade receivables over 90 days are provided for based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience.

Included in the Group's lease and trade receivable balance are debtors with a carrying amount of $4,348,000 (2007: $4,304,000) which are past due at the reporting date which the Group has not provided for as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 62 days (2007:62 days)

9. CURRENT ASSETS - Receivables (continued)

(ii) Movement in provision for doubtful receivables

	CONSOLIDATED	
	2008	2007
	$000	$000
Opening Balance	1,090	737
Additional provisions	397	424
Addition due to acquistions	120	177
Amounts written off duirng the year	(327)	(248)
Closing Balance	1,280	1,090

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
10. CURRENT ASSETS - Inventories				
New motor vehicles - Bailment stock - at cost (Refer notes 1(v), and 19)	154,485	161,602	-	-
Less: Write-down to net realisable value	4,021	2,909	-	-
	150,464	158,693	-	-
Used vehicles - at cost	26,757	41,986	-	-
Less: Write-down to net realisable value	1,726	2,329	-	-
	25,031	39,657	-	-
Parts and other consumables - at cost	32,250	32,838	-	-
Less: Write-down to net realisable value	938	1,180	-	-
	31,312	31,658	-	-
Total Inventories	206,807	230,008	-	-
11. CURRENT ASSETS - Other current assets				
Income tax refund	1,269	-	1,269	-
Prepayments and deposits	2,502	1,107	-	-
	3,771	1,107	1,269	-
12. NON-CURRENT ASSETS - Receivables				
(a)Leasebook receivables	17,037	-	-	-
(b)Amounts receivable from subsidiaries	-	-	87,595	88,400

At balance date, the related party receivable balances are repayable at call. However, the parent entity does not expect the related entities to settle the balances within the next 12 months.

13 (a) NON-CURRENT ASSETS - Investments accounted for using the equity method

	2008	2007	2008	2007
Shares in an associate - Adtrans Group Limited	16,570	22,856	-	-
Shares in an associate - M T Q Insurance Limited	1,068	2,086	-	-
	17,638	24,942	-	-

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer note 42).
At 31 December 2008, the equity accounted carrying value of investment in associate, Adtrans Limited, was written down by $9,550,000 as an impairment loss. Reconciliation of the carrying amount of investment in associates is set out in note 42(b).

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
13(b) NON-CURRENT ASSETS - Available-for-sale financial assets				
Listed Securities				
Shares in other corporations - At fair value (i)	-	-	16,570	22,077
Total Available-for-sale financial assets	-	-	16,570	22,077

As at 31 December 2008 an impairment loss of $8,236,000 was recognised in respect of shares in Adtrans Limited

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
13(c) NON-CURRENT ASSETS - Other financial assets				
Unlisted Securities				
Investments in subsidiaries - at cost (note 31)	-	-	78,550	64,428
Less: Accumulated impairment	-	-	(6,759)	-
	-	-	71,791	64,428
14. NON-CURRENT ASSETS - Derivative financial instruments				
Interest rate swap contracts - cash flow hedges (note 18(b))	-	760	-	-

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Freehold Land and buildings				
At directors' valuation at 31 December 2007				
Land	-	199,838	-	-
Buildings	-	104,900	-	-
At directors' valuation at 31 December 2008				
Land	214,001	-	-	-
Buildings	112,553	-	-	-
Construction in progress - at cost	6,334	2,561	-	-
Total land and buildings	332,888	307,299	-	-
Leasehold improvements				
At cost	9,639	7,902	-	-
Less: Accumulated amortisation	2,038	1,363	-	-
Total leasehold improvements	7,601	6,539	-	-
Plant and equipment				
At cost	35,003	30,979	-	-
Less: Accumulated depreciation	16,744	12,750	-	-
Total plant and equipment	18,259	18,229	-	-
Total property, plant and equipment	358,748	332,067	-	-

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, 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 2008 valuations were made by the directors based on their assessment of prevailing market conditions and supported by valuations received from independent expert property valuers.

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 $99,523,000 (2007 : $83,793,000).

If freehold buildings (including construction in progress) was carried at historical cost, its current carrying value (after depreciation) would be $118,887,000 (2007 : $109,078,000).

Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the parent entity and its subsidiaries.

Reconciliations

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

	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Consolidated 2008						
Carrying amount at start of year	199,838	104,900	2,561	6,539	18,229	332,067
Additions	525	863	5,218	1,161	4,439	12,206
Additions through business acquisitions	15,600	7,000	-	576	1,107	24,283
Disposals/Transfers	(395)	1,447	(1,445)	-	(52)	(445)
Revaluation surplus (deficit) (i)	(1,567)	1,616	-	-	-	49
Depreciation/amortisation expense (Note 5)	-	(3,273)	-	(675)	(5,464)	(9,412)
Carrying amount at end of year	214,001	112,553	6,334	7,601	18,259	358,748

(i) The revaluation deficit in respect of Freehold land is included in the line item 'impairment of non-current assets' in the Income Statement

Consolidated 2007

	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Carrying amount at start of year	140,378	72,565	11,393	6,090	10,539	240,965
Additions	7,870	13,803	-	315	5,988	27,976
Additions through business acquisitions	24,030	12,070	-	666	6,318	43,084
Disposals/Transfers	(500)	9,332	(8,832)	-	-	0
Revaluation surplus	28,060	-	-	-	-	28,060
Depreciation/amortisation expense (Note 5)	-	(2,870)	-	(532)	(4,616)	(8,018)
Carrying amount at end of year	199,838	104,900	2,561	6,539	18,229	332,067

16. NON-CURRENT ASSETS - Deferred tax assets

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Deferred tax assets	-	-	1,749	-
The deferred tax revenue included in income tax expense in respect of the above temporary differences resulted from the following movements:				
Opening balance at 1 January	-	-	-	-
Transfer from deferred tax liability	-	-	(722)	-
Credited (charged) to the Income Statement (Note 6)	-	-	2,471	-
Closing balance at 31 December	-	-	1,749	-

17. NON-CURRENT ASSETS - Intangible assets

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Goodwill	34,068	36,417	-	-
Franchise rights	29,853	21,921	-	-
Trade marks/brand names	3,694	2,598	-	-
	67,615	60,936	-	-
Movement - Goodwill				
Balance at the beginning of the financial year	36,417	26,403	-	-
Additional amounts recognised:				
- from business combinations during the year (Note 31(a))	3,867	10,014	-	-
- from previous acquisition	5	-	-	-
Less: Impairment during the year	(6,221)	-	-	-
Balance at the end of the financial year	34,068	36,417	-	-
Movement - Franchise rights				
Balance at the beginning of the financial year	21,921	-	-	-
Additional amounts recognised from business combinations during the year	8,470	21,921	-	-
Less: Impairment during the year	(538)	-	-	-
Balance at the end of the financial year	29,853	21,921	-	-
Movement - Trade marks/Brand names				
Balance at the beginning of the financial year	2,598	-	-	-
Additional amounts recognised from business combinations during the year	1,055	2,466	-	-
Purchase of brand name during the year	41	132	-	-
Balance at the end of the financial year	3,694	2,598	-	-

17. NON-CURRENT ASSETS - Intangibles (continued)

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

Goodwill and other intangble assets with indefinite useful lives (being franchise rights and trade marks / brand names) are allocated to the Group's cash-generating units (CGU). The smallest group of assets to which goodwill and other intangible assets with indefinite useful lives is allocated is by motor dealership operation, which is identified by reference to the underlying internal reporting of the Group as follows:

	CONSOLIDATED	
	2008	2007
	$'000	$'000
Motor Dealership Operations:		
Goodwill	34,068	36,417
Franchise rights	29,853	21,921
Trade marks / brand names	3,694	2,598
	67,615	60,936

The recoverable amount of a CGU is determined based on the greater of its value in use and its fair value less costs to sell. Fair value is determined as being the amount obtainable from the sale of a CGU in an arms length transaction between knowledgeable and willing parties. This fair value assessment is conducted by the directors based on their extensive knowledge of the motor 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 2009 financial budgets approved by the management, a 3% perpetual growth rate and a discount rate of 12%. This growth rate does not exceed the long term average growth rate for the industry.

(b) Impairment charge

The Directors' assessment indicated that goodwill and other intangible assets with indefinite useful lives have been impaired for certain CGUs. The impairment has arisen due to the current economic downturn and the resultant reduction in demand for the CGU's products and services. Accordingly an impairment charge of $6,759,000 (2007 - $Nil) has been recognised in respect of the following classes of intangible assets:

	$'000
Goodwill	6,221
Franchise rights	538
	6,759

Impairment losses of goodwill and franchise rights are included in the line item 'impairment of non-current assets' in the income statement.

18. CURRENT LIABILITIES - Payables

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
(a) Trade and other payables				
Trade payables (i)	26,624	30,544	-	-
Other payables	19,104	18,145	-	-
	45,728	48,689	-	-

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
(b) Derivative financial instruments				
Interest rate swap contracts - cash flow hedges	3,135	-	-	-

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

Bailment finance of the Group currently bears an average variable interest rate of 6.23% (2007 - 7.73%). It is policy to protect part of this finance exposure against increasing interest rates. Accordingly, the Group has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The swap contract in place covers approximately 60% (2007: 35%) of the bailment finance outstanding at the year end. The fixed interest rate was 7.79% (2007: 5.72%) and the variable rates were between 4.7% and 7.2% (2007: 6.37% and 7.09%).

The interest rate swap contract expires in September 2009.

The contracts require settlement of net interest receivable or payable each 90 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 and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately.

At balance date, a loss from remeasuring the hedging instruments at fair value of $3,135,000 (2007: $760,000 asset) has been recognised in equity in the hedging reserve (note 29(a)). No portion was ineffective.

19. CURRENT LIABILITIES - Borrowings (secured)

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
(a) Bailment and bank overdraft				
Bailment finance - (Refer notes 1(v) and 10)	167,263	188,217	-	-
Bank overdraft	1,207	-	-	-
	168,470	188,217	-	-
(b) Leasebook liabilities	7,553	-	-	-

(i) Bailment finance
Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 6.23% p.a. applicable at 31 December 2008 (2007 - 7.73%)
Bailment finance is repayable within a short period after the vehicle is sold to a third party, generally within 48 hours.
(ii) Interest rate risk exposures
Details of the Group's exposure to interest rate changes on interest bearing liabilities is set out in note 30.
(iii) Fair value disclosures
Details of the Group's fair value of interest bearing liabilities is set out in note 30.
(iv) Security
Details of the security relating to each of the secured liabilities and further information on bank loans is set out in note 23.
(v) The leasebook liabilities are with Toyota Finance Corporation and are secured over the leased assets. The loans are under "back to back" lease arrangements with a weighted average interest rate of 7.37%

20. CURRENT LIABILITIES - Current tax liabilities

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Income tax (refund due in 2008 -refer note 11)	-	4,830	-	4,830

21. CURRENT LIABILITIES - Provisions

	CONSOLIDATED 2008	CONSOLIDATED 2007	PARENT ENTITY 2008	PARENT ENTITY 2007
Employee benefits	5,855	5,899	-	-
Warranties	2,597	2,205	-	-
	8,452	8,104	-	-

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

	Warranties
Consolidated - 2008	$'000
Carrying amount at start of year	2,205
Provisions acquired	46
Additional provisions recognised	1,897
Payments charged against provisions	(1,551)
Carrying amount at end of year	2,597

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
22. CURRENT LIABILITIES - OTHER				
Unearned income	250	343	-	-
	250	343	-	-
23. NON-CURRENT LIABILITIES - Borrowings (secured)				
(a) Leasebook liabilities (note 19(v))	17,616	-	-	-
(b) Borrowings - others				
Bills payable and fully drawn advances	145,500	133,600	-	-
Finance lease payables	360	249	-	-
	145,860	133,849	-	-
SECURED LIABILITIES				
Total secured liabilities (current and non-current) are:				
Bills payable and fully drawn advances	145,500	133,600	-	-
Bank overdraft	1,207	-	-	-
Bailment finance	167,263	188,217	-	-
Leasebook liabilities	25,169	-	-	-
Finance lease payables	360	249	-	-
Total secured liabilities	339,499	322,066	-	-

(i) The bank overdraft, bills payable and fully drawn advances are secured by registered first mortgages given by subsidiaries over specific freehold land and buildings; fixed and floating charges over all undertakings and assets of group companies, but excluding new and used cars and all book debts arising from the sale of new and used cars; letter of set off given by and on account of the Company and its subsidiaries, and Corporate Guarantee and Indemnity unlimited as to amount given by the company and its subsidiaries.
(ii) Leasebook liabilities are secured against associated leasebook receivables.
(iii) The finance lease liability is secured against associated leased assets.
(iv) Vehicle bailment finance reflects a liability payable to the consolidated entity's bailment financiers. This liability is represented by and secured over debtors included in current assets receivables in respect of recent vehicle deliveries to customers , and by new vehicles and demonstrator vehicles included in inventories (bailment stock). Refer Note 10.

23. NON-CURRENT LIABILITIES - Borrowings (continued)

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Non-current assets pledged as security -				
Freehold land and buildings -first mortgage	289,865	267,588	-	-
Leasebook receivables	17,037	-	-	-
Finance leased assets	373	261	-	-
Current assets pledged as security -				
Inventories - Bailment finance	167,263	161,602	-	-
Leasebook receivables	9,319	-	-	-
Total assets pledged as security	483,857	429,451	-	-

FINANCING ARRANGEMENTS

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

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Total facilities				
Bank overdrafts	5,000	5,000	-	-
Bills & fully drawn advance facilities	173,500	158,600	-	-
Bailment finance	278,950	226,450	-	-
Bank guarantees	13,887	7,200	-	-
Revolving credit facility	15,000	18,000	-	-
Leasebook liabilities	25,169	-	-	-
Finance lease payables	360	249	-	-
	511,866	415,499	-	-
Used at balance date				
Bank overdrafts	1,207	-	-	-
Bills & fully drawn advance facilities	145,500	133,600	-	-
Bailment finance	167,263	188,217	-	-
Bank guarantees	11,522	6,905	-	-
Revolving credit facility	-	-	-	-
Leasebook liabilities	25,169	-	-	-
Finance lease payables	360	249	-	-
	351,021	328,971	-	-
Unused at balance date				
Bank overdrafts	3,793	5,000	-	-
Bills & fully drawn advance facilities	28,000	25,000	-	-
Bailment finance	111,687	38,233	-	-
Bank guarantees	2,365	295	-	-
Revolving credit facility	15,000	18,000	-	-
Leasebook liabilities	-	-		
Finance lease payables	-	-	-	-
	160,845	86,528	-	-

(i) Bills and advance facilities at balance date were provided on a non-amortisable (interest only) basis subject to compliance with specific covenants and an annual review. Subsequent to balance date, in February 2009, arrangements with the financiers were altered reducing the facility limit to $125,000,000 by 30 June 2009. Resultant amortisation payments will be funded from cash flow funds and available undrawn facilities.
(ii) The revolving credit facility is utilised in conjunction with the bank overdraft facility to cover short term cash flow requirements. This facility is subject to annual review.
(iii) 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 balance sheet.
(iv) The lease book liability provides direct and specific funding to a portfolio of leases associated with the Bill Buckle Auto Group acquisition. New business is not being written under this facility and the leasebook liability will gradually wind down over a five year period in line with collection of the associated lease receivables.

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

24. NON-CURRENT LIABILITIES - Deferred tax liabilities

	2008	2007	2008	2007
Deferred tax liabilities	25,085	27,124	-	722
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Book versus tax carrying value of plant and equipment	3,079	2,674	-	-
Finance lease book	2,033	-	-	-
Inventory valuation	484	871	-	-
Prepayments	450	103	-	-
Provisions - Doubtful Debts	(384)	(282)	-	-
- Employee benefits	(4,800)	(4,251)	-	-
- Warranties	(817)	(675)	-	-
- Inventory write downs	(287)	(354)	-	-
Writedown of investment in associate	(2,865)	-	-	-
Sundry items	54	(253)	-	-
	(3,053)	(2,167)	-	-
Amounts recognised directly in equity				
Revaluation of property, plant and equipment	29,078	29,063	-	-
Other financial assets	-	-	-	722
Hedge asset (liability)	(940)	228	-	-
	28,138	29,291	-	722
Net deferred tax liabilities	25,085	27,124	-	722

The deferred tax expense included in income tax expense in respect of the above temporary differences resulted from the following movements :

	2008	2007	2008	2007
Opening balance at 1 January	27,124	20,249	722	722
Deferred tax assets relating to business combinations	(253)	(1,326)	-	-
Charged/ (credited) to Income Statement (Note 6)	(1,074)	(186)	-	-
Deferred tax recognised directly in equity				
- Revaluation of property plant and equipment (Note 29(a))	457	8,418	-	-
- Movement in fair value of cash flow hedge (Note 29(a))	(1,169)	(31)	-	-
Transfer to deferred tax assets (Note 16)	-	-	(722)	-
Closing balance at 31 December	25,085	27,124	-	722

25. NON-CURRENT LIABILITIES - Provisions

	2008	2007	2008	2007
Employee benefits	2,204	1,672	-	-
Make good provision on leasehold premises - refer (a) and (b) below	1,700	1,700	-	-
	3,904	3,372	-	-

(a) A make good clause under a long term property lease has been recognised in the financial statements. The lessor of the property has been provided with a bank guarantee of $1,700,000 in respect of the estimated make good cost.

(b) Movement in the provision:

	2008	2007	2008	2007
Balance at start of year	1,700	1,500	-	-
Recognition of additional provision during the year	-	200	-	-
Carrying amount at end of year	1,700	1,700	-	-

Make good provision on leasehold improvements

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

26. NON -CURRENT LIABILITIES - OTHER

	2008	2007	2008	2007
Unearned income	971	1,792	-	-
	971	1,792	-	-

A.P. EAGERS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
31 DECEMBER 2008 (continued)

27. SEGMENT INFORMATION

(a) Adoption of AASB 8 Operating Segments

The consolidated entity has adopted AASB 8 Operating Segments in advance of its effective date, with effect from 1 January 2007. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

Under the new standard the consolidated entity operates in two operating and reporting segments being (i) automotive franchised retailing and (ii) property, these being identified on the basis of being the components of the consolidated entity that are regularly reviewed by the chief decision maker for the purpose of resource allocation and assessment of segment performance.
Information regarding the consolidated entity's reporting segments is presented below.

(i) Automotive Franchised Retailing
Within the Automotive Franchised Retail segment, the consolidated entity offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle maintenance and repair services, vehicle parts, extended service contracts, vehicle protection products and other aftermarket products. They also arrange financing for vehicle purchases through third-party sources. New vehicles, vehicle parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers.

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

Segment reporting 2008	Automotive Franchised Retailing	Property	Eliminations	Consolidated
	$'000	$'000	$'000	$'000
Sales to external customers	1,686,514	475	-	1,686,989
Inter-segment sales	-	27,019	(27,019)	-
Total sales revenue	1,686,514	27,494	(27,019)	1,686,989
Other Revenue	13,759	14	-	13,773
SEGMENT REVENUE	1,700,273	27,508	(27,019)	1,700,762
Unallocated revenue				589
TOTAL REVENUE				1,701,351
SEGMENT RESULT				
Operating Profit before interest	34,076	20,122	-	54,198
External Interest Expense Allocation	(15,141)	(11,508)	-	(26,649)
OPERATING CONTRIBUTION	18,935	8,614	-	27,549
Share of net profit of equity accounted investments	1,210	-	-	1,210
Property revaluation	-	49	(1,524)	(1,475)
GST refund (net after claim expenses)	11,469	-	-	11,469
Non cash fair value adjustments,including impairment	(16,309)	-	-	(16,309)
SEGMENT PROFIT	15,305	8,663	(1,524)	22,444
Unallocated corporate expenses				(2,528)
PROFIT BEFORE TAX				19,916
Income tax expense				(5,375)
NET PROFIT				14,541
Depreciation and other amortisation	5,465	3,948	-	9,413
Non cash expenses other than depreciation and amortisation	(38)	-	-	(38)
Impairment of trade receivables	70	-	-	70
Write down of inventories to net realisable value	138	-	-	138
ASSETS				
Segment assets	397,642	340,489	-	738,131
LIABILITIES				
Segment liabilities	246,315	180,709	-	427,024
NET ASSETS	151,327	159,780	-	311,107
Acquisitions of non current assets, including subsidiaries	22,471	30,944	-	53,415

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
31 DECEMBER 2008 (continued)

27. SEGMENT INFORMATION (continued)

Segment reporting 2007	Automotive Franchised Retailing	Property	Eliminations	Consolidated
	$'000	$'000	$'000	$'000
Sales to external customers	1,673,857	317	-	1,674,174
Inter-segment sales	-	23,813	(23,813)	-
Total sales revenue	1,673,857	24,130	(23,813)	1,674,174
Other Revenue	654	-	-	654
SEGMENT REVENUE	1,674,511	24,130	(23,813)	1,674,828
Unallocated revenue				677
TOTAL REVENUE				1,675,505
SEGMENT RESULT				
Operating Profit	42,772	17,288	-	60,060
External Interest Expense Allocation	(11,610)	(8,789)	-	(20,399)
OPERATING CONTRIBUTION	31,162	8,499	-	39,661
Share of net profit of equity accounted investments	2,520	-	-	2,520
Property revaluation	-	28,060	(28,060)	-
SEGMENT PROFIT	33,682	36,559	(28,060)	42,181
Unallocated corporate expenses				(2,157)
PROFIT BEFORE TAX				40,024
Income tax expense				(11,412)
NET PROFIT				28,612
Depreciation and other amortisation	4,616	3,402	-	8,018
Non cash expenses other than depreciation and amortisation	993	-	-	993
Impairment of trade receivables	176	-	-	176
Write down of inventories to net realisable value	574	-	-	574
ASSETS				
Segment assets	406,026	313,838	-	719,864
LIABILITIES				
Segment liabilities	249,216	167,104	-	416,320
NET ASSETS	156,810	146,734	-	303,544
Acquisitions of non current assets	68,825	58,754	-	127,579

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 changes in fair value of property being recognised as income statement adjustments for segment reporting purposes. This compares to the Group policy of crediting such increments to a property plant and equipment reserve in equity (refer note 1(p)), other than if the diminution in value is considered permanent.
Segment profit represents the profit earned by each segment without allocation of unrecouped corporate / head office costs and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible, and financial assets attributable to each segment. All assets are allocated to reportable segments.

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

	CONSOLIDATED		**PARENT ENTITY**	
	2008	**2007**	**2008**	**2007**
28. CONTRIBUTED EQUITY	**$'000**	**$'000**	**$'000**	**$'000**
(a) Paid up capital				
Ordinary shares fully paid	148,135	135,812	148,135	135,812

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.

28. CONTRIBUTED EQUITY (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
01-Jan-07	Balance	26,366,347		106,264
13-Feb-07	Shares issued under Senior Executive Deferred Commission Plan	30,463	$9.18	279
28-Feb-07	Shares issued to vendors of Klosters Group	631,581	$10.31	6,512
01-May-07	Shares issued in respect of purchase of Adrans Ltd shares	939,131	$11.50	10,800
02-May-07	Shares issued to eligible employees under the employee tax exempt share plan	72,384	$12.80	927
21-May-07	Dividend reinvestment plan issues	349,578	$11.77	4,116
31-Jul-07	Shares issued to eligible employees under the employee tax exempt share plan	22,080	$15.54	343
31-Jul-07	Shares issued under Senior Executive Deferred Commission Plan	34,882	$11.54	403
17-Aug-07	Performance Rights issue to Mr Martin Ward	200,000	$7.61	1,523
17-Aug-07	Shares issued to vendors of Surfers City Holden	51,691	$14.51	750
24-Sep-07	Dividend reinvestment plan issues	263,643	$14.77	3,895
01-Jan-08	Balance	28,961,780		135,812
24-Jan-08	Shares issued under Senior Executive Deferred Commission Plan	61,242	$11.74	719
31-Mar-08	Shares issued to vendors of Bill Buckle Group	202,566	$14.00	2,836
07-May-08	Shares issued to eligible employees under the employee tax exempt share plan	68,379	$14.40	985
26-May-08	Dividend reinvestment plan issues	383,711	$13.69	5,246
01-Aug-08	Shares issued under Senior Executive Deferred Commission Plan	53,701	$7.90	424
04-Aug-08	Performance Rights issue to Mr Martin Ward & Mr Keith Thornton	110,000	$5.00	551
30-Sep-08	Dividend reinvestment plan issues	127,569	$9.14	1,161
03-Oct-08	Shares issued to eligible employees under the employee tax exempt share plan	42,143	$9.52	401
31-Dec-08	Balance	30,011,091		148,135

(c) The company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares todate have been issued under the plan at a 5% discount to the market price.

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
29. RESERVES AND RETAINED PROFITS	$'000	$'000	$'000	$'000
(a) Reserves:				
Capital profits reserve	21,158	21,158	-	-
Available-for-sale investment revaluation reserve	-	-	1,683	1,683
Property, plant and equipment revaluation reserve	87,363	86,296	-	-
Hedging reserve - cash flow hedge	(2,194)	532	-	-
Share-based payments reserve	345	876	345	876
	106,672	108,862	2,028	2,559
Movements:				
Capital profits reserve:				
Balance at beginning of the financial year	21,158	21,158	-	-
Transfer from retained earnings relating to properties sold	-	-	-	-
Balance at the end of the financial year	21,158	21,158	-	-
Property, plant and equipment revaluation reserve :				
Balance at beginning of the financial year	86,296	66,654	-	-
Revaluation surplus during the year - gross (Note 15)	1,524	28,060	-	-
Deferred tax (Note 24)	(457)	(8,418)	-	-
Balance at the end of the financial year	87,363	86,296	-	-

29. RESERVES AND RETAINED PROFITS (continued)

(a) Reserves: (continued)

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Available-for-sale investment revaluation reserve :				
Balance at beginning of the financial year	-	-	1,683	1,683
Balance at the end of the financial year	-	-	1,683	1,683
Hedging reserve - cash flow hedge:				
Balance at beginning of the financial year	532	604	-	-
Transfer to profit and loss	(760)	(863)	-	-
Transfer to derivative financial instruments (gross)	(3,135)	760	-	-
Deferred tax (note 24)	1,169	31	-	-
Balance at the end of the financial year	(2,194)	532	-	-
Share-based payments reserve:				
Balance at beginning of the financial year	876	1,497	876	1,497
Expense incurred during the year	1,163	1,584	1,163	1,584
Transfer to share capital (shares issued)	(1,694)	(2,205)	(1,694)	(2,205)
Balance at the end of the financial year	345	876	345	876

(b) Retained earnings

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Retained profits at the beginning of the financial year	58,870	43,301	30,982	24,252
Net profit for the year	14,541	28,612	14,940	19,773
Dividends provided for or paid (note 7)	(17,111)	(13,043)	(17,111)	(13,043)
Retained profits at the end of the financial year	56,300	58,870	28,811	30,982

(c) Nature and purpose of reserves.

(1) Capital profits reserve

Capital profits reserve represents realised gains on disposal of properties and is fully available for distribution to shareholders as dividends.

(2) 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). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of unfranked cash dividends in limited circumstances as permitted by law.

(3) Available-for-sale investments revaluation reserve

Changes in the fair value arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1m(i). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(4) 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 the Senior Executive Deferred Commission Plan.

30. FINANCIAL INSTRUMENTS

Overview
The consolidated entity has exposure to the following risks from its use of financial instruments:
Credit risk
Liquidity risk
Market risk (interest rate risk)

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

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated entity's risk management framework. The Board has established an Audit and Risk Committee which is responsible for developing and monitoring the consolidated entity's risk management policies. The committee will provide regular reportsto 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 and Risk Committee will oversee 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 Audit and Risk 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 will be reported to the Audit and Risk 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 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
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 balance sheet and notes to the financial statements.

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

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

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

30. FINANCIAL INSTRUMENTS (continued)

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

Interest rate risk

The Group is exposed to interest rate risk as a consequence of its financing facilities as set out in Note 19 & 23. Funds are borrowed by the Group at both fixed and floating interest rates. The Group's exposure to changes in interest rates relates primarily to the its long term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.
The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest. As at 31 December 2008, approximately 59% of the Group's borrowings were at a fixed rate of interest.
The Group hedges part of the interest rate risk (see Note 18(b)) by swapping floating for fixed interest rates.

The Group adopts a policy that approximately 50% of its exposure to the changes in interest rates on its variable rate borrowings relating to inventories is hedged on a fixed rate basis. An interest rate swap denominated in Australian dollars has been entered into to achieve this. The swap matures on 7 September 2009 and has a fixed rate of 7.79%. At 31 December 2008 the notional contract amount of the swap was $100 million. The consolidated entity classifies interest rate swaps as cash flow hedges.

The net fair value of the swap at 31 December 2008 was $3,135,000 (liability) (2007:$760,000 asset) and has been recognised in equity for the consolidated entity.

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's net profit would increase/decrease by $405,000 (2007: $756,000). This is mainly due to the Group's exposures to interest rates on it's variable rate borrowings.

The Group and company's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

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:

	rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	2008 %	2007 %	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Less than 1 year	7.79	7.05	100,000	65,000	(2,195)	418

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

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

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.
There were no changes in the consolidated entity's approach to capital management during the period.

30. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

Exposure to Credit Risk

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

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade receivables	67,749	70,169	-	-
Less: Provision for doubtful receivable	1,280	1,090	-	-
	66,469	69,079	-	-

Impairment Losses

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

Fair values & Exposures to Credit & Liquidity Risk

Except as 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 (2007: fair value).

The fair value and net fair value of financial assets and financial liabilities are determined as follows:
- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

Transaction costs are included in the determination of net fair value.

The following table details the carrying amount and fair value of consolidated financial assets and liabilities:

	CARRYING AMOUNT		FAIR VALUE	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Trade debtors net of doubtful debts	66,469	69,079	66,469	69,079
Derivative financial instrument	-	760	-	760
Cash and cash equivalents	46	965	46	965
	66,515	70,804	66,515	70,804
Financial liabilities				
Bills payable and fully drawn advances	145,500	133,600	145,500	133,600
Vehicle bailment	167,263	188,217	167,263	188,217
Bank overdraft	1,207	-	1,207	-
Leasebook liability	25,169	-	25,169	-
Finance lease payables	360	249	360	249
Derivative financial instrument	3,135	-	3,135	-
Trade and other payables	45,728	48,689	45,728	48,689
	388,362	370,755	388,362	370,755

30. FINANCIAL INSTRUMENTS (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 amount disclosed in the table are gross contractual undiscounted cash flows (principle and interest) required to settle the respective liabilities.

At 31 December 2008

INTEREST BEARING	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5+ years $'000	Total $'000
Floating rate							
Financial assets							
Cash and cash equivalents	46	-	-	-	-	-	46
Leasebook receivables	10,399	8,538	6,519	4,456	1,250	-	31,162
	10,445	8,538	6,519	4,456	1,250	-	31,208
Average interest rate	10.05%	10.05%	10.05%	10.05%	10.05%		
Financial liabilities							
Vehicle bailment (current)	169,868	-	-	-	-	-	169,868
Bills payable and fully drawn advances (non-current)	770	13,270	-	-	-	-	14,040
Bank overdraft	1,207	-	-	-	-	-	1,207
	171,845	13,270	-	-	-	-	185,115
Average interest rate	6.26%	6.16%					
Fixed rate							
Financial liabilities							
Bills payable and fully drawn advances (i)	12,204	135,204	10,908	-	-	-	158,316
Leasebook liabilities	9,408	8,248	6,456	4,414	1,020		29,546
Finance lease payables	95	265	-	-	-	-	360
	21,707	143,717	17,364	4,414	1,020	-	188,222
Average Interest Rate	7.37%	9.09%	8.46%	7.37%	7.37%		
NON INTEREST BEARING							
Financial assets							
Trade debtors	66,469	-	-	-	-	-	66,469
Financial liabilities							
Trade and other payables	45,728	-	-	-	-	-	45,728
Derivative financial instrument	3,135	-	-	-	-	-	3,135
	48,863	-	-	-	-	-	48,863

(i) Subsequent to year end, in February 2009, the Group altered its repayment arrangements relating to bills payable and fully drawn advances such that under the revised arrangements $20,500,000 of facilities drawn at balance date will mature and be required to be repaid by 30 June 2009.

30. FINANCIAL INSTRUMENTS (continued)

At 31 December 2007

INTEREST BEARING	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5+ years $'000	Total $'000
Floating rate							
Financial assets							
Cash and cash equivalents	1,023	-	-	-	-	-	1,023
	1,023	-	-	-	-	-	1,023
Average interest rate	6.01%						
Financial liabilities							
Vehicle bailment (current)	191,854	-	-	-	-	-	191,854
Bills payable and fully drawn advances (non-current)	2,170	30,170	-	-	-	-	32,340
	194,024	30,170	-	-	-	-	224,194
Average interest rate	7.73%	7.75%					
Fixed rate							
Financial liabilities							
Bills payable and fully drawn advances (non-current)	7,851	88,451	26,875	-	-	-	123,177
Term Loan	-	249	-	-	-	-	249
	-	88,700	26,875	-	-	-	123,426
Average Interest Rate		7.42%	7.50%				
NON INTEREST BEARING							
Financial assets							
Trade debtors	69,079	-	-	-	-	-	69,079
Derivative financial instrument	760	-	-	-	-	-	760
	69,839	-	-	-	-	-	69,839
Financial liabilities							
Trade and other payables	48,689	-	-	-	-	-	48,689

Estimation of Fair Value

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

Loans and Borrowings

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

Trade and other Receivables/Payables

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

Interest rate swaps

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

31. INVESTMENTS IN SUBSIDIARIES

Name of entity	Cost of parent entity's investment		Equity holding	
	2008	2007	2008	2007
	$'000	$'000	%	%
At cost:				
Eagers Retail Pty Ltd	4,676	4,676	100	100
Eagers Parts & Equipment Pty Ltd	40	40	100	100
Eagers Finance Pty Ltd	102	102	100	100
Nundah Motors Pty Ltd	93	93	100	100
Eagers Nominees Pty Ltd	50	50	100	100
Austral Pty Ltd	413	413	100	100
E G Eager & Son Pty Ltd	3,516	3,516	100	100
A.P. Group Ltd	21,488	21,488	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	3,866	3,866	100	100
PPT Investments Pty Ltd	-	-	100	100
PPT Holdings No 1 Pty Ltd	10,062	10,062	100	100
PPT Holdings No 2 Pty Ltd	10,061	10,061	100	100
PPT Holdings No 3 Pty Ltd	10,061	10,061	100	100
Bill Buckle Holdings Pty Ltd	14,122	-	100	
Bill Buckle Autos Pty Ltd	-	-	100	
Bill Buckle Leasing Pty Ltd	-	-	100	
	78,550	64,428		

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. All the above companies comprise the closed group for the purpose of accounts preparation release under ASIC class order 98/1418 as referred to by the director's declaration.

31. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of businesses

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

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2008	Bill Buckle Auto Group	31-Mar-08	Motor Dealership	100%
2007	Kloster Group	28-Feb-07	Motor Dealership	100%
2007	Surfers City	17-Aug-07	Motor Dealership	100%

The acquired businesses contributed revenues of $109,055,000 (2007:$309,617,000) and profit before tax of $223,000 (2007:$6,722,000) from the respective dates of acquisition to the year end balance date. The profit before tax does not include any fair value adjustment at 31 December 2008 in respect of Bill Buckle Holdings Pty Ltd.
If the acquisitions had occurred on 1 January 2008, the consolidated revenue and the consolidated profit before tax would have been $1,738 million (2007- $1,775 million) and $20million (2007- $52 million) respectively.

Allocation of Purchase Consideration

The purchase price of businesses acquired was allocated as follows:	2008 $'000	2007 $'000
Cash consideration	33,011	70,104
Transaction costs	1,503	2,776
Issue of ordinary shares	2,836	7,262
Total Purchase consideration	37,350	80,142
Fair Value of net identifiable tangible assets	23,958	45,741
Fair Value of net identifiable intangible assets	9,525	24,387
Goodwill	3,867	10,014
	37,350	80,142
Cash consideration, including transaction costs	34,514	72,880
Less: Cash acquired	(2,157)	(806)
Cash consideration net of cash acquired	32,357	72,074

Net assets acquired

Net Assets acquired	Bill Buckle Group Book Value	Bill Buckle Group Fair Value	2008 Total Fair Value	2007 Total Fair Value
	$'000	$'000	$'000	$'000
Cash and cash equivalents	2,157	2,157	2,157	806
Trade receivables & prepayments	38,108	38,108	38,108	12,911
Inventory	18,389	18,389	18,389	43,050
Property, plant and equipment	23,900	24,283	24,283	41,674
Deferred tax assets	189	254	254	1,261
Creditors, borrowings and provisions	(59,233)	(59,233)	(59,233)	(53,961)
Identifiable intangible assets	-	9,525	9,525	24,387
Net assets acquired	23,510	33,483	33,483	70,128
Acquisition cost		37,350	37,350	80,142
Goodwill on acquisition		3,867	3,867	10,014

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.

32. CONTINGENT LIABILITIES

(a) Parent entity
Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial and trade arrangements entered into by its subsidiaries. It is not anticipated that the parent entity will become liable for any amount in respect thereof. At 31 December 2008 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 are parties to a deed of cross guarantee which has been lodged with the Australian Securities and Investments Commission. Under the deed of cross guarantee each company guarantees the debts of the other companies.

The maximum exposure of the parent entity in relation to the cross guarantees is $427,024,000 (2007 : $416,320,000).

33. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Capital Commitments				
Commitments for the construction of buildings and acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	3,200	22,700	-	-
Finance Lease Liabilities				
Commitments for minimum lease payments in relation to leasebook liabilities are payable as follows:				
Within 1 year	9,408	-	-	-
Later than 1 year but not later than 5 years	20,138	-	-	-
Later than 5 years	-	-	-	-
	29,546	-	-	-
Less future finance charges	(4,377)	-	-	-
Present value of minimum lease payments	25,169	-	-	-
Operating Lease Commitments				
Commitments for minimum lease payments in relation to non-cancellable operating leases for premises are payable as follows:				
Within 1 year	6,459	5,028	-	-
Later than 1 year but not later than 5 years	16,600	11,191	-	-
Later than 5 years	3,534	4,292	-	-
	26,593	20,511	-	-

The consolidated entity leases property under non-cancellable operating leases with expiry dates between 30 June 2009 and 28 February 2019. Leases generally provide for a right of renewal at which time the lease is renegotiated. Lease rental payments comprise a base amount plus an incremental contingent rental based on movements in the consumer price index or a fixed percentage increase.

34. REMUNERATION OF AUDITOR

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$	$	$	$
Amounts received or due and receivable by Deloitte Touche Tomatsu ("Deloitte") for:				
- audit or review of the financial report of the parent entity and any other entity in the consolidated entity	363,500	338,500	9,000	9,000
Amounts received or due and receivable by related entities of Deloitte for:				
- tax compliance services in relation to the parent entity and any other entity in the consolidated entity	13,700	21,050	-	-
- other services in relation to the parent entity and any other entity in the consolidated entity				
-GST refund consultancy services	603,657	-	-	-
-Technical advisory services	25,830	7,675	-	-
- Due diligence services	79,080	137,985	-	-
- Other advisory services	69,390	77,015	-	-
	1,155,157	582,225	9,000	9,000

35. SUBSEQUENT EVENTS

(i) The company announced on 23 March 2009 that it intends to conduct an on-market buy-back of up to 10% of its issued ordinary shares. The buy-back will commence on 6 April 2009 and is expected to occur progressively within 12 months from commencement, subject to market conditions.
(ii) Subsequent to year end, in February 2009, the Group altered its repayment arrangements relating to bills payable and fully drawn advances such that under the revised arrangements $20,500,000 of facilities drawn at balance date will mature and be required to be repaid by 30 June 2009.These repayments will be funded from cash generated by operations and other facilities available.

36. KEY MANAGEMENT PERSONNEL

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

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

(a) Details of key management personnel

(I) Directors

B W Macdonald	Chairman (non-executive)
M A Ward	Managing Director and Chief Executive Officer
P W Henley	Director (non-executive)
A J Love	Director (non-executive)
N G Politis	Director (non-executive)

(ii) Executives

S G.Best	Chief Financial Officer
D W Hull (retired 31 July 2008)	Group Company Secretary
M Raywood	Human Resource Manager
K.T.Thornton	General Manager - Queensland and Northern Territory
G I Walker (resigned 5 August 2008)	Chief Information Officer
D.G. Stark (appointed 14 January 2008)	General counsel/Company Secretary

(b) Compensation of key management personnel

The aggregate compensation made to key management personnel of the Company and the Group is set out below.

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$	$	$	$
Short term	2,138,924	2,193,064	743,617	845,013
Post employment	460,464	220,777	73,863	79,060
Share based payment	447,925	577,801	303,948	502,216
	3,047,313	2,991,642	1,121,428	1,426,289

(c) Option holdings of key management personnel

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

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

		At 01-Jan-08	Dividend Reinvestment Plan	Share Incentive Plan	Purchases	Sales	At 31-Dec-08
Directors							
	B W Macdonald	84,375	-	-	-	-	84,375
	M A Ward	227,323	-	100,000	2,450	-	329,773
	A J Love	34,211	-	-	-	-	34,211
	N G Politis	11,471,445	-	-	352,274	-	11,823,719
	P W Henley	8,170	-	-	12,046	(7,640)	12,576
					-		
Executives					-		
	D W Hull	64,300	-	-	4,685	-	68,985
	K Thornton	7,919	832	10,000	4,808	-	23,559
	G I Walker	14,326	-	-	3,280	-	17,606
	M Raywood	-	-	-	3,322	-	3,322
	S G Best	1,351	-	-	1,065	-	2,416
		11,913,420	832	110,000	383,930	(7,640)	12,400,542

36. KEY MANAGEMENT PERSONNEL (continued)

(e) Loans to key management personnel
There are no loans to key management personnel
(f) Other transactions with key management personnel
Other transactions with key management personnel are detailed in note 38: Related parties
(g) Share Based Payments
The Chief Executive Officer and the General Manager, Queensland and Northern Territory, have been granted rights under a share incentive plan. To date, 530,000 rights have been granted in terms of the plan. The vesting of the performance rights granted is based on the total shareholder return (TSR) of the Group compared to the TSR of a basket of peer constituents (based on the ASX 300), to determine the ranking of the Group. This ranking is converted to a percentile rating which is then used to determine the proportion of awards that vest on a scaled basis. Built into the plan is re-testing after 12 and 24 months if a tranche has not achieved 100% vesting, which is used to determine whether additional vesting is available. Any performance rights not vested after the retesting periods lapse. The performance rights are settled in shares in the Company, with no further cost to the employee. Further information on the determination of the fair value of the performance . rights can be found in Note 2(a)(iv)
The number of performance rights granted is as follows:

Number of performance rights	Grant date	End of performance period	Expiry date	Fair value of each performance right	Number vested during the year	Number vested at 31 December 2008
Chief Executive Officer						
100,000	1-Jul-05	30-Jun-06	1-Jul-08	$4.78	-	100,000
100,000	1-Jul-05	30-Jun-07	1-Jul-09	$4.92	-	100,000
100,000	1-Jul-05	30-Jun-08	1-Jul-10	$4.68	100,000	100,000
100,000	1-Jul-05	30-Jun-09	1-Jul-11	$4.46	-	-
100,000	1-Jul-05	30-Jun-10	1-Jul-12	$4.25	-	-
500,000					100,000	300,000
General Manager, Queensland and Northern Territory						
10,000	1-Jul-07	30-Jun-08	1-Jul-10	$10.65	10,000	10,000
10,000	1-Jul-07	30-Jun-09	1-Jul-11	$10.31	-	-
10,000	1-Jul-07	30-Jun-10	1-Jul-12	$9.99	-	-
30,000					10,000	10,000

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

38. RELATED PARTIES

Key Management Personnel
Information on key management personnel is disclosed in Note 36.

Remuneration and retirement benefits
Information on the remuneration of key individual management personnel is 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 $388,924 (2007 :$287,541) and purchases of $337,029 (2007 - $251,835) during the last 12 months, are primarily the sale and purchase of spare parts and accessories and are carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

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

Wholly-owned group

The parent entity in the wholly-owned group is A.P. Eagers Limited. Information relating to the wholly-owned group is set out in note 31. Transactions between the parent entity and its subsidiaries and amongst the various subsidiaries consist of the payment and receipt of dividends, rent (on a commercial basis) and administration charges (on a recoupment basis), the transfer of funds amongst the companies for day to day financing and investment of surplus funds, and the payment and receipt of interest on net working capital.
Amounts receivable by the parent entity from related parties in the wholly owned group at balance date are shown in note 12.

39. EARNINGS PER SHARE

	CONSOLIDATED	
	2008	2007
	Cents	Cents
(a) Basic earnings per share		
Earnings attributable to the ordinary equity holders of the company	49.2	102.2
(b) Diluted earnings per share		
Earnings attributable to the ordinary equity holders of the company	48.8	101.0

(c) Reconciliations of earnings used in calculating earnings per share	CONSOLIDATED	
	2008	2007
Basic Earnings per Share	$' 000	$' 000
Profit for the year	14,541	28,612
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	14,541	28,612
Diluted Earnings per Share		
Profit for the year	14,541	28,612
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	14,541	28,612
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	29,559,167	28,008,711
Adjustments for calculation of diluted earnings per share		
- Performance rights	220,000	330,000
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	29,779,167	28,338,711

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

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Net profit after tax	14,541	28,612	14,940	19,773
Depreciation and amortisation	9,412	8,018	-	-
Profit on sale of property, plant and equipment	(14)	-	-	-
Share of losses (profits) of associates	(1,210)	(2,520)	-	-
Dividends from subsidiaries	-	-	(26,000)	(19,000)
Dividends from investments	1,683	1,372	(1,463)	(773)
Employee share scheme expensed	2,549	2,854	-	-
Non cash impairment adjustments	17,784	-	14,995	-
(Increase) decrease in assets -				
Receivables	23,491	(13,931)	-	-
Inventories	41,060	(29,510)	-	-
Prepayments	(981)	3,263	-	-
Deferred tax	360	-	-	-
Increase (decrease) in liabilities -				
Creditors (including bailment finance)	(52,029)	38,465	-	-
Provisions	178	1,168	-	-
Taxes payable	(8,302)	(1,049)	(2,472)	-
Net cash inflow from operating activities	48,522	36,742	-	-

41. NON-CASH TRANSACTIONS

Payment of dividends totalling $6,406,949 (2007: $8,011,217) under the Dividend Reinvestment Plan were settled by the issue of 511,280 ordinary shares (2007: 613,221 shares).

42. INVESTMENTS IN ASSOCIATES

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

Name of company	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	%	%	$'000	$'000	$'000	$'000
Traded on organised markets						
Adtrans Group Limited	24.86%	22.38%	16,570	22,856	16,570	22,077

The investment in Adtrans Group Limited was equity accounted from 1 May 2007, being the date on which significant influence was obtained through acquisitions which exceeded 20% of the voting rights of the company.
Adtrans Group Limited is incorporated in Australia. Its principal activity of the company and its subsidiaries is operating franchised vehicle dealerships.

Unlisted Securities						
M T Q Insurance Services Limited	19.43%	19.43%	1,068	2,086	-	-

The investment in M T Q Insurance Services Limited was equity accounted from 1 January 2006 (refer Note 13(a))
M T Q Insurance Services Limited is incorporated in Australia. Its principal activities are the sale of consumer credit and insurance products, as well as undertaking investment activities.

	CONSOLIDATED	
	2008	**2007**
	$'000	**$'000**
(b) Movement in the carrying amounts of investments in associates -		
Carrying amount at the beginning of the financial year	24,942	1,706
Cost of investment in associates	2,719	22,087
Equity share of profit/(loss) from ordinary activities after income tax	1,210	2,520
Dividends received during current year	(1,683)	(1,371)
Impairment adjustment - Adtrans Group Limited	(9,550)	
Carrying amount at the end of the financial year	17,638	24,942
(c) Results attributable to associates		
(based on the last published results for the 12 month's to 30 June 2008 plus unaudited results for the 6 months to 31 December 2008)		
Profit from ordinary activities before income tax	1,590	3,624
Income tax expense	(380)	(1,104)
Profit (loss) from ordinary activities after income tax	1,210	2,520
(d) Share of associate's contingent liabilities		
Guarantees given on behalf of controlled entities for borrowing facilities	26,726	25,246
(e) Share of associate's expenditure commitments		
Lease commitments	8,913	8,376
(f) Summarised financial information of associates		
The aggregate profits, assets and liabilities of associates are:		
Revenue	746,986	724,713
Profits (losses) from ordinary activities after income tax expense	5,020	14,839
Assets	250,375	283,233
Liabilities	171,010	187,592

Reporting date of associates
The associates' reporting dates are 30 June annually.