30 March 2011

Company Announcements Office
ASX Limited

Full Year Accounts

Attached are the following documents for the year ended 31 December 2010:

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

These documents are 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 year ended 31 December 2010 and the auditor's report thereon.

Directors

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

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

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

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

Executive Director since March 2006. Motor vehicle dealer. Director of Adtrans Group Ltd (appointed May 2007). Mr Ward was formerly the Chief Executive Officer of Ford Motor Company's Sydney Retail Joint Venture.

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

Independent, non-executive Director since March 1994. Property consultant. Director of Adtrans Group Ltd (appointed November 2010). Deputy Chairman of Ask Funding Ltd (appointed May 2010). Mr Love was formerly the Managing Director of McGee Property Brisbane and a Director of Campbell Brothers Ltd (from 1986 to July 2009) and Bank of Queensland Ltd (from June 1995 to December 2008).

Nicholas Politis BCom
Director

Non-executive Director since May 2000. Motor vehicle dealer. Director of Adtrans Group Ltd (appointed November 2010). Executive Chairman of WFM Motors Pty Ltd, A.P. Eagers Limited's largest shareholder, and a substantial number of other proprietary limited companies. Mr Politis was formerly a Director of the Bank of Cyprus.

Peter Henley FAIM
Director, Member of Audit & Risk Committee

Independent, non–executive Director since December 2006. Director of Adtrans Group Ltd (appointed November 2010). Director of Thorn Group Ltd (appointed May 2007) and AFICO Pty Ltd, formerly United Financial Services Group Ltd, (appointed August 2007). Deputy Chairman of MTQ Insurance Services Ltd (appointed November 2008, having been an alternate Director from June 2008). Mr Henley was formerly the Chairman and Chief Executive Officer of GE Money Motor Solutions and has over 30 years' local and international experience in the financial services industry.

Daniel Ryan BEc, MBus, FAICD
Director

Non-executive Director since January 2010. Director of Adtrans Group Ltd (appointed November 2010). Director and Chief Executive Officer of WFM Motors Pty Ltd, A.P. Eagers Limited's largest shareholder, and a substantial number of other proprietary limited companies. Mr Ryan has significant management experience in automotive, transport, manufacturing and retail industries.

Graeme Bignell FAICD
Director

Executive Director since February 2011. Mr Bignell has had a long and distinguished career in the automotive industry, having established Stillwell Ford in Adelaide in 1971. He was executive Chairman of Adtrans Group Ltd when it was formed in 1987 and continues as a Director of that company.

Timothy Crommelin BCom, FSIA, FSLE
Director

Independent, non-executive Director since February 2011. Executive Chairman of RBS Morgans Ltd. Director of Senex Energy Ltd (appointed October 2010), Brisbane Lions Foundation, Australian Cancer Research Foundation and Abney Hotels Ltd. Chairman of the Advisory Board of the Australian National University Investment Committee. Member of the University of Queensland Senate and the Brisbane Grammar School Board of Trustees. Former Deputy Chairman of Queensland Gas Company Ltd (Director from October 2006 to February 2009) and CS Energy Ltd (Director from July 1997 to September 2008). Mr Crommelin has broad knowledge of corporate finance, risk management and acquisitions and over 40 years' experience in the stockbroking and property industry.

Company Secretary

Denis Stark LLB, BEc
General Counsel & Company Secretary

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

Directors' Meetings

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

	Board Meetings		Audit & Risk Committee Meetings	
	Held	Attended	Held	Attended
B Macdonald(1)	8	8	4	4
A Love(1)	8	8	4	4
N Politis	8	6	-	-
M Ward	8	8	-	-
P Henley(1)	8	8	4	4
D Ryan	8	8	-	-
G Bignell(2)	-	-	-	-
T Crommelin(2)	-	-	-	-

(1) Audit & Risk Committee members.
(2) Messrs Bignell and Crommelin were appointed as Directors on 23 February 2011.

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 in 2010 was $45.3 million. This compares to a Net Profit Before Tax of $52.5 million in 2009. Net Profit After Tax was $31.6 million in 2010 compared to $36.6 million in 2009.

The financial results of Adtrans Group Ltd were consolidated from 22 October 2010, the date on which the Company's takeover offer was declared unconditional and the compulsory acquisition threshold was achieved.

A positive fair value adjustment of the company's equity investment in Adtrans prior to takeover of $1.45 million before tax, a negative property fair value adjustment of $1.24 million before tax, and a goodwill impairment of $0.22 million are included in the income statement.

As required by revised international accounting standards, business acquisition costs of $1.5 million were expensed in 2010, wherein previously they would have been capitalised with the asset acquired.

Profit Comparison	**Full Year to December 2010 $ million**	**Full Year to December 2009 $ million**	**% Change**
Statutory profit after tax	31.6	36.6	(13.7%)
Statutory profit before tax	**45.3**	**52.5**	**(13.7)%**
Fair value and impairment adjustments (before tax)	0.0	2.4	-
Effect of IFRS accounting standard change – business acquisition costs	(1.5)	0.0	-
Underlying profit before tax	**46.8**	**50.1**	**(6.6)%**
Underlying profit after tax	32.6	34.9	(6.6)%

Revenue from operations in 2010 increased by 8.8% to $1,802 million with Adtrans contributing $124 million of the increase. Excluding Adtrans, revenue from operations increased by 1.4%.

Underlying margins declined from the higher levels of 2009, reflecting a more cautious retail market as compared to a market stimulated by investment allowance and other government policy measures in 2009, and normal inventory costs compared to record low inventory costs in the previous year.

	Full Year to December 2010	**Full Year to December 2009**	**% Change**
Underlying EBITDA/Sales	4.0%	4.6%	(13.0)%
Underlying PBT/Sales	2.6%	3.0%	(13.3)%

Prior to the date of consolidation, the company's investment in Adtrans contributed an equity profit after tax of $1.45 million (2009: $2.36 million). After the date of consolidation, Adtrans contributed an operating profit after tax of $1.06 million. Therefore, operationally Adtrans contributed a profit after tax of $2.51 million in 2010 (2009: $2.36 million).

The takeover of Adtrans was funded by the issue of 1.77 million A.P.Eagers Limited shares, $41.5 million of cash consideration and $9.1 million of special dividend paid by Adtrans prior to completion.

Income statement fair value adjustments comprised a gain of $1.45 million before tax (2009: $5.82 million) relating to a revaluation of the Company's investment in Adtrans to fair value based on the takeover valuation, negative property fair value adjustments of $1.24 million before tax, and goodwill impairment of $0.22 million.

Corporate debt net of cash on hand was $168.2 million at end 2010 compared to $96.1 million at end 2009. The increased debt was used to fund earnings per share accretive growth, namely the Caloundra City Auto acquisition ($12.0 million), the Adtrans takeover cash component ($41.5m) and the assumption of the Adtrans corporate debt ($18.4 million).

Total debt including vehicle bailment net of cash on hand was $409.8 million at end 2010 as compared to $267.2 million at end 2009. Bailment debt of $74.5 million was related to the Adtrans businesses.

EBITDA Interest Cover decreased slightly to 3.5 times as at 31 December 2010, compared to 3.6 times at 31 December 2009.

Based on a review of the company's property portfolio, the overall value of the company's automotive retail property decreased by $6.1 million (1.9%), of which $4.9 million related to balance sheet reserve adjustments, and the remaining $1.2 million to the income statement.

The company's cash flow from operations was $31.1 million in 2010 (2009: $65.2 million), with the reduction due to higher income tax payments and reduced operating margin.

Operational Review

The acquisition of the Caloundra City Auto business in April 2010 added five brands (Holden, Mitsubishi, Honda, Suzuki and Great Wall) to the company's portfolio in the growing Caloundra, Sunshine Coast region of Queensland.

The acquisition of the remaining 72.1% of Adtrans not owned by the company added a further 27 car and truck dealerships to the group and diversified the company's operations into car and truck operations in South Australia and truck operations in New South Wales and Victoria. Brand representation for Chrysler/Jeep/Dodge, Mercedes Benz, Freightliner, Western Star, MAN, Fuso, Iveco, Higer, BCI and Hino was added to the group and brand exposure to Toyota, Ford, Hyundai, and Kia was expanded.

Overall, 2010 represented a more difficult, albeit still positive retail market, when compared to the investment allowance stimulated market in 2009. Greater new car inventory supply and generally more cautious retail customers negatively impacted margins as compared to 2009. Successive interest rate rises and cost of living pressure including utilities, health care and transport, all contributed to a more challenging retail environment. The demographics of the Queensland market and the reliance on the tourism and property sectors exaggerated the effect in this market.

Used car margins were stable in 2010 with some weakness in used car values evident due to greater new vehicle supply and price competitiveness.

The company's parts and service businesses continued to generate stable and consistent earnings, with parts revenue decreasing due to the withdrawal from some low margin business, and service generating revenue improvement but little margin growth due to cost pressures.

The Metro Ford dealership previously located at Fortitude Valley joined Brisbane's leading automotive retail precinct at Newstead in June 2010. Six of the nation's top 10 brands (Ford, Mazda, Mitsubishi, Honda, Subaru and Volkswagen) are now retailed and serviced from this precinct located between the city centre and airport, with vehicle service also provided for a further three brands, namely Holden, Volvo and Peugeot.

In 2010, upgrade works were completed at Subaru Toowong and Eagers Holden Windsor, Queensland, and commenced at Highway Ford and Hyundai in Maitland NSW, and Cornes Toyota in Adelaide, South Australia.

Results Summary

Year Ended 31 December 2010	**2010**	**2009**	
	$'000	**$'000**	**Increase/(Decrease)**
Revenue from operations	1,801,948	1,655,676	8.8%
Other revenue	8,812	7,339	20.1%
Total revenue	1,810,760	1,663,015	8.9%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	73,040	76,188	(4.1%)
Share of associates profits	2,234	4,084	(45.3%)
Profit on sale of assets	406	549	(26.0%)
EBITDA after profit on sale of assets and equity accounting	75,680	80,821	(6.4%)
Depreciation and Amortisation	(9,254)	(9,593)	3.5%
Earnings before interest and tax (EBIT)	66,426	71,228	(6.7%)
Borrowing costs	(21,131)	(21,151)	0.0
Fair value adjustments	3	2,393	(99.9%)
Profit before tax	**45,298**	**52,470**	**(13.7%)**
Income tax expense	(13,661)	(15,882)	14.0%
Profit after tax	**31,637**	**36,588**	**(13.5%)**
Non controlling interest in subsidiaries	(72)	(13)	(453.8%)
Attributable profit after tax	**31,565**	**36,575**	**(13.7%)**
Earnings per share - basic	105.3 cents	121.6 cents	(13.4%)

Results Commentary

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales increased by 10.5% on 2009, for total sales of 1,035,574 units in 2010.

The Queensland automotive market which represents some 60% of the company's new car sales volume experienced the country's lowest volume increase of 4.3%, reflecting the state's economic reliance on the tourism and property sectors and the impact of successive interest rates rises and cost of living pressure on the "mortgage belt" demographic.

Light car, small car and compact SUV segments experienced the greatest year on year growth. The heavy commercial sector experienced only a limited improvement of 3.8% on the historically low volume levels of 2009.

Nationally, Toyota remained the best-selling brand in 2010 with a market share of 20.7% (2009: 21.4%). Of the top 10 brands, Holden, Mazda, Mitsubishi and Subaru's market shares were stable (+/-0.1%) at 12.8%, 8.2%, 6.0% and 3.9% respectively. Hyundai increased market share by 1.0% to 7.7%, Nissan by

0.5% to 6.1%, and Volkswagen by 0.5% to 3.7%. Ford's market share declined by 1.1% to 9.2%.

From the date of consolidation (22 October 2010), Adtrans contributed sales revenue of $123.9 million and an operating profit before tax of $1.51 million. The Adtrans result benefitted from continued strong used truck trading performance. It was negatively impacted by the loss of some profitable truck franchises due to global consolidation in 2009 following the GFC, and unfavourable product cycles in other key brands prior to new product becoming available in 2011/12. The Adelaide used car market also experienced more difficult trading conditions.

Due to the limited period of full ownership, Adtrans is excluded from the following results commentary.

Sales revenue from operations was $1.68 billion for 2010, an increase of 1.4% on 2009 ($1.66 billion).

The company's new car sales decreased slightly by 1.2% to 31,913 units (2009: 32,312 units) compared to a 10.5% increase in national new car sales volumes. Regional market, buyer type and brand mix contributed to the below market volume growth. New car profit margins reduced as higher floor plan interest costs due to higher inventory levels and interest rates were only partially offset by improved finance and insurance commission income.

Used car sales decreased by 17% to 14,335 units (2009: 17,279) units. However, all of this decrease is attributed to reduced auction house activity. Excluding the low margin auction business, margins per used unit were stable with some weakness in used car values arising from greater new vehicle supply and price competitiveness being offset by improved finance and insurance commission income.

Parts sales declined by 1.5% and overall margins were stable despite a greater emphasis on second hand and non-genuine parts by some insurers, particularly in the Queensland market.

Service sales expanded by 3.7%. However, profit margin growth was eroded by continued pressure on mechanical trades labour costs.

Adtrans is included in the following results commentary.

The company's 20.9% interest in MTQ Insurance provided an equity accounted profit after tax and unrealised mark to market gains on investments of $0.8 million in 2010 (2009: $1.7 million gain).

The Adtrans acquisition included $27.6 million of freehold property assets bringing the total value of the company's property portfolio to $320.7 million (after revaluation). Of this total portfolio, $20.3 million of property assets are classified as Assets Held for Sale.

Total gearing (Debt /Debt + Equity), including bailment inventory financing, increased to 53.2% in 2010, as compared to 46.4% in 2009. Bailment finance is cost effective short term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment and including cash on hand was 32.0% compared to 22.6% in 2009.

Borrowing costs of $21.1 million for 2010 (2009: $21.2 million) reflect lower debt levels and interest cost early in the year offset by higher debt levels late in the year.

In accordance with the company's on-market share buy-back plan announced on 23 March 2009, 394,311 shares at an average cost of $12.61 per share were acquired in 2010.

Earnings per share decreased by 13.4% to 105.3 cents per share in 2010 compared to 121.6 cents per share in 2009. Net tangible assets decreased to $7.76 per share as at 31 December 2010, compared to $8.81 per share as at 31 December 2009, as a result of the acquisition of Adtrans.

Likely Developments

The new car market in 2011 is expected to again exceed the 1.0 million unit national sales level. Low unemployment and continued economic recovery should mostly mitigate the negative impact of higher interest rates, cost of living pressures and increased taxes.

The commercial car and truck market segment may provide a greater contribution as the effects of the GFC on the commercial transport sector start to wane and previously deferred vehicle replacements enter the market. Improved construction activity in response to natural disaster recovery and replacement of damaged vehicles may also contribute to vehicle demand.

The key focus for the company in 2011 will be the transition and integration of the substantial Adtrans business into the group, supplemented by incremental complementary acquisitions. Since the inclusion of Adtrans in the group, a Western Star/Man dealership in Western Sydney has been added to the Adtrans truck business and further opportunities for incremental growth are being progressed.

On 2 March 2011, the company also acquired the Adelaide-based Eblen Motors business which represents Subaru, Suzuki and Isuzu Ute.

The January 2011 floods in Queensland caused some disruption to dealership operations in south-east Queensland and some damage to parts stock and facilities in Newstead. The actions of staff prevented any significant loss of vehicle stock. The property damage and cleanup were covered by insurance, as are some elements of the business interruption. The net financial cost is not expected to be material for the 2011 full year results.

Finally, the company has entered into an agreement to sell the Audi business located in Brookvale, NSW, in order to assist with a consolidation of Audi representation in the Sydney market.

Dividends

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

Year ended 31 December	**2010**	**2009**
	$'000	**$'000**
Final ordinary dividend for the year ended 31 December 2009 of 40 cents (2008: 22 cents) per share paid on 9 April 2010	11,934	6,619
Interim ordinary dividend of 23 cents (2009: 22 cents) per share paid on 30 September 2010	6,862	6,593
	18,796	13,212

The Directors have also declared the payment of a final fully franked ordinary dividend of 41 cents per share to be paid on 12 April 2011 to shareholders registered on 28 March 2011. The company's dividend reinvestment plan (DRP) will not apply to the final dividend.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

The Directors are not aware of any matter or circumstance not dealt with in this report or the consolidated financial report that has arisen since 31 December 2010 and has significantly affected or may significantly affect the group's operations, the results of those operations or the state of affairs of the group in future financial years.

Environmental Regulation

The group's property development and service centre operations are subject to various environmental regulations governed by relevant legislation.

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

The group holds environmental licences for various service centres. Management works with regulatory authorities, where appropriate, to assist compliance with regulatory requirements. There were no material adverse environmental issues during the year to the Directors' knowledge.

Remuneration Report

1. Principles Used to Determine Remuneration

The board as a whole is responsible for recommending and reviewing remuneration arrangements for non-executive Directors, whilst the board (excluding the Chief Executive Officer) reviews the performance of the Chief Executive Officer on a continual basis and ensures the reward framework is appropriate. Likewise, the Chief Executive Officer in consultation with the Chairman reviews the performance of the group's senior executives on an ongoing basis and ensures the appropriateness of their reward framework.

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

The remuneration framework for 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:

	2010	2009	2008	2007	2006
NPAT ($'000)	31,637	36,588	14,541[(1)]	28,612	25,787[(2)]
Earnings per share (c)	105.3	121.6	49.2[(1)]	102.2	65.5 [(3)]
Dividends per share (c)	64	62	44.0	58.0	43.0
Share Price at year end ($)	12.50	12.00	6.10	15.95	10.00

(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) 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.

2. Non-executive Directors' Remuneration Framework

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

In 2010, non-executive Director's fees were $60,000 per annum (or $75,000 per annum for Directors first appointed after 1 January 2006 as they are not eligible to participate in the shareholder approved Retirement Allowance Program) and the Chairman's fee was $95,000 per annum.

The board periodically reviews non-executive Directors' fees taking into account relevant market conditions and any expectations on whether they will receive an allowance on their retirement from office.

Under the shareholder approved Retirement Allowance Program, a retiring non-executive Director who was appointed before 1 January 2006 and has served for not less than five years may receive a retiring allowance which cannot exceed the total fees paid to the Director during the three years immediately preceding retirement, resignation or death. The Chairman was paid his entitlement under the Retirement Allowance Program upon his retirement by rotation at the 2010 annual general meeting and is no longer eligible to participate in the program. He was reappointed as a Director at the annual general meeting.

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.

3. Executives' Remuneration Framework

a) Base Pay

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

b) Benefits

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

c) Short-term Performance Incentives

(i) Incentive Pool / Bonus

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

(ii) Commission Structure

With the exception of the 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.

d) Long-term Performance Incentives

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

(i) Share Incentive Plan (SIP)

The SIP was established in July 2005 and expired in June 2010. It provided 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 was intended as both a long-term and short-term incentive.

The performance targets under the SIP were based on the company's Total Shareholder Return (TSR) as compared to the TSR achieved by a peer group comprised of 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:

- 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.

- 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 the SIP's implementation. There was only one other local listed motor vehicle retailer at that time.

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

To the extent performance hurdles were met, 100,000 performance rights vested each year in favour of the Chief Executive Officer and 10,000 vested each year in favour of the General Manager Queensland and Northern Territory. Upon vesting, the rights were automatically exercised and shares allocated subject to a holding lock restricting disposal for up to 10 years.

The company's TSR needed to 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 vested; at the 75th percentile or above, 100% of the rights vested; and there was straight line vesting between 50% and 100% where TSR performance was between the 51st and 75th percentile.

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

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

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

If after the second re-test, a tranche of rights was still not 100% vested, the remaining unvested portion would have lapsed.

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 have been commanded for comparable positions and that their "at risk" earnings were demonstrably linked to the creation of shareholder value. Accordingly, it was considered appropriate that re-testing for vesting purposes be permitted to allow for market reaction to longer term strategic initiatives.

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

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	100% vested in 2010 after 1st re-test
5	1 July 2005	100,000	30 June 2010	1 July 2012	$4.25	100% vested in 2010 without re-testing

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	100% vested in 2010 after 1st re-test
3	1 July 2007	10,000	30 June 2010	1 July 2012	$9.99	100% vested in 2010 without re-testing

As described above, the SIP has now expired and all tranches of performance rights have vested through the achievement of the performance hurdles prior to end June 2010.

(ii) Executive Incentive Plan (EIP)

The EIP was approved by shareholders at the annual general meeting in 2010. It was established as a replacement scheme for the SIP which expired in June 2010. The Chief Executive Officer and General Manager Queensland and Northern Territory's potential entitlements under the EIP for 2010 were reduced by 50% because they continued to benefit from the SIP for the first half of 2010.

The EIP is intended as both a long-term and short-term incentive. Participants are encouraged to improve the company's performance and its return to shareholders as they will share in the company's growth and be rewarded for the achievement of pre-determined group performance hurdles

Participants in the EIP receive performance rights and options.

A performance right is a right to be given a fully paid ordinary share in the company at a nil exercise price upon the achievement of specific vesting conditions.

An option is a right to be given a fully paid ordinary share in the company upon payment of an exercise price but only after specific vesting conditions are achieved. In general, the exercise price is the closing market share price on or about the date on which the company and the participant agree in principle to the arrangement.

The performance rights and options vest in tranches subject to the fulfilment of the vesting conditions.

Each tranche of options is further divided into sub-tranches for testing against the vesting conditions. Each sub-tranche is tested separately and may vest independently of the other sub-tranches.

By invitation, senior executives may elect to sacrifice their estimated incentive/commission payments into the EIP in return for performance rights and options which are subject to vesting conditions measured over a three year period.

Vesting conditions

In order for the performance rights and options to vest, performance hurdles must be met for the relevant performance period. In summary, vesting of each tranche of performance rights and each sub-tranche of options is subject to the following performance hurdles:

a) the company meeting the applicable Earnings Per Share (EPS) hurdles (as described below);

b) the company meeting a specified interest cover ratio; and

c) the participant continuing to be a permanent employee of the group. (However, where a participant has sacrificed payments into the EIP, cessation of employment during the performance period would result in a prorated proportion of the performance rights and options remaining on issue to be tested at the end of the performance period but without the ability for any further re-testing).

All of the performance hurdles must be met for the relevant tranche or sub-tranche to vest. The board does, however, retain discretion to waive hurdles in exceptional circumstances where it is believed to be in the company's best interests to do so.

EPS Hurdles

A separate EPS performance hurdle has been set for each tranche of performance rights and each sub-tranche of options.

For a tranche of performance rights or a sub-tranche of options to satisfy its EPS hurdle, the company's EPS must equal or exceed a pre-determined EPS target for the relevant performance period.

In general, the company must achieve at least 7% compound growth in EPS before any performance rights or options will vest, with at least 10% compound growth required for all performance rights and options to vest.

As these "at risk" earnings are demonstrably linked to the creation of shareholder value, it is considered that if an EPS performance hurdle is not achieved during the initial 12 month performance period, re-testing would be appropriate to allow for market reaction to the company's longer term strategic initiatives.

If the EPS hurdle is not achieved during the initial 12 month performance period, re-testing will take place 12 months later over a 24 month period. If the EPS hurdle is not achieved on the re-test, it may be re-tested a second time a further 12 months later over a 36 month period.

There will not be more than two re-tests. The performance rights or options will immediately lapse if the relevant EPS hurdle has not been satisfied after the second re-test.

Grants to Key Management Personnel

The following tables show relevant details of performance rights and options granted to key management personnel under the EIP.

Chief Executive Officer

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	28 May 2010	7,378	83,333	31 Dec 2010	$12.00	$4.04	Vested without re-testing
2	28 May 2010	16,488	163,043	31 Dec 2011	$11.43	$4.06	Unvested
3	28 May 2010	17,800	162,162	31 Dec 2012	$10.88	$4.05	Unvested
4	28 May 2010	18,978	163,043	31 Dec 2013	$10.36	$4.01	Unvested
5	28 May 2010	21,028	159,574	31 Dec 2014	$9.86	$4.03	Unvested

General Manager Queensland and Northern Territory

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	28 August 2009	4,518	20,833	31 Dec 2010	$8.30	$1.80	Vested without re-testing
2	28 August 2009	9,603	40,761	31 Dec 2011	$7.81	$1.84	Unvested
3	28 August 2009	10,190	40,541	31 Dec 2012	$7.36	$1.85	Unvested
4	28 August 2009	10,823	40,761	31 Dec 2013	$6.93	$1.84	Unvested
5	28 August 2009	11,503	39,894	31 Dec 2014	$6.52	$1.88	Unvested

Chief Financial Officer

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	28 August 2009	6,024	27,778	31 Dec 2010	$8.30	$1.80	Vested without re-testing
2	28 August 2009	6,402	27,174	31 Dec 2011	$7.81	$1.84	Unvested
3	28 August 2009	6,793	27,027	31 Dec 2012	$7.36	$1.85	Unvested
4	28 August 2009	7,215	27,174	31 Dec 2013	$6.93	$1.84	Unvested
5	28 August 2009	7,669	26,596	31 Dec 2014	$6.52	$1.88	Unvested

General Counsel & Company Secretary

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	27 January 2010	2,829	12,952	31 Dec 2010	$11.40	$2.49	Vested without re-testing
2	27 January 2010	2,975	12,452	31 Dec 2011	$10.84	$2.59	Unvested
3	27 January 2010	3,131	12,170	31 Dec 2012	$10.30	$2.65	Unvested

Group Human Resources Manager

Tranche No.	Grant Date	No. of performance rights granted	No. of options granted	End of 1st performance period	Fair value of each performance right	Fair value of each option	Status
1	27 January 2010	1,934	8,855	31 Dec 2010	$11.40	$2.49	Vested without re-testing
2	27 January 2010	2,034	8,514	31 Dec 2011	$10.84	$2.59	Unvested
3	27 January 2010	2,141	8,321	31 Dec 2012	$10.30	$2.65	Unvested

Further details of the performance rights and options granted under the EIP are specified in note 33 to the consolidated financial report.

No performance rights or options of key management personnel were forfeited during or subsequent to the 2010 financial year.

4. Hedging

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

5. Executive Employment Agreements

Executives who are key management personnel are employed under common employment agreements. The agreements do not have a finite term, can be terminated by either 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.

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

a) The company may terminate the Chief Executive Officer's employment if he is unable to satisfactorily perform his duties due to illness, injury or accident for a period of six months or for cause. Termination for any other reason would entitle the Chief Executive Officer to a termination benefit equivalent to two times annual remuneration current at the time of termination.

b) The Chief Executive Officer may terminate his employment agreement on six months notice unless otherwise agreed with the company.

6. Details of Remuneration

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

		Short Term benefits		Post employment benefits			Share Based Payments	Total	Performance Related percentage
2010	Salary & fees	Bonus & commissions	Non monetary and other benefits (3)	Superannuation benefits	Directors Retiring Allowance accrual (1)	Retirement Benefits	Performance Rights & Options (2)		
	$	$	$	$	$	$	$	$	%
Directors									
B W Macdonald *Chairman*	95,000	-	992	-	-	246,250	-	342,242	-
M A Ward *Managing Director*	760,185	-	94,349	14,830	-	-	1,007,813	1,877,177	53
A J Love *Non-executive Director*	60,000	-	992	5,400	15,000	-	-	81,392	-
N G Politis *Non-executive Director*	60,000	-	992	5,400	15,000	-	-	81,392	-
P W Henley *Non-executive Director*	75,000	-	992	6,750	-	-	-	82,742	-
D T Ryan *Non-executive Director*	75,000	-	992	6,750	-	-	-	82,742	-
G D Bignell (4) *Executive Director*	-	-	-	-	-	-	-	-	-
T B I Crommelin (4) *Non-executive Director*	-	-	-	-	-	-	-	-	-
	1,125,185	-	99,309	39,130	$30,000	246,250	1,007,813	2,547,687	
Executives (5)									
K T Thornton *General Manager Qld & NT*	150,000	249,923	53,991	15,199	-	-	204,194	673,307	67
M Raywood *Group HR Manager*	117,782	-	27,694	45,626	-	-	65,062	256,164	25
S G Best *Chief Financial Officer*	220,000	66,000	26,534	19,800	-	-	159,983	492,317	46
D G Stark *General Counsel & Company Secretary*	212,500	30,000	28,485	19,125	-	-	95,158	385,268	32
	700,282	345,923	136,704	99,750	-	-	524,397	1,807,056	

(1) Accrued but not paid until retirement.

(2) Performance rights granted under the SIP are valued using a Monte Carlo simulation which can be viewed as an extension of the Black-Scholes valuation framework. Performance rights and options granted under the EIP are valued using a binomial tree methodology. A pre-determined value of the portion of the rights and options attributable to the year ended 31 December 2010 has been expensed in the income statement in conformity with AASB 2 and reflected in each recipient's remuneration. In 2010, 200,000 shares were issued under the SIP to Mr Ward and 20,000 to Mr Thornton. Prior to 2010, 300,000 shares had been issued under the SIP to Mr Ward and 10,000 to Mr Thornton. In 2010, no performance rights or options vested under the EIP. The actual issue of shares under the SIP and the vesting of rights and options under the EIP are subject to the achievement of performance hurdles as previously detailed in this Remuneration Report.

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

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

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

2009	Salary & fees	Short Term benefits: Bonus & commissions	Non monetary and other benefits [3]	Post employment benefits: Superannuation benefits	Directors Retiring Allowance accrual [1]	Termination Benefits	Share Based Payments: Performance Rights [2]	Total	Performance Related percentage
	$	$	$	$	$	$	$	$	%
Directors									
B W Macdonald *Chairman*	80,000	-	887	-	-	-	-	80,887	-
M A Ward *Managing Director*	471,686	200,000	64,626	28,313	-	-	169,930	934,555	40
A J Love *Non-executive Director*	45,000	-	887	4,050	-	-	-	49,937	-
N G Politis *Non-executive Director*	45,000	-	887	4,050	-	-	-	49,937	-
P W Henley *Non-executive Director*	60,000	-	887	5,400	-	-	-	66,287	-
D T Ryan *Non-executive Director*	-	-	-	-	-	-	-	-	-
	701,686	200,000	68,174	41,813	-	-	169,930	1,181,603	
Executives [5]									
K T Thornton *General Manager Qld & NT*	150,000	407,418	105,693 [4]	15,230	-	-	112,696	791,037	66
M Raywood *Group HR Manager*	81,038	50,950	28,557	72,526	-	-	-	233,071	22
S G Best *Chief Financial Officer*	220,000	115,000	28,093	19,800	-	-	41,042	423,935	37
D G Stark *General Counsel & Company Secretary*	200,000	70,000	31,431	18,000	-	-	-	319,431	22
	651,038	643,368	193,774	125,556	-	-	153,738	1,767,474	

(1) Accrued but not paid until retirement.

(2) Performance rights granted under the SIP are valued using a Monte Carlo simulation which can be viewed as an extension of the Black-Scholes valuation framework. Performance rights and options granted under the EIP are valued using a binomial tree methodology. A pre-determined value of the portion of the rights and options attributable to the year ended 31 December 2009 has been expensed in the income statement in conformity with AASB 2 and reflected in each recipient's remuneration. However, at the date of this report, only 310,000 shares had been issued under the SIP (200,000 in 2007 and 100,000 in 2008 to Mr Ward and 10,000 in 2008 to Mr Thornton) and no shares had been issued under the EIP. The actual issue of shares under the plans is subject to the achievement of the performance hurdles previously detailed in this Remuneration Report.

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

(4) Includes a $67,351 provision for accrued long service leave.

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

Directors' Interests

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

	Ordinary Shares	Share Options (Executive Incentive Plan)	Performance Rights (Executive Incentive Plan)
B W Macdonald	84,375	-	-
A J Love	43,626	-	-
N G Politis	11,888,983	-	-
M A Ward	537,318	731,155[(1)]	74,294[(1)]
P W Henley	15,663	-	-

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

Shares Under Option

Details of options granted over unissued shares during or since the end of the year under review are included in notes 33 and 34 to the consolidated financial report and in the Remuneration Report.

Indemnification and Insurance

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

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

Auditor

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

Non-Audit Services

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

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

Details of the amounts paid or payable to the auditor for audit and non-audit services provided to the group during the year are set out in note 31 to the consolidated financial report.

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

Rounding of Amounts to Nearest Thousand Dollars

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

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

Martin A Ward
Director

Adelaide, 30 March 2011

Deloitte.

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

30 March 2011

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 2010, 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

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of A.P. Eagers Limited, which comprises the statement of financial position as at 31 December 2010, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 200*, which has been given to the directors of A.P. Eagers Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

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

(b) the financial statements also comply 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 8 to 16 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of A.P. Eagers Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
30 March 2011

A. P. EAGERS LIMITED

ABN 87 009 680 013

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

A.P. EAGERS LIMITED

DIRECTORS' DECLARATION

The directors declare that :

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

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

(c) In the director's opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standars issued by the International Accounting Standards Board; and

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

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

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in Note 29(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

30 March 2011

A.P. EAGERS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED 2010 $'000	2009 $'000
Revenue	3	1,810,760	1,663,015
Other gains and losses excluding impairment reversal	4	406	549
Reversal of impairment of non-current assets	13	1,453	5,817
Share of net profits of associates	39(d)	2,234	4,084
Changes in inventories of finished goods and work in progress		106,849	10,276
Raw materials and consumables used		(1,620,806)	(1,396,991)
Employee benefits expense		(138,666)	(124,877)
Finance costs	5(a)	(21,131)	(21,151)
Depreciation and amortisation expense	5(a)	(9,254)	(9,593)
Impairment of non-current assets	5(b)	(1,450)	(3,424)
Other expenses		(85,097)	(75,235)
Profit before tax		45,298	52,470
Income tax expense	6	(13,661)	(15,882)
Profit for the year		31,637	36,588
Attributable to:			
Owners of the parent	26(b)	31,565	36,575
Non-controlling interests		72	13
		31,637	36,588
		Cents	Cents
Earnings per share:			
Basic earnings per share	36	105.3	121.6
Diluted earnings per share	36	103.8	120.6

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

A.P. EAGERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

		CONSOLIDATED	
	Note	**2010**	**2009**
		$'000	**$'000**
Profit for the year		31,637	36,588
Other comprehensive income			
Gain on cash flow hedge taken to equity		99	3,295
Loss on revaluation of property	26(a)	(4,911)	(4,925)
Income tax relating to components of other comprehensive income	6	1,443	95
Other comprehensive income for the year(net of tax)		(3,369)	(1,535)
Total comprehensive income for the year		28,268	35,053
Total comprehensive income attributable to:			
Owners of the parent		28,196	35,040
Non-controlling interests		72	13
		28,268	35,053

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

A.P. EAGERS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	CONSOLIDATED 2010 $'000	2009 $'000
Current Assets			
Cash and cash equivalents	8	154	18,898
Trade and other receivables	9(a)	88,627	58,296
Leasebook receivables	9(b)	4,352	6,132
Property sale receivables	9(c)	-	5,500
Inventories	10	323,932	217,083
Other	11	2,841	2,492
		419,906	308,401
Property Assets held for sale	11(a)	20,250	17,458
Total Current Assets		440,156	325,859
Non-Current Assets			
Leasebook receivables	12(a)	4,868	10,383
Other loan receivable	12(b)	232	242
Investments accounted for using the equity method	13	2,703	26,899
Derivative financial instruments	14	258	160
Property, plant and equipment	15	335,611	305,645
Intangible assets	16	116,195	67,507
Total Non-Current Assets		459,867	410,836
Total Assets		900,023	736,695
Current Liabilities			
Trade and other payables	17	78,068	57,144
Borrowings - bailment, bank overdraft and finance lease payable	18(a)	243,645	170,938
Borrowings - leasebook liabilities	18(b)	4,286	5,617
Current tax liabilities	19	8,138	12,414
Provisions	20	13,834	9,239
Total Current Liabilities		347,971	255,352
Non-Current Liabilities			
Borrowings - leasebook liabilities	21(a)	4,289	9,676
Borrowings - others	21(b)	166,275	115,177
Deferred tax liabilities	22	15,990	21,722
Provisions	23	5,281	4,129
Total Non-Current Liabilities		191,835	150,704
Total Liabilities		539,806	406,056
Net Assets		360,217	330,639
Equity			
Contributed equity	25(a)	163,340	145,502
Reserves	26(a)	71,142	75,208
Retained earnings	26(b)	125,334	109,884
Equity attributable to equity holders of the parent		359,816	330,594
Non controlling Interest		401	45
Total Equity		360,217	330,639

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

A.P. EAGERS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Issued capital	Non Controlling Interest	Asset revaluation reserve	Capital reserve	Hedging reserve	Share-based payments reserve	Retained earnings	Total
CONSOLIDATED	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2010								
Balance at 1 January 2010	145,502	45	74,459	0	112	637	109,884	330,639
Profit for the year	-	72	-	-	-	-	31,565	31,637
Loss on revaluation of property	-	-	(4,911)	-	-	-		(4,911)
Gain on cash flow hedge	-	-	-	-	99	-	-	99
Income tax relating to components of other comprehensive income	-	-	1,473	-	(30)	-	-	1,443
Total comprehensive income for the year	-	72	(3,438)	-	69	-	31,565	28,268
Share based payments	-	-	-	-	-	2,528	-	2,528
Acquisition during the year	-	309	-	-	-		-	309
Transfer to retained earnings	-		(2,681)		-	-	2,681	-
Issue of shares to staff	544	-	-	-	-	(544)	-	-
Issue of shares to former shareholders of Adtrans Group	22,268	-	-	-	-	-	-	22,268
Share buy-back scheme	(4,974)	-	-	-	-	-	-	(4,974)
Payment of dividend	-	(25)	-	-	-	-	(18,796)	(18,821)
Balance 31 December 2010	163,340	401	68,340	-	181	2,621	125,334	360,217
2009								
Balance at 1 January 2009	148,135	-	87,363	21,158	(2,194)	345	56,300	311,107
Profit for the year	-	13	-	-	-	-	36,575	36,588
Loss on revaluation of property	-	-	(4,925)	-	-	-		(4,925)
Gain on cash flow hedge	-	-	-	-	3,295	-	-	3,295
Income tax relating to components of other comprehensive income	-	-	1,084	-	(989)	-	-	95
Total comprehensive income for the year	-	13	(3,841)	-	2,306	-	36,575	35,053
Share based payments	-	-	-	-	-	605	-	605
Issue of shares to non controlling entity	-	32	-	-	-		-	32
Transfer to retained earnings	-		(9,063)	(21,158)	-	-	30,221	-
Issue of shares to staff	313	-	-	-	-	(313)	-	-
Dividend reinvestment plan	1,074	-	-	-	-	-	-	1,074
Share buy-back scheme	(4,020)	-	-	-	-	-	-	(4,020)
Payment of dividend	-	-	-	-	-	-	(13,212)	(13,212)
Balance 31 December 2009	145,502	45	74,459	-	112	637	109,884	330,639

A.P. EAGERS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	CONSOLIDATED 2010	2009
		$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,984,353	1,828,762
Payments to suppliers and employees (inclusive of GST)		(1,917,138)	(1,738,671)
Receipt from insurance claim		443	-
Dividends received		2,284	1,174
Interest received		688	281
Interest and other costs of finance paid		(20,630)	(20,978)
Income taxes paid		(18,876)	(5,371)
Net cash provided by operating activities	37	31,124	65,197
Cash flows from investing activities			
Payments for shares in associated entity		(2,515)	(534)
Payment for acquisition of subsidiaries and businesses (including payment for land and buildings occupied by subsidiaries acquired)	28(a)	(41,095)	-
Payment for acquisition of brand name		-	(3)
Payments for property, plant and equipment		(14,937)	(8,858)
Proceeds from sale of property, plant and equipment		13,612	20,611
Proceeds from sale of business		-	362
Net cash provided by (used in) investing activities		(44,935)	11,578
Cash flows from financing activities			
Buy-back of shares		(4,974)	(4,020)
Proceeds from borrowings		32,000	65,000
Repayment of borrowings		(7,003)	(105,558)
Dividends paid to former Adtrans shareholders		(9,079)	-
Dividends paid to minority shareholders of a subsidiary		(25)	-
Dividends paid to members of A. P. Eagers Limited	7	(18,796)	(12,138)
Net cash used in financing activities		(7,877)	(56,716)
Net increase (decrease) in cash and cash equivalents		(21,688)	20,059
Cash and cash equivalents at the beginning of the financial year		18,898	(1,161)
Cash and cash equivalents at the end of the financial year	8	(2,790)	18,898

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Information and basis of preparation

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

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

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

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

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

The financial statements were authorised for issue by the directors on 30 March 2011

Accounting Policies

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

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of A.P. Eagers Limited (the 'company' or 'parent entity') as at 31 December 2010 and the results of all subsidiaries for the year then ended. A.P. Eagers Limited and its subsidiaries together are referred to in this financial report as the 'Group' or the 'consolidated entity'.

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Operating Segments

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

(d) Revenue

(i) Sales revenue

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

(ii) Service revenue

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

(iii) Rental income

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

(iv) Interest revenue

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

(v) Dividend revenue

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

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

(vi) Goods and Services Tax (GST)

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

(e) Finance costs

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

(f) Taxes

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxes (continued)

(ii) Goods and services tax ("GST")
Revenues, expenses and assets are recognised net of the amount of GST except:
- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

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

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to 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. Acquisition related costs are recognised in profit or loss as incurred. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any 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 statement of financial position.

(k) Receivables

Leasebook receivables

A receivable is recognised for this class of debtor when the loan documentation is signed. The carrying amount of the debt is net of unearned income. Income from lease and mortgage loan contracts is brought to account in accordance with 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 associates are accounted for under the equity method in the consolidated financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets (continued)

(i) Available for sale financial assets
Available-for-sale financial assets are initially measured at cost at date of acquisition, which include transaction costs, and subsequent to initial recognition, they are carried at fair value.
Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in 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 date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position (notes 9 and 12)
Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

(n) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is determined based on market expectations of future interest rates.

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

(o) Derivatives

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Refer further details in Note 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 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 - 30 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in 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 16(a))

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Trade and other payables

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

(u) Borrowings

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

(v) New motor vehicle stock and related bailment

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

(w) Provisions

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

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

(x) Employee benefits

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

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

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

(iv) Share based payments
The Group provides benefits to selected employees in the form of a 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 34 for details of the calculation). In valuing the instruments, no account has been taken of the non-market performance conditions, these are assessed at each reporting date to determine the number of performance rights expected to vest, and the necessary adjustments made. The fair value of the share based payment is recognised over the relevant vesting period as an expense, with a corresponding increase in equity via a share based payment reserve.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Dividends

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

(z) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:
- Costs of servicing equity (other than dividends)
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element

(aa) Non-Current assets held for sale

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(ab) Rounding of Amounts

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

(ac) Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 *Financial Instruments* , AASB 2009-11 and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*	1-Jan-13	31-Dec-13
AASB 124 *Related Party Disclosures (2009)* , AASB 2009-12 *Amendments to Australian Accounting Standards*	1-Jan-11	31-Dec-11
AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*	1-Feb-10	31-Dec-11
AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*	1-Jan-11	31-Dec-11
AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1-Jul-10	31-Dec-11
AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1-Jan-11	31-Dec-11
AASB 2010-5 *Amendments to Australian Accounting Standards*	1-Jan-11	31-Dec-11
AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*	1-Jul-11	31-Dec-12
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	1-Jan-13	31-Dec-13
AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets*	1-Jan-12	31-Dec-12
AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1-Jul-10	31-Dec-11

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 $116,195,000 (2009: $67,507,000) 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 16(a).

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

Land and buildings with a carrying value of $320,657,000 (2009: $301,617,000) are carried at fair value. This fair value is determined by the directors and is supported by formal independent valuations conducted periodically but at least every three years.

(iii) Provisions for warranties

A provision for warranties of $2,841,000 (2009: $2,668,000) 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) Estimation of make good provisions

An amount of $1,767,000 (2009: $1,767,000) has been estimated in respect of a leased property for any expenditure required to be incurred to restore the property back to its original state. The lease has approximately 18 years to run at balance date, with a bank guarantee being given for the $1,767,000 recognised. In terms of the lease, this amount will be indexed and will increase in the future, therefore it is the maximum estimate of what would be payable today.

3. REVENUE

	CONSOLIDATED	
	2010	2009
	$'000	$'000
Sales revenue		
New cars	1,122,461	1,037,879
Used cars	349,849	307,694
Parts	223,319	209,734
Service	104,895	97,782
Other	1,424	2,587
	1,801,948	1,655,676
Other revenue		
Rents	340	460
Interest	615	355
Proceeds of insurance claim	443	-
Commissions	4,976	5,880
Other	2,438	644
	8,812	7,339
Total revenue	1,810,760	1,663,015

4. OTHER GAINS AND LOSSES

Gain on disposal of other assets	406	549

5. EXPENSES

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

Depreciation		
Buildings	3,346	3,339
Plant and equipment	4,968	5,318
Total depreciation	8,314	8,657
Amortisation		
Leasehold improvements	940	936
Total Depreciation and Amortisation (Note 15)	9,254	9,593
Finance costs		
New vehicle bailment	10,763	6,225
Other	10,368	14,926
Total finance expense	21,131	21,151
Rental expense relating to operating leases		
Minimum lease payments	10,596	9,024
Contributions to superannuation funds	11,567	10,596
Provision expenses		
Inventory	439	784
Warranties	2,735	1,446
Bad debts	541	753
	3,715	2,983
Share-based payments	2,167	605

(b) Impairment of non-current assets

Impairment of intangibles (note 16)	215	-
Impairment of land & buildings (note 15)	1,235	3,424
	1,450	3,424
Business acquisition costs	1,478	-

	CONSOLIDATED	
	2010	2009
	$'000	$'000
6. INCOME TAX		
(a) Income tax expense(benefit)		
Current income tax expense	14,939	19,049
Deferred income tax expense/(benefit) (note 22)	(1,278)	(3,167)
	13,661	15,882
Deferred income tax expense/(benefits) included in income tax expense comprises:		
Increase (decrease) in deferred tax liabilities	(1,278)	(3,167)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	45,298	52,470
Income tax calculated at 30% (2009 - 30%)	13,589	15,741
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	191	176
Non-taxable dividends	(205)	(352)
Conversion of associate to subsidiary	(558)	-
Non allowable expenses	454	232
Non allowable impairment expense	65	-
Sundry items	125	85
Income tax expense (benefit)	13,661	15,882
(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 22)	(1,443)	(95)

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

Ordinary dividends fully franked based on tax paid @ 30%		
Final dividend for the year ended 31 December 2009 of 40 cents per share (2008 -22 cents) paid on 9 April 2010	11,934	6,619
Interim dividend of 23 cents (2009 - 22 cents) per share paid on 30 September 2010	6,862	6,593
	18,796	13,212
Total dividends paid		
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2010 and 31 December 2009 were as follows:		
Paid in cash	18,796	12,138
Satisfied by issue of shares	-	1,074
	18,796	13,212
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 41 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 12 April 2011 out of the retained profits at 31 December 2010, but not recognised as a liability at year end, is:	12,891	11,939

7. DIVIDENDS (continued)

Franked dividends

The final dividend recommended after 31 December 2010 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 2011.

	CONSOLIDATED	
	2010	2009
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	86,000	52,000

The above amounts represent the balances of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of the dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Impact on franking credits of dividends not recognised	5,525	(5,120)

8. CURRENT ASSETS - Cash and cash equivalents

Cash at bank and on hand	100	6,898
Short Term Deposits	54	12,000
	154	18,898
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flow as follows:		
Balances as above	154	18,898
Less: Bank overdrafts (note 18)	(2,944)	-
Balance per statement of cash flows	(2,790)	18,898

9 CURRENT ASSETS - Receivables

(a) Trade and other receivables (i)	90,804	59,736
Less: Provision for doubtful receivables (ii)	2,177	1,440
	88,627	58,296
(b) Leasebook receivables	4,583	6,222
Less: Provision for doubtful receivables (ii)	231	90
	4,352	6,132
(c) Property sale receivables	-	5,500

(i)The ageing of lease, property and trade receivables at 31 December 2010 is detailed below:

	CONSOLIDATED			
	2010		2009	
	Gross	Provision	Gross	Provision
	$000	$000	$000	$000
Not past due	88,906	-	66,424	-
Past due 0 -30 days	2,946	-	3,371	-
Past due 31 plus days	3,535	2,408	1,663	1,530
Total	95,387	2,408	71,458	1,530

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

Included in the Group's lease and trade receivable balance are debtors with a carrying amount of $4,073,000 (2009: $3,504,000) 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 61 days (2009:62 days)

9. CURRENT ASSETS - Receivables (continued)

(ii) Movement in provision for doubtful receivables

	CONSOLIDATED	
	2010	**2009**
	$000	$000
Opening Balance	1,530	1,280
Additional provisions	541	753
Addition due to acquisitions	606	-
Amounts written off during the year	(269)	(503)
Closing Balance	2,408	1,530

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	
	2010	**2009**
	$'000	**$'000**
10. CURRENT ASSETS - Inventories		
New motor vehicles & trucks - Bailment stock - at cost	222,219	154,928
Less: Write-down to net realisable value	3,621	3,081
	218,598	151,847
Used vehicles & trucks - at cost	65,502	37,995
Less: Write-down to net realisable value	3,708	2,660
	61,794	35,335
Parts and other consumables - at cost	45,503	31,627
Less: Write-down to net realisable value	1,963	1,726
	43,540	29,901
Total Inventories	323,932	217,083
11. CURRENT ASSETS - Other current assets		
Prepayments and deposits	2,841	2,492
11(a) CURRENT ASSETS - Property assets classified as held for sale		
Land & Buildings held for sale	20,250	17,458

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

12. NON-CURRENT ASSETS - Receivables

(a) Leasebook receivables	4,868	10,383
(b) Loans receivables	232	242

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

Shares in an associate - Adtrans Group Limited	-	24,301
Shares in an associate - M T Q Insurance Limited	2,703	2,598
	2,703	26,899

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer note 39).
On 22 October 2010 the Group acquired the balance of issued capital of Adtrans Group Limited and from that date, Adtrans Group Limited ceased to be an associate and became a wholly owned subsidiary of A.P. Eagers Limited.
In the current year the Group recognised a reversal of a prior year impairment of $1,453,000 (2009 reversal: $5,817,000) in respect of Adtrans Group Limited.
Reconciliation of the carrying amount of investment in associates is set out in note 39(b).

14. NON-CURRENT ASSETS - Derivative financial instruments

Interest rate swap contracts - cash flow hedges (i)	258	160

(i) This is classified as a level 2 fair value measurement, being derived from inputs other than quoted prices that are observable for the asset either directly (i.e. as prices) or indirectly (i.e. derived from prices). Refer further details relating to the derivative instruments per note 27.

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 27).

Bailment finance of the Group currently bears an average variable interest rate of 6.22% (2009 - 5.75%). It is policy to protect part of this finance exposure against increasing interest rates. Accordingly, the Group enters into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The swaps contracts in place cover approximately 35% (2009: 23%) of the bailment finance outstanding at the year end. The fixed interest rates ranged from 2.94% to 5.12% and average 4.98% (2009: 7.17%) and the variable rates were between 3.71% and 4.84% (2009: 4.8% and 7.5%). The contracts require settlement of net interest receivable or payable each 30 days.

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

At balance date, a gain from remeasuring the hedging instruments at fair value of $258,000 (2009: $160,000) has been recognised in equity in the hedging reserve (note 26(a)). No portion was ineffective.

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

	CONSOLIDATED	
	2010	2009
	$'000	$'000
Freehold Land and buildings - at fair value		
Directors' valuation at 31 December 2009		
Land	-	179,925
Buildings	-	104,121
Construction in progress	-	113
Directors' valuation at 31 December 2010		
Land	187,001	-
Buildings	109,932	-
Construction in progress	3,474	-
Total land and buildings	300,407	284,159
Leasehold improvements		
At cost	22,853	9,587
Less: Accumulated amortisation	7,577	2,760
Total leasehold improvements	15,276	6,827
Plant and equipment		
At cost	42,992	34,311
Less: Accumulated depreciation	23,064	19,652
Total plant and equipment	19,928	14,659
Total property, plant and equipment	335,611	305,645

Valuation of land and buildings

The basis of the directors' valuation of land and buildings is the assessed fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction at balance date, based on current prices in an active market for similar properties in the same location and condition. The assessed fair value is supported by periodic, but at least triennial valuations, by external third party valuers. The 2010 valuations were made by the directors based on their assessment of prevailing market conditions and supported by fair value information received from independent expert property valuers on certain properties, and the group's own market activities and market knowledge.

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

If freehold land was carried at historical cost, its current carrying value would be $107,041,000 (2009 : $85,250,000).
If freehold buildings (including construction in progress) was carried at historical cost, its current carrying value (after depreciation) would be $113,406,000 (2009 : $104,234,000).

Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the group.

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

Reconciliations

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

	Freehold land $'000	Freehold buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Consolidated 2010						
Carrying amount at start of year	179,925	104,121	113	6,827	14,659	305,645
Additions	21,727	12,772	1,740	9,389	10,237	55,865
Disposals/Transfers	(2,489)	(6,839)	1,621			(7,707)
Revaluation deficit charged to asset revaluation reserve	(4,911)					(4,911)
Impairment on valuation charged to profit and loss	(1,235)					(1,235)
Depreciation/amortisation expense (Note 5)		(3,346)		(940)	(4,968)	(9,254)
Transfer to Property Assets held for resale	(6,016)	3,224				(2,792)
Carrying amount at end of year	187,001	109,932	3,474	15,276	19,928	335,611
Consolidated 2009						
Carrying amount at start of year	214,001	112,553	6,334	7,601	18,259	358,748
Additions	618	100	5,837	162	1,848	8,565
Disposals/Transfers	(14,995)	915	(12,058)	-	(130)	(26,268)
Revaluation deficit charged to asset revaluation reserve	(4,925)	-	-	-	-	(4,925)
Impairment on valuation charged to profit and loss	(3,424)	-	-	-	-	(3,424)
Depreciation/amortisation expense (Note 5)	-	(3,339)	-	(936)	(5,318)	(9,593)
Transfer to Property Assets held for resale	(11,350)	(6,108)	-	-	-	(17,458)
Carrying amount at end of year	179,925	104,121	113	6,827	14,659	305,645

16. NON-CURRENT ASSETS - Intangibles

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
Goodwill	82,646	33,958
Franchise rights	29,853	29,853
Trade marks/brand names	3,696	3,696
	116,195	67,507
Movement - Goodwill		
Balance at the beginning of the financial year	33,958	34,068
Additional amounts recognised:		
- from business combinations during the year (Note 28(a))	48,903	-
Less: Impairment during the year	(215)	-
Less: Disposal of business	-	(110)
Balance at the end of the financial year	82,646	33,958
Movement - Franchise rights		
Balance at the beginning of the financial year	29,853	29,853
Additional amounts recognised from business combinations during the year	-	-
Less: Impairment during the year	-	-
Balance at the end of the financial year	29,853	29,853
Movement - Trade marks/Brand names		
Balance at the beginning of the financial year	3,696	3,694
Additional amounts recognised from business combinations during the year	-	-
Purchase of brand name during the year	-	2
Balance at the end of the financial year	3,696	3,696

16. NON-CURRENT ASSETS - Intangibles (continued)

(a) Impairment tests for goodwill, franchise rights and trade marks / brand names
Goodwill and other intangible 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	
	2010	2009
	$'000	$'000
Motor Dealership Operations:		
Goodwill	82,646	33,958
Franchise rights	29,853	29,853
Trade marks / brand names	3,696	3,696
	116,195	67,507

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 at balance date. This fair value assessment less costs to sell 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 2011 financial budgets approved by the Board, 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. The directors have applied a sensitivity analysis to the impairment assessment by increasing the discount rate by 1%. This analysis did not impact the goodwill impairment assessment.

(b) Impairment charge
The Directors' assessment in 2010 determined that goodwill and other intangible assets with indefinite useful lives was impaired to the extent of $215,000 (2009 - $Nil) which has been recognised in respect of the above classes of intangible assets.

17. CURRENT LIABILITIES - Payables

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
Trade and other payables		
Trade payables (i)	41,080	37,214
Other payables	36,988	19,930
	78,068	57,144

(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.

18. CURRENT LIABILITIES - Borrowings (secured)

(a) Bailment, bank overdraft and finance lease payable		
Bailment finance	240,354	170,938
Bank overdraft	2,944	-
Finance lease payable	347	-
	243,645	170,938
(b) Leasebook liabilities	4,286	5,617

(i) Bailment finance
Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 6.22% p.a. applicable at 31 December 2010 (2009 - 5.75%)
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 27.
(iii) Fair value disclosures
Details of the Group's fair value of interest bearing liabilities is set out in note 27.
(iv) Security
Details of the security relating to each of the secured liabilities and further information on bank loans is set out in note 21.
(v) The leasebook liabilities are with Toyota Finance Corporation and are secured over the associated leased assets. The loans are under "back to back" lease arrangements with a weighted average interest rate of 7.68% (2009 - 7.52%)

19. CURRENT LIABILITIES - Current tax liabilities

	CONSOLIDATED	
	2010	2009
	$'000	$'000
Income tax	8,138	12,414

20. CURRENT LIABILITIES - Provisions

Employee benefits	10,993	6,571
Warranties	2,841	2,668
	13,834	9,239

Movement in provisions

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

	Warranties
Consolidated - 2010	$'000
Carrying amount at start of year	2,668
Provisions acquired	207
Additional provisions recognised	2,735
Payments charged against provisions	(2,769)
Carrying amount at end of year	2,841

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	
	2010	2009
	$'000	$'000
21. NON-CURRENT LIABILITIES - Borrowings (secured)		
(a) Leasebook liabilities (note 18(v))	4,289	9,676
(b) Borrowings - others		
Bills payable	100,400	50,000
Capital Loan	65,000	65,000
Finance lease payables	875	177
	166,275	115,177
SECURED LIABILITIES		
Total secured liabilities (current and non-current) are:		
Bills payable (i)	100,400	50,000
Capital Loan (i)	65,000	65,000
Bank overdraft (i)	2,944	-
Leasebook liabilities (ii)	8,575	15,293
Finance lease payables (iii)	1,222	177
Bailment finance (iv)	240,354	170,938
Total secured liabilities	418,495	301,408

(i) The bank overdraft, bills payable and Capital loan are secured by registered first mortgages given by subsidiaries over specific freehold land and buildings; letter of set off given by and on account of the parent entity and its subsidiaries, and Corporate Guarantee and Indemnity unlimited as to amount given by the parent entity and its subsidiaries.

(ii) Leasebook liabilities are secured against associated leasebook receivables, and a charge over the assets of a specific subsidiary.

(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.

21. NON-CURRENT LIABILITIES - Borrowings (continued)

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
Non-current assets pledged as security -		
Freehold land and buildings -first mortgage	271,318	257,591
Leasebook receivables	4,868	10,383
Finance leased assets	1,222	177
Current assets pledged as security -		
Inventories	240,354	170,938
Leasebook receivables	4,352	6,132
Total assets pledged as security	522,114	445,221

FINANCING ARRANGEMENTS

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

Total facilities		
Bank overdrafts (ii)	5,000	5,000
Bills facilities (i)	118,400	80,000
Capital Loan (i)	65,000	65,000
Bailment finance (iii)	361,475	276,025
Bank guarantees	13,587	14,387
Revolving credit facility (ii)	15,000	15,000
Leasebook liabilities (iv)	8,575	15,293
Finance lease payables	1,222	177
	588,259	470,882
Used at balance date		
Bank overdrafts	2,944	-
Bills facilities	100,400	50,000
Capital Loan	65,000	65,000
Bailment finance	240,354	170,938
Bank guarantees	11,526	13,308
Revolving credit facility	-	-
Leasebook liabilities	8,575	15,293
Finance lease payables	1,222	177
	430,021	314,716
Unused at balance date		
Bank overdrafts	2,056	5,000
Bills facilities	18,000	30,000
Capital Loan	-	-
Bailment finance	121,121	105,087
Bank guarantees	2,061	1,079
Revolving credit facility	15,000	15,000
Leasebook liabilities	-	-
Finance lease payables	-	-
	158,238	156,166

21. NON-CURRENT LIABILITIES - Borrowings (continued)

ASSETS PLEDGED AS SECURITY (continued)

(i) Bills and Capital Loan facilities at balance date were provided on a non-amortisable (interest only) basis subject to compliance with specific covenants and an annual review.
(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 statement of financial position.
(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 three year period in line with collection of the associated lease receivables.

		CONSOLIDATED	
		2010	2009
22. NON-CURRENT LIABILITIES - Deferred tax liabilities		$'000	$'000
Deferred tax liabilities		15,990	21,722
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Book versus tax carrying value of plant and equipment		2,235	2,926
Finance lease book		909	854
Inventory valuation		1,014	786
Prepayments		551	397
Provisions	- Doubtful Debts	(722)	(459)
	- Employee benefits	(8,235)	(4,841)
	- Warranties	(833)	(800)
	- Inventory write downs	(616)	(519)
Investment in associate		321	(312)
Sundry items		(216)	8
		(5,592)	(1,960)
Amounts recognised directly in equity			
Revaluation of property, plant and equipment		21,505	23,634
Hedge asset		77	48
		21,582	23,682
Net deferred tax liabilities		15,990	21,722

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

	2010	2009
Opening balance at 1 January	21,722	25,085
Deferred tax assets relating to business combinations	(2,959)	-
Charged/ (credited) to Income Statement (Note 6)	(1,278)	(3,167)
Deferred tax recognised directly in equity		
- Revaluation of property plant and equipment (Note 26(a))	(1,473)	(1,084)
- Movement in fair value of cash flow hedge (Note 26(a))	29	989
- Miscellaneous items	(51)	(101)
Closing balance at 31 December	15,990	21,722

23. NON-CURRENT LIABILITIES - Provisions

	CONSOLIDATED	
	2010	2009
	$'000	$'000
Employee benefits	3,514	2,362
Make good provision on leasehold premises - refer (a) and (b) below	1,767	1,767
	5,281	4,129

(a) A make good clause under a long term property lease has been recognised in the financial statements. The lessor of the property has been provided with a bank guarantee of $1,900,000 in respect of the estimated make good cost and rental costs.

(b) Movement in the provision:	2010 $'000	2009 $'000
Balance at start of year	1,767	1,700
Recognition of additional provision during the year	-	67
Carrying amount at end of year	1,767	1,767

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

24. SEGMENT INFORMATION

(a) Adoption of AASB 8 Operating Segments

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

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

(i) Automotive Franchised Retailing
Within the Automotive Franchised Retail segment, the consolidated entity offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle maintenance and repair services, vehicle parts, extended service contracts, vehicle protection products and other aftermarket products. They also 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.
The segment also presently includes results of acquisition of Adtrans Group Limited as a subsidiary with effect from 22 October 2010.

(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.

(iii) All Other
This segment includes dealerships within the non franchise market currently dealing in the used car market.

24. SEGMENT INFORMATION (continued)

Segment reporting 2010	Automotive Franchised Retailing	Property	All Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Sales to external customers	1,753,417	-	48,531		1,801,948
Inter-segment sales	-	27,559	-	(27,559)	-
Total sales revenue	1,753,417	27,559	48,531	(27,559)	1,801,948
Other Revenue	8,116	696	-	-	8,812
TOTAL REVENUE	1,761,533	28,255	48,531	(27,559)	1,810,760
SEGMENT RESULT					
Operating Profit before interest	50,930	18,906	(986)	-	68,850
External Interest Expense Allocation	(12,369)	(8,762)	-	-	(21,131)
OPERATING CONTRIBUTION	38,561	10,144	(986)	-	47,719
Share of net profit of equity accounted investments	2,234	-	-	-	2,234
Business acquisition costs	(1,530)	-	-	-	(1,530)
Property revaluation	-	(6,146)	-	4,911	(1,235)
Profit on sale of property/ business	-	406	-	-	406
Non cash fair value impairment reversal	1,453	-	-	-	1,453
SEGMENT PROFIT	40,718	4,404	(986)	4,911	49,047
Unallocated corporate expenses					(3,749)
PROFIT BEFORE TAX					45,298
Income tax expense					(13,661)
NET PROFIT					31,637
Depreciation and other amortisation	5,081	4,124	49	-	9,254
Non cash expenses (reversal of expenses) other than depreciation and amortisation	(257)	-	8	-	(249)
Impairment of trade receivables	282	-	(10)	-	272
Write down (back) of inventories to net realisable value	404	-	(79)	-	325
ASSETS					
Segment assets	596,305	300,518	3,200	-	900,023
LIABILITIES					
Segment liabilities	392,611	146,522	673	-	539,806
NET ASSETS	203,693	153,997	2,527	-	360,217
Acquisitions of non current assets, including assets of subsidiaries acquired	98,083	9,134	66	-	107,283

24. SEGMENT INFORMATION (continued)

Segment reporting 2009	Automotive Franchised Retailing	Property	All Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Sales to external customers	1,599,938		55,738		1,655,676
Inter-segment sales		28,690		(28,690)	-
Total sales revenue	1,599,938	28,690	55,738	(28,690)	1,655,676
Other Revenue	6,648	691		-	7,339
TOTAL REVENUE	1,606,586	29,381	55,738	(28,690)	1,663,015
SEGMENT RESULT					
Operating Profit before interest	48,585	20,368	(343)	-	68,610
External Interest Expense Allocation	(10,609)	(10,542)	-	-	(21,151)
OPERATING CONTRIBUTION	37,976	9,826	(343)	-	47,459
Share of net profit of equity accounted investments	4,084	-	-	-	4,084
Property revaluation	-	(8,499)	-	5,075	(3,424)
Profit on sale of property/ business	533	16	-	-	549
Non cash fair value impairment reversal	5,817	-	-	-	5,817
SEGMENT PROFIT	48,410	1,343	(343)	5,075	54,485
Unallocated corporate expenses					(2,015)
PROFIT BEFORE TAX					52,470
Income tax expense					(15,882)
NET PROFIT					36,588
Depreciation and other amortisation	5,134	4,275	184	-	9,593
Non cash expenses other than depreciation and amortisation	262	-	12	-	274
Impairment of trade receivables	748	-	5	-	753
Write down of inventories to net realisable value	643	-	141	-	784
ASSETS					
Segment assets	404,201	327,342	5,152	-	736,695
LIABILITIES					
Segment liabilities	258,542	146,446	1,068	-	406,056
NET ASSETS	145,659	180,896	4,084	-	330,639
Acquisitions of non current assets, including assets of subsidiaries acquired	2,190	6,717	195	-	9,102

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in note 1 with the exception of all changes in fair value of property being recognised as income statement adjustments for segment reporting purposes. This compares to the Group policy of crediting increments to a property plant and equipment reserve in equity (refer note 1(p)).

Segment profit represents the profit earned by each segment without allocation of unrecouped corporate / head office costs and income tax. External bailment is allocated to the Automotive Franchised Retailing with the bills payable funding costs being allocated to the Property segment. 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	
	2010	2009
25. CONTRIBUTED EQUITY	$'000	$'000
(a) Paid up capital		
Ordinary shares fully paid	163,340	145,502

Ordinary shares confer on their holders the right to participate in dividends declared by the Board and to vote at general meetings of the company.

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
01-Jan-09	Balance	30,011,091		148,135
05-Feb-09	Shares issued under Senior Executive Deferred Commission Plan	76,373	$4.09	313
09-Apr-09	Dividend reinvestment plan issues (see note(c) below)	220,983	$4.87	1,074
26-May-09 to 31-Dec-09	Cancellation of shares under the buy-back scheme (see note (d) below)	(443,794)	$9.06 (average price)	(4,020)
01-Jan-10	Balance	29,864,653		145,502
07-Jul-10	Performance Rights issue to Mr Martin Ward & Mr Keith Thornton	220,000	$2.47	544
22-Nov-10	Shares issued to Adtrans Shareholders	1,760,920	$12.60	22,187
15-Dec-10	Shares issued to Adtrans Shareholders	6,446	$12.50	81
1-Jan-10 to 31-Dec-10	Cancellation of shares under the buy-back scheme (see note (d) below)	(394,311)	$12.61 (average price)	(4,974)
31-Dec-10	Balance	31,457,708		163,340

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

(d) On 23 March 2009 the company announced to the Australian Securities Exchange that it intends to buy-back up to a maximum of 10% of its issued capital within one year, subject to market conditions.
On 18 March 2010 the company announced to the Australian Securities Exchange the extension of the buy-back for a further 12 months and the intention to buy-back up to a maximum of 10% of the issued capital within one year, subject to market conditions.
The buy-backs reflect the company's focus on maintaining an efficient balance sheet through active capital management.

	CONSOLIDATED	
	2010	2009
26. RESERVES AND RETAINED PROFITS	$'000	$'000
(a) Reserves:		
Property, plant and equipment revaluation reserve	68,340	74,459
Hedging reserve - cash flow hedge	181	112
Share-based payments reserve	2,621	637
	71,142	75,208

	CONSOLIDATED	
	2010	2009
	$'000	$'000
26. RESERVES AND RETAINED PROFITS (continued)		
Movements:		
Capital profits reserve:		
Balance at beginning of the financial year	-	21,158
Transfer to retained earnings	-	(21,158)
Balance at the end of the financial year	-	-
Property, plant and equipment revaluation reserve :		
Balance at beginning of the financial year	74,459	87,363
Revaluation surplus (deficit) during the year - gross (Note 15)	(4,911)	(4,925)
Transfer to retained earnings relating to properties sold	(2,681)	(9,063)
Deferred tax (Note 22)	1,473	1,084
Balance at the end of the financial year	68,340	74,459
Hedging reserve - cash flow hedge:		
Balance at beginning of the financial year	112	(2,194)
Transfer to profit and loss	(160)	3,135
Transfer to derivative financial instruments (gross)	258	160
Deferred tax (note 22)	(29)	(989)
Balance at the end of the financial year	181	112
Share-based payments reserve:		
Balance at beginning of the financial year	637	345
Share based payments	2,528	605
Transfer to share capital (shares issued)	(544)	(313)
Balance at the end of the financial year	2,621	637

(b) Retained earnings

	2010	2009
Retained profits at the beginning of the financial year	109,884	56,300
Net profit for the year	31,565	36,575
Transfer from Asset Revaluation Reserve re properties sold	2,681	9,063
Transfer from Capital Reserve	-	21,158
Dividends provided for or paid (note 7)	(18,796)	(13,212)
Retained profits at the end of the financial year	125,334	109,884

26. RESERVES AND RETAINED PROFITS (continued)

(c) Nature and purpose of reserves.

(1) Capital profits reserve

Capital profits reserve represented realised gains on disposal of properties and is fully available for distribution to shareholders as dividends. The balance of the reserve was transferred to retained earnings during the previous year.

(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.

27. 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 monitoring, assessing and reporting on the consolidated entity's risk management system. The committee will provide regular reports to the Board of Directors on its activities.

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

The Audit 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 speculative trading in financial instruments shall be undertaken.

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

27. FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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 21.

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

Interest rate risk

The Group is exposed to interest rate risk as a consequence of its financing facilities as set out in Notes 18 & 21. 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 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 2010, approximately 41% (2009: 43%) of the Group's borrowings were at a fixed rate of interest.
The Group hedges part of the interest rate risk (see Note 14) 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.
Four interest rate swaps denominated in Australian dollars have been entered into towards this policy.
These swaps mature between 8 June 2011 and 1 October 2012 and have a fixed rate between 4.82% and 5.12% .
At 31 December 2010 the notional contract amount of these four swaps was $85 million. The consolidated entity classifies interest rate swaps as cash flow hedges.
The net fair value of the swap at 31 December 2010 was $258,000 asset (2009:$160,000 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 $1,375,000 (2009: $886,000) per annum. 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.

27. FINANCIAL INSTRUMENTS (continued)

Interest rate swap contracts

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

	rate		Notional principal amount		Fair value	
Outstanding floating	2010	2009	2010	2009	2010	2009
for fixed contracts	%	%	$'000	$'000	$'000	$'000
Less than 1 year	4.82%	3.09%	20,000	40,000	16	160
Between 1 - 2 years	5.03%	-	65,000	-	242	-
	4.98%	3.09%	85,000	40,000	258	160

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

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

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

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

CREDIT RISK

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

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
Trade and other receivables	100,487	82,083
Less: Provision for doubtful receivable	2,408	1,530
	98,079	80,553

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

27. FINANCIAL INSTRUMENTS (continued)

Fair values & Exposures to Credit & Liquidity Risk

Detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value (2009: fair value).

	CARRYING AMOUNT		FAIR VALUE	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other debtors net of doubtful debts	98,079	80,553	98,079	80,553
Derivative financial instrument	258	160	258	160
Cash and cash equivalents	154	18,898	154	18,898
	98,491	99,611	98,491	99,611
Financial liabilities				
Bills payable and fully drawn advances	100,400	50,000	100,400	50,000
Capital Loan	65,000	65,000	65,000	65,000
Vehicle bailment	240,354	170,938	240,354	170,938
Bank overdraft	2,944	-	2,944	-
Leasebook liability	8,575	15,293	8,575	15,293
Finance lease payables	1,222	177	1,222	177
Trade and other payables	78,068	57,144	78,068	57,144
	496,563	358,552	496,563	358,552

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

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

Maturity profile

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

27. FINANCIAL INSTRUMENTS (continued)

At 31 December 2010

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	154	-	-	-	-	-	154
Loan Receivable	251						251
Leasebook receivables	5,554	4,254	1,228	-	-	-	11,036
	5,959	4,254	1,228	-	-	-	11,441
Average interest rate	9.86%	10.27%	10.27%				
Financial liabilities							
Vehicle bailment (current)	244,483	-	-	-	-	-	244,483
Capital Loan (Non-Current)	4,602	4,602	4,602	69,602	-	-	83,408
Bank overdraft	2,944	-	-	-	-	-	2,944
	252,029	4,602	4,602	69,602	-	-	330,835
Average interest rate	6.95%	7.08%	7.08%	7.08%			
Fixed rate							
Financial liabilities							
Bills payable and fully drawn advances	88,771	15,063	10,988	-	-	-	114,822
Leasebook liabilities	4,944	3,638	1,055	-	-	-	9,637
Finance lease payables	461	460	455	-	-	-	1,376
	94,176	19,161	12,498	-	-	-	125,835
Average Interest Rate	6.96%	7.10%	7.89%				
NON INTEREST BEARING							
Financial assets							
Trade debtors	88,396	-	-	-	-	-	88,396
Derivative financial instrument	258	-	-	-	-	-	258
	88,654	0	0	0	0	0	88,654
Financial liabilities							
Trade and other payables	78,068	-	-	-	-	-	78,068

27. FINANCIAL INSTRUMENTS (continued)

At 31 December 2009

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	18,898	-	-	-	-	-	18,898
Loan Receivable	260						260
Leasebook receivables	7,916	6,371	4,407	1,301	-	-	19,995
	27,074	6,371	4,407	1,301	0	0	39,153
Average interest rate	5.65%	10.20%	10.20%	10.20%			
Financial liabilities							
Vehicle bailment (current)	173,395	-	-	-	-	-	173,395
Capital Loan (Non-Current)	3,926	3,926	3,926	3,926	68,927	-	84,631
	177,321	3,926	3,926	3,926	68,927	0	258,026
Average interest rate	5.83%	6.04%	6.04%	6.04%	6.04%		
Fixed rate							
Financial liabilities							
Bills payable and fully drawn advances	48,356	14,826	-	-	-	-	63,182
Leasebook liabilities	6,779	5,702	4,095	1,073			17,649
Finance lease payables	177	-	-	-	-	-	177
	55,312	20,528	4,095	1,073	0	0	81,008
Average Interest Rate	8.66%	8.51%	7.52%	7.52%			
NON INTEREST BEARING							
Financial assets							
Trade debtors	58,206	-	-	-	-	-	58,206
Derivative financial instrument	160	-	-	-	-	-	160
Property sale receivable	5,500	-	-	-	-	-	5,500
	63,866	0	0	0	0	0	63,866
Financial liabilities							
Trade and other payables	57,144	-	-	-	-	-	57,144

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.

28. INVESTMENTS IN SUBSIDIARIES

Name of entity	**Equity holding** 2010 %	2009 %
Eagers Retail Pty Ltd	100	100
Eagers MD Pty Ltd	91	100
Eagers Finance Pty Ltd	100	100
Nundah Motors Pty Ltd	100	100
Eagers Nominees Pty Ltd	100	100
Austral Pty Ltd	100	100
E G Eager & Son Pty Ltd	100	100
A.P. Group Ltd	100	100
A.P. Ford Pty Ltd	100	100
A.P. Motors Pty Ltd	100	100
A.P. Motors (No.1) Pty Ltd	100	100
A.P. Motors (No.2) Pty Ltd	100	100
A.P. Motors (No.3) Pty Ltd	100	100
Associated Finance Pty Limited	100	100
Leaseline & General Finance Pty Ltd	100	100
City Automotive Group Pty Ltd	100	100
PPT Investments Pty Ltd	100	100
PPT Holdings No 1 Pty Ltd	100	100
PPT Holdings No 2 Pty Ltd	100	100
PPT Holdings No 3 Pty Ltd	100	100
Bill Buckle Holdings Pty Ltd	100	100
Bill Buckle Autos Pty Ltd	100	100
Bill Buckle Leasing Pty Ltd	100	100
Adtrans Group Limited	100	25.11
Adtrans Corporate Pty Ltd	100	-
Adtrans Automotive Group Pty Ltd	100	-
Stillwell Trucks Pty Ltd	100	-
Adtrans Trucks Pty Ltd	100	-
Graham Cornes Motors Pty Ltd	90	-
Whitehorse Trucks Pty Ltd	100	-
Adtrans Used Pty Ltd	100	-
Adtrans Hino Pty Ltd	100	-
Adtrans Australia Pty Ltd	100	-
Melbourne Truck and Bus Centre Pty Ltd	100	-
Adtrans Truck Centre Pty Ltd	100	-

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

Information relating to A.P. Eagers Limited ('the parent entity')		**2010 $'000**	**2009 $'000**
Financial position			
Assets			
Current assets		-	-
Non-current assets		224,909	206,351
Total assets		224,909	206,351
Liabilities			
Current liabilities		8,138	12,414
Non-current liabilities		-	-
Total liabilities		8,138	12,414
Equity			
Issued capital		163,340	145,502
Retained earnings		49,126	46,115
Reserves	- Asset revaluation reserve	1,684	1,683
	- Share based payments reserve	2,621	637
		216,771	193,937
Financial performance			
Profit for the year		20,428	30,516
Other comprehensive income		-	-

All subsidiaries with the exception of Eagers MD Pty Ltd and Graham Cornes Motors Pty Ltd are parties to a deed of cross guarantee which has been lodged with and approved by Australian Securities and Investments Commission. Under the deed of cross guarantee each of these companies guarantee the debts of the other named companies. The aggregate assets and liabilities of these companies at 31 December 2010 and their aggregate net profits after tax for the year ending 31 December 2010 are as follows:

	2010 $'000	**2009 $'000**
Assets	883,405	730,171
Liabilities	527,379	399,991
Net profit after tax	30,820	35,698

Also refer notes 29(a) and 29(b) in respect of guarantees entered into by the parent entity in relation to debts of its subsidiaries.

28. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of businesses

The group made no acquisitions in 2009
The Group acquired the following businesses during 2010 as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2010	Caloundra City Autos	14-Apr-10	Motor Dealership	100%
2010	Adtrans Group Limited	22-Oct-10	Motor Dealership	74.89%
2010	Sydney Truck Centre	01-Nov-10	Motor Dealership	100%

The acquired businesses contributed revenues of $166,338,000 and profit before tax of $2,381,000. In addition, a pre-acquisition profit after tax of $1,446,000 was recognised in respect of Adtrans Group Limited.
If the acquisitions had occurred on 1 January 2010, the consolidated revenue and the consolidated profit before tax would have been $2,515 million and $54 million respectively.

Allocation of purchase consideration
The purchase price of businesses acquired was allocated as follows:

	Caloundra City Autos	Adtrans Group Limited	Sydney Truck Centre	Total consolidated
	$'000	$'000	$'000	$'000
Cash consideration	12,039	41,459	218	53,716
Market value of shares owned prior to full take-over	-	24,600	-	24,600
Issue of ordinary shares	-	22,269	-	22,269
Total purchase consideration	12,039	88,328	218	100,585
Fair Value of net identifiable tangible assets	2,039	49,529	114	51,682
Fair Value of net identifiable intangible assets				-
Goodwill	10,000	38,799	104	48,903
	12,039	88,328	218	100,585
Cash consideration	12,039	41,459	218	53,716
Less: Cash acquired	-	(12,621)	-	(12,621)
Total purchase consideration net of cash acquired	12,039	28,838	218	41,095

Net assets acquired	**Consolidated fair value at acquisition date**
	$'000
Cash and cash equivalents	12,621
Trade receivables & prepayments	26,369
Inventory	101,712
Property, plant and equipment	41,323
Deferred tax assets	2,999
Creditors, borrowings and provisions	(133,342)
Identifiable intangible assets	-
Net assets acquired	51,682
Acquisition cost	100,585
Goodwill on acquisition (i)	48,903

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

29. 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 2010 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 with the exception of Eagers MD Pty Ltd 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 $539,806,000 (2009 : $406,056,000).

30. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED	
	2010	2009
	$'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	3,641	1,463
Finance Lease Liabilities		
Commitments for minimum lease payments in relation to leasebook liabilities are payable as follows:		
Within 1 year	5,405	6,943
Later than 1 year but not later than 5 years	5,609	10,831
Later than 5 years	-	-
	11,014	17,774
Less future finance charges	(1,217)	(2,304)
Present value of minimum lease payments	9,797	15,470
Operating Lease Commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases for premises are payable as follows:		
Within 1 year	13,822	7,093
Later than 1 year but not later than 5 years	37,294	17,856
Later than 5 years	25,761	5,239
	76,877	30,188

The consolidated entity leases property under non-cancellable operating leases with expiry dates between 31 January 2011 and 1 July 2035 Leases generally provide for a right of renewal at which time the lease is renegotiated. Lease rental payments comprise a base amount plus an incremental contingent rental based on movements in the consumer price index or a fixed percentage increase.

31. REMUNERATION OF AUDITOR

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
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	477,500	372,125
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	13,750	21,240
- other services in relation to the parent entity and any other entity in the consolidated entity		
-GST refund consultancy services	2,713	0
-Technical advisory services	26,500	30,000
- Due diligence services	12,650	0
- Other advisory services	140,671	92,225
	673,784	515,590

32. SUBSEQUENT EVENTS

The company announced on the 8th February 2011 that it has agreed to acquire the Eblen Motors group of dealerships.
Completion was achieved on 2nd March 2011 with the acquisition cost being approximately $7.0m including net assets, dealership property and goodwill. Current cash balances and debt capacity will be used to fund this acquisition.
On 28 February 2011 the company announced that it has entered into an agreement to sell the Audi business located in Brookvale, Sydney, in order to assist with a consolidation of Audi representation in the Sydney market.

33. 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)
D T Ryan	Director (non-executive)

(ii) Executives

S G Best	Chief Financial Officer
M Raywood	Human Resource Manager
K T Thornton	General Manager - Queensland and Northern Territory
D G Stark	General Counsel/Company Secretary

(b) Compensation of key management personnel

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

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
Short term	2,407,403	2,458,040
Post employment	415,130	167,369
Share based payment	1,532,210	323,668
	4,354,743	2,949,077

(c) Option holdings of key management personnel

Details of options held by key management personnel can be found in Note 33 (g).

33. KEY MANAGEMENT PERSONNEL (continued)

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

		At 01-Jan-10	Dividend Reinvestment Plan	Share Incentive Plan	Purchases	Sales	At 31-Dec-10
Directors							
	B W Macdonald	84,375	-	-	-	-	84,375
	M A Ward	329,773	-	200,000	-	-	529,773
	A J Love	39,626	-	-	4,000	-	43,626
	N G Politis	11,827,267	-	-	57,116	-	11,884,383
	P W Henley	15,663	-	-	1,000	-	16,663
Executives							
	K Thornton	22,990		20,000			42,990
	M Raywood	10,651	-	-		-	10,651
	S G Best	8,523	-	-		-	8,523
	D G Stark	4,886	-	-		-	4,886
		12,343,754	0	220,000	62,116	0	12,625,870

(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 35: Related parties
(g) Share Based Payments

Share based payments
Plan A: TSR Performance Rights
Since 2005 the Group has operated 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 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. The fair value has been calculated using a binomial option pricing model based on numerous variables as follows:
- 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 Chief Executive Officer and the General Manager, Queensland and Northern Territory, have been granted rights under the TSR share incentive plan. A total of 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. The Plan expired on June 30, 2010.

33. KEY MANAGEMENT PERSONNEL (continued)

(g) Share Based Payments (continued)

The number of performance rights granted under the plan 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 and issued at 31 December 2010
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	1-Jul-05	30-Jun-09	1-Jul-11	$4.46	100,000	100,000
100,000	1-Jul-05	30-Jun-10	1-Jul-12	$4.25	100,000	100,000
500,000					200,000	500,000
General Manager, Queensland and Northern Territory						
10,000	1-Jul-07	30-Jun-08	1-Jul-10	$10.65	-	10,000
10,000	1-Jul-07	30-Jun-09	1-Jul-11	$10.31	10,000	10,000
10,000	1-Jul-07	30-Jun-10	1-Jul-12	$9.99	10,000	10,000
30,000					20,000	30,000

The fair value of the performance rights has been estimated as $2,618,500 (2009:$2,618,500) in total, with a cumulative expense being recognised at 31 December 2010 of $2,618,500 (2009:$2,523,389). All performance rights have vested.

Plan B: EPS Performance Rights and Options - Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and option compensation scheme for specific executive officers in 2009. The fair value of these performance rights and options is calculated on grant date, and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights

Award date 28 August 2009					
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13	27-Mar-14	27-Mar-15
Expiry date	28-Aug-16	28-Aug-16	28-Aug-16	28-Aug-16	27-Sep-17
Share price at grant date	$ 9.12	$ 9.12	$ 9.12	$ 9.12	$ 9.12
Expected life	1.6 years	2.6 years	3.6 years	4.6 years	5.6 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	4.37%	4.89%	5.18%	5.31%	5.33%
Dividend yield	6.0%	6.0%	6.0%	6.0%	6.0%

Performance Options

Award date 28 August 2009					
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13	27-Mar-14	27-Mar-15
Expiry date	28-Aug-16	28-Aug-16	28-Aug-16	28-Aug-16	27-Sep-17
Share price at grant date	$ 9.12	$ 9.12	$ 9.12	$ 9.12	$ 9.12
Exercise price	$ 9.12	$ 9.12	$ 9.12	$ 9.12	$ 9.12
Expected life	4.3 years	4.8 years	5.3 years	5.8 years	6.8 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	5.29%	5.32%	5.33%	5.33%	5.33%
Dividend yield	6.0%	6.0%	6.0%	6.0%	6.0%

The General Manager, Queensland and Northern Territory, General Manager Kloster Motor Group and Chief Financial Officer have been granted rights and options under the EPS share incentive plan (Plan B). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS and interest cover targets being achieved and vesting occurring. The number of performance rights and options granted under the plan is as follows;

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
16,566	28-Aug-09	31-Dec-10	28-Aug-16	$ 8.30
22,407	28-Aug-09	31-Dec-11	28-Aug-16	$ 7.81
23,776	28-Aug-09	31-Dec-12	28-Aug-16	$ 7.36
25,253	28-Aug-09	31-Dec-13	28-Aug-16	$ 6.93
26,841	28-Aug-09	31-Dec-14	28-Sep-17	$ 6.52

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
76,389	28-Aug-09	31-Dec-10	28-Aug-16	$ 1.80
95,109	28-Aug-09	31-Dec-11	28-Aug-16	$ 1.84
94,595	28-Aug-09	31-Dec-12	28-Aug-16	$ 1.85
95,109	28-Aug-09	31-Dec-13	28-Aug-16	$ 1.84
93,086	28-Aug-09	31-Dec-14	27-Sep-17	$ 1.88

No rights or options were forfeited or expired during the year. As a result of the EPS and interest cover targets being achieved the Performance Rights and Performance Options relating to the 31 December 2010 Performance Period as set out above have vested since balance date.

The fair value of the performance rights and options has been estimated as $1,106,250 in total, with a cumulative expense being recognised at 31 December 2010 of $628,647 .

33. KEY MANAGEMENT PERSONNEL (continued)

(g) Share Based Payments (continued)

Plan C: EPS Performance Rights and Options - Managing Director
The Group commenced a new Earnings Per Share (EPS) based performance rights and option compensation scheme for the Managing Director in 2010. The fair value of these performance rights and options is calculated on grant date, and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights

Award date 28 May 2010					
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13	27-Mar-14	27-Mar-15
Expiry date	28-Aug-16	28-Aug-16	28-Aug-16	28-Aug-16	27-Sep-17
Share price at grant date	$ 12.50	$ 12.50	$ 12.50	$ 12.50	$ 12.50
Expected life	0.8 years	1.8 years	2.8 years	3.8 years	4.8 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	4.87%	4.97%	5.02%	5.08%	5.19%
Dividend yield	4.90%	4.90%	4.90%	4.90%	4.90%

Performance Options

Award date 28 May 2010					
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13	27-Mar-14	27-Mar-15
Expiry date	28-Aug-16	28-Aug-16	28-Aug-16	28-Aug-16	27-Sep-17
Share price at grant date	$ 12.50	$ 12.50	$ 12.50	$ 12.50	$ 12.50
Exercise price	$ 9.12	$ 9.12	$ 9.12	$ 9.12	$ 9.12
Expected life	3.5 years	4.0 years	4.5 years	5.0 years	6.1 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	4.87%	4.97%	5.02%	5.08%	5.19%
Dividend yield	4.90%	4.90%	4.90%	4.90%	4.90%

The Managing Director has been granted rights and options under the EPS share incentive plan (Plan C). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS and interest cover targets being achieved and vesting occurring. The number of performance rights and options granted under the plan is as follows;

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
7,378	28-May-10	31-Dec-10	28-Aug-16	$ 12.00
16,488	28-May-10	31-Dec-11	28-Aug-16	$ 11.43
17,800	28-May-10	31-Dec-12	28-Aug-16	$ 10.88
18,978	28-May-10	31-Dec-13	28-Aug-16	$ 10.36
21,028	28-May-10	31-Dec-14	28-Sep-17	$ 9.86

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
83,333	28-May-10	31-Dec-10	28-Aug-16	$ 4.04
163,043	28-May-10	31-Dec-11	28-Aug-16	$ 4.06
162,162	28-May-10	31-Dec-12	28-Aug-16	$ 4.05
163,043	28-May-10	31-Dec-13	28-Aug-16	$ 4.01
159,574	28-May-10	31-Dec-14	27-Sep-17	$ 4.03

No rights or options were forfeited or expired during the year. As a result of the EPS and interest cover targets being achieved the Performance Rights and Performance Options relating to the 31 December 2010 Performance Period as set out above have vested since balance date.

The fair value of the performance rights and options has been estimated as $2,444,939 in total, with a cumulative expense being recognised at 31 December 2010 of $936,981.

34. OTHER SHARE BASED PAYMENTS

Recognised share-based payments expenses

Refer Note 26 for movements on share based payments reserve.

The share based payments relating to Key Management Personnel are described in Note 33 (g). Share based payments relating to other staff are described below.

Plan D: EPS Performance Rights and Options - Senior Management (A)
The Group commenced a new Earnings Per Share (EPS) based performance rights and option compensation scheme for nineteen specific management personnel in 2010. The fair value of these performance rights and options is calculated on grant date, and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights

Award date 27 January 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 12.10	$ 12.10	$ 12.10
Expected life	1.2 years	2.2 years	3.2 years
Volatility	30%	30%	30%
Risk free interest rate	5.06%	5.11%	5.17%
Dividend yield	5.10%	5.10%	5.10%

Performance Options

Award date 27 January 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 12.10	$ 12.10	$ 12.10
Exercise price	$ 12.10	$ 12.10	$ 12.10
Expected life	4.1 years	4.6 years	5.1 years
Volatility	30%	30%	30%
Risk free interest rate	5.06%	5.11%	5.17%
Dividend yield	5.10%	5.10%	5.10%

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

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
27,857	27-Jan-10	31-Dec-10	27-Jan-17	$ 11.40
37,395	27-Jan-10	31-Dec-11	27-Jan-17	$ 10.84
39,354	27-Jan-10	31-Dec-12	27-Jan-17	$ 10.30

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
119,541	27-Jan-10	31-Dec-10	27-Jan-17	$ 2.49
146,250	27-Jan-10	31-Dec-11	27-Jan-17	$ 2.59
142,938	27-Jan-10	31-Dec-12	27-Jan-17	$ 2.65

34. OTHER SHARE BASED PAYMENTS (continued)

Rights of 17,859 and options of 58,875 were forfeited during the year. As a result of the EPS and interest cover targets being achieved the Performance Rights and Performance Options relating to the 31 December 2010 Performance Period have vested since balance date.

The fair value of the performance rights and options has been estimated as $1,634,600 in total, with a cumulative expense being recognised at 31 December 2010 of $987,946.

Plan E: EPS Performance Rights and Options - Senior Management (B)
The Group commenced a new Earnings Per Share (EPS) based performance rights and option compensation scheme for three specific executive officers in 2010. The fair value of these performance rights and options is calculated on grant date, and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights

Award date 22 October 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 12.60	$ 12.60	$ 12.60
Expected life	0.4 years	1.4 years	2.4 years
Volatility	30%	30%	30%
Risk free interest rate	4.91%	4.93%	4.95%
Dividend yield	5.00%	5.00%	5.00%

Performance Options

Award date 22 October 2010			
Vesting date	27-Mar-11	27-Mar-12	27-Mar-13
Expiry date	27-Jan-17	27-Jan-17	27-Jan-17
Share price at grant date	$ 12.60	$ 12.60	$ 12.60
Exercise price	$ 12.60	$ 12.60	$ 12.60
Expected life	3.3 years	3.8 years	4.3 years
Volatility	30%	30%	30%
Risk free interest rate	4.91%	4.93%	4.95%
Dividend yield	5.00%	5.00%	5.00%

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

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
1,557	22-Oct-10	31-Dec-10	27-Jan-17	$ 12.33
8,130	22-Oct-10	31-Dec-11	27-Jan-17	$ 11.73
8,547	22-Oct-10	31-Dec-12	27-Jan-17	$ 11.16

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
7,965	22-Oct-10	31-Dec-10	27-Jan-17	$ 2.41
37,557	22-Oct-10	31-Dec-11	27-Jan-17	$ 2.54
36,273	22-Oct-10	31-Dec-12	27-Jan-17	$ 2.63

No rights or options were forfeited or expired during the year. As a result of the EPS and interest cover targets being achieved the Performance Rights and Performance Options relating to the 31 December 2010 Performance Period have vested since balance date.

The fair value of the performance rights and options has been estimated as $286,393 in total, with a cumulative expense being recognised at 31 December 2010 of $67,218.

35. RELATED PARTIES

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

Remuneration and retirement benefits
Information on the remuneration of key individual management personnel will be 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) Professional fees paid to McGee Isles Love Pty Ltd

Mr A J Love was a director of McGee Isles Love Pty Ltd until 1 July 2009. This firm provided no professional services for 2010 (2009 : $3,330) All dealings were in the ordinary course of business and were on normal commercial terms and conditions.

(ii) 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 $777,919 (2009 :$461,982) and purchases of $389,177 (2009 - $295,181) 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.

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

Wholly-owned group

The parent entity in the wholly-owned group is A.P. Eagers Limited. Information relating to the wholly-owned group is set out in note 28.

36. EARNINGS PER SHARE

	CONSOLIDATED	
	2010	2009
	Cents	Cents
(a) Basic earnings per share		
Earnings attributable to the ordinary equity holders of the company	105.3	121.6
(b) Diluted earnings per share		
Earnings attributable to the ordinary equity holders of the company	103.8	120.6

(c) Reconciliations of earnings used in calculating earnings per share	CONSOLIDATED	
	2010	2009
Basic Earnings per Share	$' 000	$' 000
Profit for the year	31,637	36,588
Less: attributable to non-controlling interest	(72)	(13)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	31,565	36,575
Diluted Earnings per Share		
Profit for the year	31,637	36,588
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	31,565	36,575
Weighted average number of ordinary shares outstanding during the year	29,989,065	30,082,320
Adjustments for calculation of diluted earnings per share		
- Performance rights and options	422,698	263,860
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	30,411,763	30,346,180

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

	CONSOLIDATED	
	2010	2009
	$'000	$'000
Net profit after tax	31,637	36,588
Depreciation and amortisation	9,254	9,593
Profit on sale of property, plant and equipment	(406)	-
Share of losses (profits) of associates	(2,234)	(4,084)
Dividends from investments	2,284	1,174
Employee share scheme expense	2,167	605
Non cash impairment adjustments	(3)	(2,393)
Profit on sale of business	-	(251)
(Increase) decrease in assets -		
Receivables	2,093	8,202
Inventories	(4,745)	(10,019)
Prepayments	606	(352)
Increase (decrease) in liabilities -		
Creditors (including bailment finance)	(4,116)	15,785
Provisions	49	1,263
Taxes payable	(5,462)	9,086
Net cash inflow from operating activities	31,124	65,197

38. NON-CASH TRANSACTIONS

Payment of dividends totalling $Nil (2009: $1,074,154) under the Dividend Reinvestment Plan were settled by the issue of Nil ordinary shares (2009: 220,983 shares).

A.P. EAGERS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
31 DECEMBER 2010 (continued)

39. 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	
	2010	**2009**	**2010**	**2009**
	%	%	$'000	$'000
Traded on organised markets				
Adtrans Group Limited	100.00%	25.11%	-	24,301

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 was 100% acquired on 22 October 2010 and thus became a wholly owned subsidiary from that date.

Unlisted Securities				
M T Q Insurance Services Limited	20.88%	19.43%	2,703	2,598

The investment in M T Q Insurance Services Limited was equity accounted from 1 January 2006 (refer Note 13)
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	
	2010	**2009**
	$'000	**$'000**
(b) Movement in the carrying amounts of investments in associates -		
Carrying amount at the beginning of the financial year	26,899	17,638
Cost of investment in associates	2,515	534
Equity share of profit/(loss) from ordinary activities after income tax	2,234	4,084
Dividends received during current year	(5,798)	(1,174)
(Impairment)/ impairment reversal - Adtrans Group Limited	1,453	5,817
Further costs to acquire 100% holding in Adtrans Group Ltd	63,727	-
Investment in Adtrans Group Limited treated as a subsidiary with effect from 22 October 2010	(88,327)	-
Carrying amount at the end of the financial year	2,703	26,899
(c) Summarised financial information of associates (2010: MTQ Insurance Services Limited only)		
The aggregate profits, assets and liabilities of associates are:		
Revenue	13,097	709,304
Profits (losses) from ordinary activities after income tax expense	2,143	17,988
Assets	52,836	254,562
Liabilities	37,220	165,211
(d) Share of associates profit		
(based on the last published results for the 12 month's to 30 June 2010 plus unaudited results for the 6 months to 31 December 2010)		
Profit from ordinary activities before income tax	3,191	5,886
Income tax expense	(957)	(1,802)
Profit (loss) from ordinary activities after income tax	2,234	4,084
(e) Share of associate's expenditure commitments		
Lease commitments	1,350	8,391
(f) Dividends received from associates	5,798	1,174

(g) Reporting date of associates

The associates' reporting dates are 30 June annually.