



**Mr Ben Macdonald  
Chairman  
A.P. Eagers Limited**

**Annual General Meeting  
9.00am on Friday 12 May 2006**

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Ladies and Gentlemen,

It is my pleasure to present this address to the Company's 49<sup>th</sup> Annual General Meeting of shareholders.

The past 12 months have given rise to a number of changes to the composition of the Board and management of your Company.

Mr Ken Macdonald retired as Managing Director and Chief Executive Officer on 31 December 2005 after 26 years service, the last six and a half as Managing Director. I would like to take this opportunity to thank Ken for his contribution in leading the Company after taking over from Mr Alan Piper just prior to his death in April 2000.

On 31 March this year Mr Denis Aitken also retired as a Director of the Company and I thank him also for his contribution during his tenure as a Non Executive Director.

The Board appointed Mr Martin Ward as CEO Designate on 1 July 2005 taking over as CEO on 1 January 2006 following Ken Macdonald's retirement. He was appointed to the Board as Managing Director on 6 March 2006.

As part of his remuneration on joining the Company the Board granted Mr Ward 500,000 performance rights over five years and as a consequence of his appointment as a Director we are seeking shareholder approval for those performance rights at today's meeting.

I am confident that Martin will prove to be an excellent Chief Executive Officer whose drive and enthusiasm will take the Company forward and produce accelerated returns to shareholders. I am sure that you are all looking forward to Martin's address which he will present shortly.

**Results and Dividends for 2005**

In another year of growth both turnover and profit levels increased to record levels enabling the payment this coming Monday of a final fully franked dividend of 20 cents per share, taking the annual fully franked dividend to 38 cents per share, an increase of two cents per share over the previous year.

The Directors are mindful of the relatively high level of franking credits available to frank future dividends and the need to distribute these credits to shareholders through the

payment of increased dividend flow. They are also mindful of the current capital requirements of the Company and I will comment further on this issue shortly.

In so far as earnings for 2005 are concerned the result of \$20 million before tax was achieved after booking abnormal gains of \$2.8 million and \$0.9 million on the sale of surplus property and the revaluation of our investment in MTQ Insurance Services respectively and after writing off our investment of \$3.8 million in Auto Group Limited who were placed in receivership on 10 February 2006. Given the level of our investment in Auto Group it was incumbent on us to fully explore every avenue available to protect our investment and the merger proposal we entered into in December 2005 was one such avenue.

As we now know, Auto Group's financial position worsened dramatically over the ensuing two months which led us to terminate the agreement with them on 10 February 2006.

Subsequent to their demise we were able to acquire from the Administrators and Receivers the retail trading business of Bayside Honda and Kia in Cleveland, and the motor vehicle auction business trading out of Eagle Farm, Brisbane which is now trading as part of our Group under the Brisbane Motor Auctions banner.

Both of these acquisitions were bought with minimal goodwill and are expected to be immediate profit contributors to the Group. In his address, Martin will elaborate on the benefits expected to flow to the Group through these acquisitions.

### **Assets and Opportunities**

I would now like to spend some time to emphasize the tremendous asset base from which this Company operates and talk about the opportunities that we see as being available to us.

Included in our assets at 31 December 2005 is an amount of \$178.3 million for land and buildings which represents some of Brisbane's prime real estate and certainly its most presentable motor vehicle dealership sites.

The fact that these properties, in well known motor vehicle precincts, are owned by the Company, underpins to a considerable extent the support we receive from vehicle manufacturers in the granting of franchises to us and the fact that we can, and do, attract additional franchises by having available desirable properties and the financial strength to construct and operate viable trading facilities built to accommodate individual franchisors brand requirements. We should not underestimate the fact that the wide spread of franchises that we hold and attract substantially lessens the Group's risk inherent in single franchised operations.

Additionally, we have built up a number of cluster operations which provide significant operational synergies and enable the efficient integration of low unit franchises to operate profitably alongside the majors or as a separate group.

By way of example, we have established cluster groups in the following areas:

Newstead: Incorporating nine franchises, Eagers Holden, Eagers Mazda, Austral VW, Honda and Land Rover, Porsche Centre Brisbane, City Subaru, Peugeot and Mitsubishi.

- Fortitude Valley: Incorporating three franchises, Metro Ford, Austral Volvo and Brisbane City Jaguar. Our Corporate headquarters are also located here.
- Woolloongabba: Incorporating three franchises, Southside Toyota, Southside Ford and Southside Honda.
- Mount Gravatt: Three franchises, Southside Toyota, Southside Land Rover and Southside Volvo.
- Brendale: Three franchises, Torque Ford, Torque Toyota and Torque Kia, as well as the Northside pre-delivery facility.
- North Lakes: Our newest cluster group currently under construction which will initially house three franchises– Torque Ford, Torque Toyota and Torque Honda.

At this point I think it appropriate that we view a short presentation on our premises which will emphasise the scope and quality of our property portfolio.

*(Overhead presentation)*

Ladies and Gentlemen, from the presentation you can see the size and quality of the property assets that you own.

Within that \$178 million there is approximately \$30 million in properties that are not currently utilized or are under construction. For instance, properties at Toowong and North Lakes with an acquisition cost of \$12 million and on which we estimate construction costs of approximately \$20 million, will come on stream later this year and early in 2007. They then become productive units as opposed to a drain on resources. Similarly, unutilized property on Breakfast Creek Road, Newstead and at James Street in Fortitude Valley will be either developed or sold during the 2006 / 2007 period.

Other properties will become surplus to our needs as a result of these newly constructed properties and will be sold.

All our properties will be independently valued this year as it is three years since the last full valuation.

Our philosophy of acquiring strategic property for future development and use does mean that we will continue to have an element of unused or underutilized property on our books, however, it is unlikely to be as high a proportion of our property assets as it is at present and consequently there will be lower unproductive holding costs.

I would also like to comment on our 19.4% investment in MTQ Insurance Services Limited which is valued in our books at \$6.7 million. MTQ Insurance Services is an extremely profitable company owned predominantly by motor vehicle dealers and specializing in the provision of consumer credit and gap insurance to purchasers of vehicles who buy on credit. It provides healthy returns to its participating dealers by way of commission and dividends and was, as I mentioned previously, revalued upwards in our books by \$895,000 last year. We believe that MTQ will continue to provide us with above average returns by way of dividend, commissions and share growth.

One further asset not fully recognized on our Balance Sheet is the goodwill inherent in the franchises we have previously acquired and developed.

The goodwill of \$23 million in our books represents only purchased goodwill on dealership acquisitions made since 2001. What is not reflected, and cannot be reflected under current accounting standards is the goodwill inherent in the Group's franchises held prior to those acquisitions, or any increase in goodwill over and above the purchased goodwill on the more recently acquired franchises.

## **Growth Opportunities**

Our strong Balance Sheet, supportive financiers and loyal shareholder base provide to us a very strong platform from which to expand our business operations.

During the last two years we have added the City Automotive Group, Westpoint Subaru and Bridge Toyota to our franchise portfolio. Collectively they account for 20% of our current business.

It is our intention to continue to grow by adding immediately earnings positive businesses.

As I mentioned previously, we have this year acquired the Bayside Honda / Kia business in Cleveland and the Brisbane Motor Auction business in the Eagle Farm area. Whilst there are still opportunities in the Brisbane metropolitan market we foresee opportunities to expand into other large Queensland provincial areas, like the Gold Coast, Sunshine coast and other major Queensland towns. Additionally, with the strong presence we have through Bridge Toyota in Darwin we envisage being able to also grow our presence in the Northern Territory.

Interstate expansion along the Eastern Seaboard is also being considered in conjunction with expansion within Queensland.

There are exciting times ahead which your Board firmly believes will enable both the Company and shareholders to grow and prosper.

To assist in financing this future growth your Board has approved the implementation of a Shareholder Purchase Plan whereby each shareholder will be entitled to purchase an additional \$5,000 worth of A.P. Eagers shares and thus participate in the growth of the Company. The Share Purchase Plan, which we will look to have underwritten, will be implemented within the next three months and is expected to raise approximately \$12 million.

Shareholders have in recent times intimated to us their desire to be considered in fund raisings and we believe a Share Purchase Plan offers all shareholders, but particularly smaller shareholders such an opportunity.

## **Current Trading**

Before handing over to Martin I would like to comment on trading results for the first quarter to 31 March 2006.

Our Group's unaudited results for the three months reflect a 5.5% increase in earnings over the first quarter last year.

Whilst the month of April is relatively quiet around the Easter, Anzac and Labour Day holidays we anticipate stronger trading in May and June leading to a solid half year result.

In closing, I wish to thank the management and staff for their efforts in producing yet another record profit for the Group. A great result.

I now ask our new Chief Executive Officer Mr Martin Ward to present an overview of 2005 trading and to give you an insight on how he sees the market and our future within that market.