



29 August 2019

Company Announcements Office  
ASX Limited

## Results for Announcement to the Market

### Half Year Report and Accounts

## A.P. Eagers delivers resilient HY performance

### FINANCIAL HIGHLIGHTS

- Underlying operating Profit Before Tax<sup>(1)</sup> of \$56.8 million (2018HY<sup>(2)</sup>: \$55.8 million), ahead of 2018HY and well ahead of May 2019 trading update despite challenging market conditions
- Reduced profit from AHG investment, costs of the AHG merger and reduced gains on sales of non-core property and businesses impacted statutory profit
- Statutory Profit After Tax of \$42.4 million (2018HY<sup>(2)</sup>: \$51.1 million)
- Earnings per Share (basic) of 21.9 cents (2018HY<sup>(2)</sup>: 26.4 cents)
- Interim Dividend of 14.0 cents per share (2018HY: 14.0 cents) underscores the Board's confidence in the strength of AP Eagers' business and its consistently strong operational performance

### OPERATIONAL & STRATEGIC HIGHLIGHTS

- Resilient HY operating performance despite challenging market conditions
- Offer for AHG declared unconditional following ACCC merger authorisation
- Another record result from the Truck division
- Parts and service business continues to excel, with service delivering record performance
- Acquired strategic Adelaide BMW & MINI franchise at an attractive price, and divested two operations, consistent with active portfolio restructuring approach
- Executed sale of Newstead properties and acquired strategic site in Albion (Qld), key steps in execution of 'Next100' future growth strategy
- Advancing design phase on world class, 64,124m<sup>2</sup> automotive retailing and mobility hub at Brisbane Airport Auto Mall
- Transition to new financing model well underway with penetration improvement evident already

- (1) Underlying operating adjustments include business acquisition costs \$2.93 million (2018: \$0.05 million), property revaluations nil (2018: \$0.35 million), restructuring activities \$1.08 million (2018: nil), gain on sales of assets \$2.22 million (2018: \$5.62 million), income from both AHG dividends and equity accounted share of AHG of \$4.85 million (2018: \$7.86 million), and impact of new lease accounting standard (AASB 16) \$1.07 million (2018: \$2.54 million).
- (2) Comparative financial information in the Half Year report and appendix 4D commentary has been restated for the new lease accounting standard (AASB 16).

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**A.P. EAGERS LIMITED**  
ABN 87 009 680 013

Registered Office  
5 Edmund Street, Newstead QLD 4006  
P.O. Box 199, Fortitude Valley QLD 4006  
T (07) 3608 7100 F (07) 3608 7111  
E corporate@apeagers.com.au

The following documents for our half year ended 30 June 2019 are **attached**:

1. Half Year Report – Appendix 4D and commentary
2. Directors' Report
3. Interim Financial Report
4. Auditor's Report and Declaration of Independence

These are given to the ASX under listing rule 4.2A and are to be read in conjunction with our most recent annual financial report.

Yours faithfully  
**A.P. Eagers Limited**

A handwritten signature in dark ink, appearing to read "Denis Stark".

**Denis Stark**  
**Company Secretary**



## Appendix 4D Half Year Report and Commentary

Half year ended 30 June 2019  
(ASX listing rule 4.2A)

### A.P. Eagers delivers resilient HY performance

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A.P. Eagers Limited (ASX: APE) (AP Eagers or "the company") today announced its results for the six months ended 30 June 2019. The company reported revenue of \$2.06 billion, down 1.8% on the prior corresponding period (pcp) in spite of challenging economic conditions including subdued consumer confidence, a tighter finance market and increasing competitive pressures. According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales decreased by 8.4% in the half year to 30 June 2019.

- (1) Underlying operating adjustments include business acquisition costs \$2.93 million (2018: \$0.05 million), property revaluations nil (2018: \$0.35 million), restructuring activities \$1.08 million (2018: nil), gain on sales of assets \$2.22 million (2018: \$5.62 million), income from both AHG dividends and equity accounted share of AHG of \$4.85 million (2018: \$7.86 million), and impact of new lease accounting standard (AASB 16) \$1.07 million (2018: \$2.54 million).
- (2) Comparative financial information in the Half Year report and appendix 4D commentary has been restated for the new lease accounting standard (AASB 16).

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The company delivered Underlying operating Profit Before Tax of \$56.8 million, up 1.8% on pcp. On a statutory basis 2019 half year Net Profit Before Tax of \$58.7 million compared to a record half year Net Profit Before Tax of \$67.0 million in 2018, a decrease of 12.5% on the previous corresponding period (pcp). Net Profit After Tax for the 2019 half year was \$42.4 million as compared to \$51.1 million, a decrease of 17.0% on the pcp. Earnings per share (basic) for the 2019 half year is 21.9 cents compared to 26.4 cents on the pcp.

Commenting on the half year performance Managing Director and CEO Martin Ward said:

*“AP Eagers continues to show resilience in the face of declining national new vehicle sales across the Australian mainland. Through a relentless focus on driving efficiency and a disciplined approach to our cost base, the group was able to deliver modest operating profit growth and maintain shareholder returns at record levels.*

*“AP Eagers has a high quality asset base, and with business transformation plans well underway, we are confident we will weather the current cycle and emerge with even stronger foundations to pursue growth opportunities.*

*“Our offer for AHG is now unconditional. AHG shareholders who accept before the offer period closes will be entitled to receive the AP Eagers interim dividend announced today and participate in the scale and anticipated synergy benefits afforded by bringing the two groups together.”*

<b>Profit Comparison</b>	<b>Half Year to June 2019 \$ Million</b>	<b>RESTATED Half Year to June 2018 \$ Million</b>	<b>% Change</b>
Statutory EPS (basic) cents	21.9	26.4	(17.0%)
Statutory profit after tax	42.4	51.1	(17.1%)
<b>Statutory profit before tax</b>	<b>58.7</b>	<b>67.0</b>	<b>(12.5%)</b>
Impairment adjustments <sup>(i)</sup>			
Freehold property adjustments (reversal)	-	(0.4)	
Business acquisition costs <sup>(ii)</sup>	2.9	0.1	
Restructure costs <sup>(iii)</sup>	1.1	-	
Gain on sale of assets <sup>(iv)</sup>	(2.2)	(5.6)	
AHG investment income <sup>(v)</sup>	(4.8)	(7.9)	
New lease standard <sup>(vi)</sup>	1.1	2.5	
<b>Underlying operating profit before tax<sup>(vii)</sup></b>	<b>56.8</b>	<b>55.8</b>	<b>1.8%</b>

- (i) Represents the aggregate value of freehold property fair value adjustments (positive and negative) to the Statement of Profit or Loss.
- (ii) Business acquisition costs include taxes, legal and other costs associated with business acquisitions.
- (iii) Redundancy costs related to the restructuring of automotive division operations.
- (iv) Benefit from the sale of non-core property, businesses and investments.
- (v) Profits from AHG dividends and equity accounted share of AHG profit.
- (vi) Impact on profit of the new lease standard, effective from 1 January 2019 (AASB 16).
- (vii) Underlying operating profit before tax is a non-IFRS measure and has not been audited or reviewed in accordance with the Australian Accounting Standards.

The Company’s improved half year operating profit before tax reflects an increase for both the car and truck retailing businesses, with National Trucks at a record level. This is a very strong half year operational result for the group considering the widely reported challenges within automotive retailing during the first half of 2019.

Increased profit performance from car and truck retailing operations helped offset reduced dividend and equity accounted income from our strategic investment in Automotive Holdings Group Limited (AHG) and reduced gains on sale of non-core operations and property.

## **Dividend**

A fully franked interim dividend of 14.0 cents per share (2018: 14.0 cents) has been approved for payment on 17 October 2019 to shareholders who are registered on 26 September 2019 (Record Date).

The Company's dividend reinvestment plan (DRP) will not apply.

## **External Environment**

According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales decreased by 8.4% in the half year to 30 June 2019 as compared to the pcp.

Tasmania was the only region to experience new vehicle sales growth on the pcp, where the market was up 1.7%. The larger markets of Queensland, New South Wales and Victoria, recorded sales declines on the pcp of 7.7%, 9.6% and 9.4% respectively. The remaining markets also recorded a decline on the pcp, with South Australia down 3.5%, Western Australia down 6.6%, Northern Territory down 15.3% and Australian Capital Territory down 10.3%.

The decrease in new motor vehicles sales on pcp was experienced across all buyer types, with private sales down 8.6%, business sales down 10.0%, government sales down 3.9%, while rental sales recorded neutral growth. Luxury vehicle segment contracted from 10.9% to 10.6% of total market share, finishing 12.9% down, with all major brands down on pcp except Volvo and Lexus. While the role of plug-in hybrid and electric vehicles grew 91% it was from a very low base with traditional fuel vehicles accounting for 99% of all new vehicle sales.

Nationally, the Heavy Commercial segment recorded significant growth of 17.7%, with increases in light/medium duty trucks and heavy-duty sales of 10.6% and 34.3% respectively.

## **Strategic Developments**

AP Eagers continues to focus on the creation of long term value for shareholders, underpinned by execution of its 'NEXT 100' strategy. During the period, the group made substantial progress in a number of key areas, summarised below.

### *Engage our customers, everywhere*

- Executed sale of Newstead property portfolio as part of future auto mall strategy, again demonstrating ability to realise substantial returns on sales of our property assets while recycling into more sustainable long-term solutions. The aggregate sale of four properties will deliver \$50.1m in deferred gains to be recognised over 7-year leaseback term (\$7.1m per year).
- AP Eagers progressed the design phase of the major new automotive retailing and mobility hub on 64,124m<sup>2</sup> within Brisbane Airport's new BNE Auto Mall project.
- AP Eagers continues to develop its complementary network strategy to the Auto Mall including dedicated inner-city service and shopping centre auto mall concepts in final design stages.

### *Redefine our workforce*

- A key factor in the group's capacity to deliver an operating performance ahead of pcp was its relentless focus on business optimisation and cost reduction driven through a company-wide transformation program, referred to internally as the Business Transformation Group (BTG) initiative.

- The BTG initiative is a more cohesive and sophisticated approach to cost reduction and business improvement focused on better customer and employee outcomes, driving key income objectives while delivering a structurally lower cost base.
- This involves a total re-design of the traditional structure, roles and cost bases of our dealerships while producing a service offering that responds to evolving customer wants and needs. The BTG roll out will gather momentum in 2019 and beyond to ensure we are always able to leverage our role as the expert interface between the products and services our OEM partners provide, and the mobility demands of our customers.
- During the 2019 half year, AP Eagers reduced its headcount in order to right size the business in response to the sustained decline in new vehicle sales. The rebalance, which has been delivered without compromising income producing activities or customer satisfaction levels, will maintain AP Eagers competitive advantage in the current marketplace and will also offset input cost pressures.

#### *Deliver optimised vehicle finance solutions*

- AP Eagers is marginally up in finance penetration across both new and used cars based on our consistent internal measures of retailed new and used cars. Total income, however, decreased reflective of current external conditions on lower unit sales.
- We have delivered pockets of highly successful outcomes both in penetration and total income where we have successfully transformed the consumer offering and introduced a range of finance product offerings which underpin our business plan in F&I.
- Whilst the current lending environment and new Risk Based Pricing (RBP) model continue to offer highly transparent and ultra-competitive pricing to high quality borrowers, particularly in the new car market, there are some challenges in delivering competitive offers to lower credit quality customers.
- AP Eagers is continuing to address these factors through its BTG initiative and by developing and implementing a range of product offerings (RBP, Guaranteed Future Value, Modus, panel, joint ventures, subscription etc) to suit all customer types.
- This transition toward our long term finance penetration objective of 80% was always identified as a five-year journey. It remains a high priority and exciting growth opportunity for the group, particularly as the broader market recovers.

#### *Support innovation*

- As the industry continues to evolve the Company will further develop its alternate and complementary business activities. We remain disciplined in our investments into new businesses, making sure they meet the dual mandate of, firstly, aligning with consumer mobility wants and needs and, secondly, creating incremental shareholder value over the medium to long term.
- An example of this approach is our Carzoos used car model. With the business trading on a solid platform and continued exceptional customer feedback, we are continuing to transition more traditional AP Eagers used car operations into the model and plan to open a third store in south-east Queensland in 2020. Carzoos has also demonstrated to be an effective incubator for R&D for our BTG, underpinning innovations for wider group roll-out.

### *Reinvest with discipline*

- We will continue to be disciplined with shareholder funds and are focused on long term value creation. We believe that strong, diversified operators will provide the best distribution networks for major brands, the best service and experiences for customers and the scale required to deliver optimised finance solutions for customers.
- AP Eagers realised \$60.5 million in cashflow from assets sales during the last six months which will be redeployed to deliver accretive business acquisitions and to reduce leverage. A further \$61.0 million for the Newstead property, held for sale at 30 June, was realised in August 2019.
- During the period, AP Eagers acquired Adelaide BMW & MINI, a strategic single state franchise at an attractive price. The company will continue to capitalise on the opportunities provided by the transition occurring within the industry which is accelerating consolidation, rationalisation and restructuring opportunities.

### **Merger with Automotive Holdings Group Limited**

On 5 April 2019, AP Eagers announced an all-scrip offer to acquire all of the shares in AHG that were not already owned by it. Under the terms of offer, AHG shareholders will receive 1 AP Eagers share for every 3.6 AHG shares.

A combined AP Eagers and AHG will have the benefit of a larger, more flexible balance sheet with greater financial strength enabling the merged group to continue to invest in future growth opportunities as the industry evolves.

AP Eagers engaged constructively with the ACCC throughout the first half of the year and on 25 July 2019 was granted merger authorisation by the ACCC subject to its undertaking to divest the Klosters Motor Group business serving the Newcastle and Hunter Valley region.

Subsequent to the period end, AP Eagers declared its offer unconditional on 16 August 2019 and as at 27 August 2019 had a relevant interest in 71.88% of AHG shares.

## Results Summary

### Consolidated results

Results Summary Consolidated Results	Half Year to June 2019 \$ Million	RESTATED <sup>(i)</sup> Half Year to June 2018 \$ Million	% Change
<b>Total revenue</b>	<b>2,059.0</b>	<b>2,097.5</b>	<b>(1.8%)</b>
<b>Earnings before interest, tax, depreciation and amortisation and impairment (EBITDA)</b>	<b>103.7</b>	<b>109.6</b>	<b>(5.4%)</b>
Depreciation and Amortisation	(22.7)	(22.8)	(0.3%)
Impairment charge/net reversal	-	0.4	(100%)
<b>Earnings before interest and tax (EBIT)</b>	<b>81.0</b>	<b>87.1</b>	<b>(7.1%)</b>
Borrowing costs	(22.3)	(20.1)	10.9%
<b>Profit before tax</b>	<b>58.7</b>	<b>67.0</b>	<b>(12.5%)</b>
Income tax expense	(16.3)	(15.9)	2.5%
<b>Profit after tax</b>	<b>42.4</b>	<b>51.1</b>	<b>(17.1%)</b>
Non-controlling interest in subsidiaries	(0.7)	(0.7)	-
<b>Attributable profit after tax</b>	<b>41.7</b>	<b>50.4</b>	<b>(17.4%)</b>
Earnings per share - basic	21.9 cents	26.4 cents	(17.0%)

(i) Comparative financial information in the Half Year report and appendix 4D commentary has been restated for the new lease accounting standard (AASB 16).

### Financial Performance

On a like-for-like basis, revenue decreased by 2.2% compared to the pcp. Strong trading in the Tasmanian car division and the truck division was offset by the combined declines in Queensland, New South Wales and South Australia, with these markets impacted by tough trading conditions. Total revenue decreased by 1.8% to \$2.1 billion in the 2019 half year as a result.

EBITDA decreased by 5.4% to \$103.7 million in the 2019 half year (2018HY: \$109.6 million). Profit margins declined slightly as indicated by the EBITDA/Revenue ratio of 5.0% (2018HY: 5.2%) and the NPBT/Sales ratio of 2.8% (2018HY: 3.2%).

Borrowing costs increased by 10.9% to \$22.3 million for the 2019 half year (2018HY: \$20.1 million), reflecting a combined impact of higher average bailment and corporate debt held, partially offset by lower hedging costs and interest rates. The impact of the new lease standard on borrowing costs was marginal on the pcp, down \$0.1m to \$6.9 million. The decrease in depreciation and amortisation costs of 0.3% to \$22.7 million (2018HY: \$22.8 million) reflects the divestment of non-core properties/businesses in the first half of 2018 and 2017, offset by the impact of the new lease standard on the pcp, up \$0.7 million to \$15.5 million.

Profit before tax for the 2019 half year was impacted by the AHG Board not declaring a dividend for the six months to 31 December 2018, compared to dividend income of \$7.9 million in the pcp. The impact was partially offset by AP Eagers equity accounting its investment in AHG from 1 May 2019, with the company recognising its 28.84% share of AHG's attributable Net Profit After Tax, adjusted to align AHG's accounting policies to the Group's and exclusion of non-cash impairment and unusual items assessed as pre-dating the date of exercise of significant influence, equating to a contribution of \$4.8 million to AP Eagers Net Profit After Tax for the period.



### Segments <sup>(3)</sup>

Profit before tax from our Car Retail segment for the half year was \$48.5 million, an increase from \$47.2 million for the period ended 30 June 2018<sup>(4)</sup>. Underlying Operating Profit before tax for the Car Retail segment was \$48.6 million in 2019 (excludes \$1.0 million profit on sale of business and \$1.1 million in one-off restructuring costs), an increase from \$45.1 million in 2018 (excludes \$2.1 million profit on sale of business).

On a like-for-like basis, revenue decreased by 2.5%, with the decrease primarily attributable to combined declines in Queensland, New South Wales and South Australia, with these markets impacted by tough trading conditions. The company's parts and service businesses continued to deliver strong trading results.

The National Truck division delivered another record result of \$5.1 million before tax compared to \$5.0 million for the pcp, reflecting strong performance in all departments including improved results from the new truck division and service division. Revenue increased by 3.6% driven by product sales mix.

The value of the property portfolio decreased to \$281 million at 30 June 2019 compared with \$332 million as at 31 December 2018. The sale of three properties at Newstead, QLD and the execution of an unconditional contract for the sale of a fourth Newstead property during the 2019 half year is a key step in the execution of AP Eagers' 'Next100' future growth strategy, aligning with our move to the Brisbane Auto Mall. The fourth property has been classified as an asset held for sale. The Company also divested a vacant property in Victoria and purchased one property during the period in Albion, QLD.

The Property segment profit contribution of \$6.6 million before tax for the half year was lower than the pcp of \$9.3 million. Gains on sale and revaluation of properties were \$1.2 million, down \$2.7 million on the pcp.

The Investment segment registered a profit before tax of \$80.5 million for the half year compared to a loss of \$59.5 million for the pcp, due primarily to an unrealised revaluation gain on the AHG investment of \$80.3 million. This reflected an AHG closing share price of \$2.40 per share on the date the Company equity accounted our investment compared with \$1.56 as at 31 December 2018.

As at 30 June 2019, the 28.84% strategic investment in AHG had a carrying value of \$234.4 million.

### **Financial Position**

The Company's financial position remains very strong. The application of the new lease standard (AASB 16), effective from 1 January 2019, has resulted in significant changes to our corporate debt ratios, driven by the first-time recognition of lease liabilities, and rent expense on long term leases now being recognised as interest and depreciation charges. The new standard does not impact underlying shareholder value, cash flows, or the Company's bank covenants.

EBITDA Interest Cover (EBITDA/Borrowing costs) restated for AASB 16 was 4.6 times as at 30 June 2019 compared to 5.3 times as at December 2018 and 5.4 times at 30 June 2018.

Corporate debt (Term and Capital Loan Facility) net of cash on hand was significantly lower at \$209.6 million as at 30 June 2019 (31 December 2018: \$295.1 million) and total debt including vehicle bailment and lease liabilities, net of cash on hand was higher at \$1,177.9 million as compared to \$1,137.4 million as at 31 December 2018.

Total gearing (Debt /Debt + Equity), including bailment inventory financing and lease liabilities, was 62.7% as at 30 June 2019, as compared to 64.1% as at 31 December 2018. Bailment finance is cost effective short-term finance secured against vehicle inventory on a vehicle by vehicle basis. Gearing excluding bailment and lease liabilities, but including cash on hand, was 22.6% as at 30 June 2019, compared to 31.0% as at 31 December 2018.

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

Total inventory levels increased to \$712.1 million at 30 June 2019, up from \$690.2 million at 31 December 2018.

Net tangible assets were \$1.99 per share as at 30 June 2019, as compared to \$1.68 per share at 31 December 2018, due to higher valuation of the AHG investment at 30 June 2019.

The Company maintained a strong cash position with net cash provided by operating activities increasing by \$14.9 million to \$113.5 million in the six months to June 2019 (June 2018: \$98.6 million). In addition to the strong cash flow from operations, the increase was driven by four key items totalling \$13.2 million. Firstly, tax payments decreased by \$9.0 million to \$16.3 million in the six months to June 2019, primarily driven by a large balancing tax payment made in the first half of 2018 which arose from a lower tax instalment rate in 2017. Secondly, in the six months to June 2019, the Company utilised a used vehicle floorplan facility, which had a favourable impact on operating cashflows of \$15.0 million. These favourable movements were offset with the unfavourable impact of no AHG dividend received (June 2018: \$7.9 million), combined with a decrease in insurance payments received of \$6.0m to \$1.8 million in the six months to June 2019.

## Outlook

AP Eagers has a high quality asset base that ensures the company is well positioned to continue to deliver in the current market conditions. With the business transformation and ongoing improvement initiatives well advanced, we are confident of emerging from the current cycle with even stronger foundations to pursue growth opportunities.

Strategically, we remain focused on being Australia's leading automotive retail partner while continuing to drive value from existing business through process improvement, operating synergies, portfolio management and organic growth.

Our NEXT100 strategy is not reliant on any improvement in the external market environment, as such any improvement in the macroeconomic conditions would significantly accelerate the company's growth trajectory.

We will continue to execute on acquisition opportunities that strengthen our position as a leader in integrated mobility solutions for the next 100 years. Importantly in this regard, the merger of AP Eagers and AHG, two highly complementary businesses, will create Australia's leading automotive group with greater scale, geographical diversification and an enhanced brand portfolio.

Together, the merged group is expected to be better placed to meet the needs of its customers and manufacturing partners now and into the future. If AP Eagers is successful in securing 100% ownership of AHG, management's near term focus will be on delivering the targeted \$30 million in synergies over the next 12 months while capitalising on the opportunities that are available by combining both groups under our strategy, management expertise and track record of execution.



**Martin Ward**  
**Managing Director**

29 August 2019

**For more information:**

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**AP Eagers First Half 2019 Analyst and Investor Call – 10am Thursday 29 August 2019**

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**Webcast link:** <https://edge.media-server.com/mmc/go/ap-eagers-hyr19/>

Note: All national sales figures are based on Federal Chamber of Automotive Industry statistics sourced through VFACTS.

# Appendix 4D

## Half year report

### 1. Company details

Name of entity

A.P. Eagers Limited

ABN or equivalent company reference

87 009 680 013

Half year ended ('current period')

30 June 2019

Half year ended ('previous period')

30 June 2018

### 2. Results for announcement to the market

\$A'000's

2.1	Revenues from ordinary activities	Down	1.8%	to	2,059,025
2.2	Net profit (loss) for the period	Down	17.1%	to	42,372
2.3	Net profit (loss) for the period attributable to members	Down	17.4%	to	41,662
2.4	<b>Dividends</b>	Amount per security	Franked amount per security		
	Interim dividend declared	14.0 cents	14.0 cents		
2.5	+Record date for determining entitlements to the dividend.	26 September 2019			
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.				
	<b>Refer attached commentary. Comparative financial information restated for impact of the new lease accounting standard (AASB 16).</b>				

### 3. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per <sup>+</sup> ordinary security	\$1.99	\$2.16

#### 4.1 Control gained over entities

Name of entity (or group of entities)	N/A		
Date control gained	N/A		
Contribution of such entities to the reporting entity's profit/ (loss) before tax, and internal rent from ordinary activities during the period (where material).	N/A		
Profit(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.	N/A		

#### 4.2 Loss of control over entities

Name of entity (or group of entities)	N/A		
Date control lost	N/A		
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A		
Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	N/A		

### 5 Dividends

#### Individual dividends per security

		Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	<b>Interim dividend:</b> Current year	17/10/2019	14.0¢	14.0¢	Nil¢
	Previous year	05/10/2018	14.0¢	14.0¢	Nil¢

## 6 Dividend Reinvestment Plans

The <sup>+</sup>dividend or distribution plans shown below are in operation.

The A.P. Eagers Limited Dividend Reinvestment Plan will not apply to the interim dividend.

The last date(s) for receipt of election notices for the <sup>+</sup>dividend or distribution plans

## 7 Details of associates and joint venture entities

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to Net profit/(loss) (where material)	
	Current Period	Previous corresponding period	Current Period \$'000	Previous corresponding period \$'000
Norna Limited (formerly MTA Insurance Services Limited)	20.65%	20.65%	Nil	Nil
DealerMotive Limited	25.46%	25.46%	(64)	Nil
Automotive Holdings Group Limited	28.84%	25.84%	4,847	Nil

**Group's aggregate share of associates' and joint venture entities' profits/(losses) (where material):**

	Current period \$A'000	Previous corresponding period - \$A'000
Profit/(loss) from ordinary activities before tax	4,783	-
Income tax on ordinary activities	-	-
<b>Profit/(loss) from ordinary activities after tax</b>	4,783	-
Extraordinary items net of tax	-	-
<b>Net profit/(loss)</b>	4,783	-
Adjustments	-	-
<b>Share of net profit/(loss) of associates and joint venture entities</b>	4,783	-

Sign here:



Date: 29 August 2019

(Director)

Print name:

Martin Ward

**A.P. EAGERS LIMITED** ACN 009 680 013  
**DIRECTORS' REPORT**

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The Directors present their report on the consolidated entity consisting of A.P. Eagers Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2019.

**Directors**

T B Crommelin, N G Politis, M A Ward, D T Ryan, D A Cowper, M J Birrell and S A Moore were Directors of A.P. Eagers Limited during the whole of the half year and they continue in office at the date of this report.

**Review of Operations and Results**

The consolidated entity achieved a net profit after tax of \$42.4 million for the half year ended 30 June 2019 (2018HY<sup>(1)</sup>: \$51.1 million). Further review of the consolidated entity's operations during the half year and the results of those operations are included in pages 1 to 9 of the commentary at the front of this report.

**Dividend**

The Board has determined that a fully franked interim dividend of 14.0 cents per share (2018: 14.0 cents) will be payable on 17 October 2019 to shareholders registered on 26 September 2019 (the Record Date).

The company's dividend reinvestment plan (DRP) will not operate in relation to the interim dividend.

**Auditor's Independence Declaration**

A copy of the Auditor's independence declaration under section 307C of the Corporations Act 2001 is **attached**.

**Rounding of Amounts to Nearest Thousand Dollars**

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

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



**Martin Ward**  
**Director**

Brisbane  
29 August 2019

(1) Comparative financial information in the Half Year report and appendix 4D commentary has been restated for the new lease accounting standard (AASB 16).

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

29 August 2019

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 review of the financial statements of A.P. Eagers Limited for the half-year ended 30 June 2019, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**Stephen Tarling**  
Partner  
Chartered Accountants



**A.P. Eagers Limited**

ABN 87 009 680 013

**Interim financial report  
30 June 2019**

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that A.P. Eagers Limited 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 giving a true and fair view of A.P. Eagers Limited's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



M A Ward  
Director

Brisbane  
29 August 2019

**A.P. Eagers Limited**  
**Condensed Consolidated Statement of Profit or Loss**  
**For the half-year ended 30 June 2019**

	Notes	Half-year ended	
		30 June 2019 \$'000	Restated 1 July 2018 \$'000
Revenue	4	2,059,025	2,097,506
Other gains		6,336	5,968
Changes in inventories of finished goods and work in progress		21,955	10,009
Raw materials and consumables used		(1,738,478)	(1,753,866)
Employee benefits expense		(161,370)	(163,103)
Finance costs		(22,337)	(20,139)
Depreciation and amortisation expense		(22,702)	(22,770)
Other expenses		(88,562)	(86,597)
Share of net profits of associates accounted for using the equity method	10	4,783	-
<b>Profit before income tax</b>		<b>58,650</b>	<b>67,008</b>
Income tax expense		(16,278)	(15,879)
<b>Profit for the period</b>		<b>42,372</b>	<b>51,129</b>
<b>Attributable to:</b>			
Owners of the parent		41,662	50,419
Non-controlling interests		710	710
		<b>42,372</b>	<b>51,129</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share (cents per share)		21.9	26.4
Diluted earnings per share (cents per share)		21.6	26.0

*The above Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes. Refer to Note 1 for further details on 1 July 2018 restatement.*

**A.P. Eagers Limited**  
**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 30 June 2019**

	<b>Half-year ended</b>	
	<b>30 June</b>	Restated
	<b>2019</b>	1 July
	<b>\$'000</b>	2018
		<b>\$'000</b>
<b>Profit for the period</b>	<b>42,372</b>	51,129
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Fair value gain arising from cash flow hedges during the year	<b>25</b>	66
Income tax expense	<b>(7)</b>	(19)
	<b>18</b>	47
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of financial assets at fair value through other comprehensive income	<b>80,331</b>	(65,655)
Income tax (expense)/benefit	<b>(21,545)</b>	19,696
	<b>58,786</b>	(45,959)
<b>Total other comprehensive income/(loss) for the period, net of tax</b>	<b>58,804</b>	(45,912)
<b>Total comprehensive income for the period</b>	<b>101,176</b>	5,217
<b>Total comprehensive income is attributable to:</b>		
Owners of the parent	<b>100,466</b>	4,507
Non-controlling interests	<b>710</b>	710
	<b>101,176</b>	5,217

*The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. Refer to Note 1 for further details on 1 July 2018 restatement.*

**A.P. Eagers Limited**  
**Condensed Consolidated Statement of Financial Position**  
**As at 30 June 2019**

	<b>30 June 2019 \$'000</b>	Restated 1 January 2019 \$'000	Restated 1 July 2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	35,823	18,868	41,552
Trade and other receivables	198,059	156,286	177,398
Inventories	712,148	690,167	662,661
Prepayments and deposits	12,344	12,617	11,950
Assets classified as held for sale	5 34,339	-	-
<b>Total current assets</b>	<b>992,713</b>	<b>877,938</b>	<b>893,561</b>
<b>Non-current assets</b>			
Other loans receivable	6,703	8,303	8,089
Financial assets at fair value through other comprehensive income	588	149,774	244,843
Investments in associates	10 244,758	12,077	12,000
Property, plant and equipment	339,821	388,407	354,978
Deferred tax assets	39,075	26,766	29,327
Intangible assets	319,638	313,325	310,646
Right-of-use assets	1 215,927	222,760	231,210
<b>Total non-current assets</b>	<b>1,166,510</b>	<b>1,121,412</b>	<b>1,191,093</b>
<b>Total assets</b>	<b>2,159,223</b>	<b>1,999,350</b>	<b>2,084,654</b>
<b>Current liabilities</b>			
Trade and other payables	172,809	145,919	180,877
Derivative financial instruments	11	35	72
Borrowings - bailment and other current loans	662,101	571,615	580,861
Current tax liabilities	29,028	2,190	7,773
Provisions	50,634	48,481	48,585
Lease liabilities	1 48,006	44,596	40,876
Other current liabilities	25,941	5,862	6,088
<b>Total current liabilities</b>	<b>988,530</b>	<b>818,698</b>	<b>865,132</b>
<b>Non-current liabilities</b>			
Borrowings	244,043	312,614	254,285
Provisions	4,846	5,052	5,214
Lease liabilities	1 222,408	207,906	217,282
Other	-	19,422	19,021
<b>Total non-current liabilities</b>	<b>471,297</b>	<b>544,994</b>	<b>495,802</b>
<b>Total liabilities</b>	<b>1,459,827</b>	<b>1,363,692</b>	<b>1,360,934</b>
<b>Net assets</b>	<b>699,396</b>	<b>635,658</b>	<b>723,720</b>
<b>Equity</b>			
Contributed equity	371,405	371,405	371,405
Reserves	(70,226)	(124,306)	(16,512)
Retained earnings	390,871	380,557	361,734
Equity attributable to equity owners of the parent	<b>692,050</b>	<b>627,656</b>	<b>716,627</b>
Non-controlling interests	7,346	8,002	7,093
<b>Total equity</b>	<b>699,396</b>	<b>635,658</b>	<b>723,720</b>

*The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. Refer to Note 1 for further details on 1 July 2018 and 1 January 2019 restatement.*

**A.P. Eagers Limited**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the half-year ended 30 June 2019**

Notes	Issued capital \$'000	Asset revaluation reserve \$'000	Hedging reserve \$'000	Share-based payments reserve \$'000	Investment revaluation reserve \$'000	Retained earnings \$'000	Attributable to equity holders of the parent \$'000	Non-controlling interests \$'000	Total \$'000
<b>Balance at 1 January 2018</b>	369,028	52,728	(97)	(34,368)	19,868	367,855	775,014	10,761	785,775
Adjustment on adoption of AASB 16 (net of tax)	-	-	-	-	-	(16,328)	(16,328)	-	(16,328)
Restated total equity at the beginning of the financial period	<b>369,028</b>	<b>52,728</b>	<b>(97)</b>	<b>(34,368)</b>	<b>19,868</b>	<b>351,527</b>	<b>758,686</b>	<b>10,761</b>	<b>769,447</b>
Profit for the period restated	-	-	-	-	-	50,419	50,419	710	51,129
Other comprehensive income	-	-	47	-	(45,959)	-	(45,912)	-	(45,912)
Total comprehensive income for the period	-	-	<b>47</b>	<b>-</b>	<b>(45,959)</b>	<b>50,419</b>	<b>4,507</b>	<b>710</b>	<b>5,217</b>
Share based payments expense	-	-	-	316	-	-	316	-	316
Transfer to retained earnings	-	(2,832)	-	-	-	2,832	-	-	-
Income tax on items taken to or transferred directly from equity	-	-	-	223	-	-	223	-	223
Shares issued pursuant to staff share plan	2,377	-	-	(2,377)	-	-	-	-	-
Shares acquired by employee share trust	-	-	-	(5,612)	-	-	(5,612)	-	(5,612)
Dividends provided for or paid	-	-	-	-	-	(43,044)	(43,044)	(2,041)	(45,085)
Payments received from employees for exercised shares	-	-	-	1,551	-	-	1,551	-	1,551
Purchase of shares for non-controlling interests	-	-	-	-	-	-	-	(2,337)	(2,337)
	<b>2,377</b>	<b>(2,832)</b>	<b>-</b>	<b>(5,899)</b>	<b>-</b>	<b>(40,212)</b>	<b>(46,566)</b>	<b>(4,378)</b>	<b>(50,944)</b>
Balance at 30 June 2018 Restated	<b>371,405</b>	<b>49,896</b>	<b>(50)</b>	<b>(40,267)</b>	<b>(26,091)</b>	<b>361,734</b>	<b>716,627</b>	<b>7,093</b>	<b>723,720</b>
<b>Balance at 1 January 2019</b>	371,405	56,820	(25)	(49,628)	(131,473)	401,377	648,476	8,002	656,478
Adjustment on adoption of AASB 16 (net of tax)	-	-	-	-	-	(20,820)	(20,820)	-	(20,820)
Restated total equity at the beginning of the financial period	<b>371,405</b>	<b>56,820</b>	<b>(25)</b>	<b>(49,628)</b>	<b>(131,473)</b>	<b>380,557</b>	<b>627,656</b>	<b>8,002</b>	<b>635,658</b>
Profit for the period	-	-	-	-	-	41,662	41,662	710	42,372
Other comprehensive income	-	-	18	-	58,786	-	58,804	-	58,804
Total comprehensive income for the period	-	-	<b>18</b>	<b>-</b>	<b>58,786</b>	<b>41,662</b>	<b>100,466</b>	<b>710</b>	<b>101,176</b>
Shares acquired by employee share trust	-	-	-	(38)	-	-	(38)	-	(38)
Dividends provided for or paid	-	-	-	-	-	(43,045)	(43,045)	(1,366)	(44,411)
Payments received from employees for exercised shares	-	-	-	227	-	-	227	-	227
Income tax on items taken to or transferred directly from equity	-	-	-	6,784	-	-	6,784	-	6,784
Transfer to retained earnings	-	(11,697)	-	-	-	11,697	-	-	-
	<b>-</b>	<b>(11,697)</b>	<b>-</b>	<b>6,973</b>	<b>-</b>	<b>(31,348)</b>	<b>(36,072)</b>	<b>(1,366)</b>	<b>(37,438)</b>
Balance at 30 June 2019	<b>371,405</b>	<b>45,123</b>	<b>(7)</b>	<b>(42,655)</b>	<b>(72,687)</b>	<b>390,871</b>	<b>692,050</b>	<b>7,346</b>	<b>699,396</b>

*The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. Refer to Note 1 for further details on 30 June 2018 restatement.*

**A.P. Eagers Limited**  
**Condensed Consolidated Statement of Cash Flows**  
**For the half-year ended 30 June 2019**

	<b>Half-year ended</b>	
	<b>30 June</b>	Restated
	<b>2019</b>	1 July
Notes	<b>\$'000</b>	2018
	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	<b>2,227,210</b>	2,276,593
Payments to suppliers and employees (inclusive of GST)	<b>(2,077,374)</b>	(2,148,520)
Receipts from insurance claims	<b>1,804</b>	7,830
Interest and other costs of finance paid	<b>(22,028)</b>	(20,139)
Income taxes paid	<b>(16,269)</b>	(25,128)
Dividends received	<b>-</b>	7,857
Interest received	<b>112</b>	80
<b>Net cash provided by operating activities</b>	<b>113,455</b>	98,573
<b>Cash flows from investing activities</b>		
Payment for acquisition of businesses - net of cash acquired	<b>(8,670)</b>	(2,009)
Payments for property, plant and equipment	<b>(26,024)</b>	(8,514)
Proceeds from sale of businesses	<b>1,362</b>	1,850
Proceeds from sale of property, plant and equipment	<b>60,379</b>	17,895
Proceeds from return on capital	<b>760</b>	-
Payments for shares in other corporations	<b>-</b>	(22,466)
<b>Net cash provided by/(used in) investing activities</b>	<b>27,807</b>	(13,244)
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	<b>227</b>	1,551
Payments for shares acquired by the trust	<b>(38)</b>	(5,612)
Proceeds from borrowings	<b>5,000</b>	36,000
Repayment of borrowings	<b>(86,898)</b>	(41,981)
Transactions with non-controlling interests	<b>735</b>	(1,100)
Dividends paid to members of A.P. Eagers Limited	<b>(43,045)</b>	(43,044)
Dividends paid to minority shareholders of a subsidiary	<b>(288)</b>	(418)
<b>Net cash used in financing activities</b>	<b>(124,307)</b>	(54,604)
<b>Net increase in cash and cash equivalents</b>	<b>16,955</b>	30,725
Cash and cash equivalents at the beginning of the financial year	<b>18,868</b>	10,827
<b>Cash and cash equivalents at end of period</b>	<b>35,823</b>	41,552

*The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. Refer to Note 1 for further details on 30 June 2018 restatement.*

## **1 Significant accounting policies**

### **Statement of compliance**

The condensed consolidated half-year report ("half-year report") is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by A.P. Eagers Limited ("Company", "the Group") during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### **Basis of preparation**

The condensed consolidated half-year report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The Company is an entity of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the directors' report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### **(a) New accounting standards and interpretations**

#### **(i) AASB 16 Leases**

In the current year, the Group has applied AASB 16 *Leases* ("AASB 16") for the first time.

AASB 16 supersedes AASB 117 *Leases* ("AASB 117"). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remain largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The Group adopted AASB 16 using the full retrospective method of adoption with 1 January 2019 being the date of initial application.

#### **Impact of the new definition of a lease**

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases, applying AASB 117 at the date of initial application. Therefore, the definition of a lease in accordance with AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* will continue to be applied for those leases entered into or modified before 1 January 2019.

The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and the lease contracts for which the underlying asset is of low value ('low-value assets').

The change to the definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.



## **1 Significant accounting policies (continued)**

### **(a) New accounting standards and interpretations (continued)**

#### **(i) AASB 16 Leases (continued)**

##### *Former operating leases*

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- (i) recognises right-of-use assets and lease liabilities in the condensed consolidated statement of financial position, initially measured at the present value of future lease payments;
- (ii) recognises depreciation of right-of-use assets and interest on lease liabilities in the condensed consolidated statement of profit or loss; and
- (iii) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the condensed consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value asset (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

##### *Former finance leases*

The main difference between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by the lessee to a lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have a material effect on the Group's consolidated financial statements.

#### **Impact on lessor accounting**

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as AASB 117. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. The Group is not party to any material lease agreements as lessor, and therefore implementation of AASB 16 has not resulted in any required changes to the financial statements and its disclosures.

#### **Financial impact of the initial application of AASB 16**

The Group holds the following types of leases

- (1) Property Leases
- (2) Machinery/Equipment Leases
- (3) Motor Vehicle Leases

The Group has determined that the impact of adopting AASB 16 is immaterial for Machinery/Equipment Leases and Motor Vehicle Leases, and therefore the only transition adjustments made to the Groups financial statements and its disclosures relate to Property Leases.

## 1 Significant accounting policies (continued)

### (a) New accounting standards and interpretations (continued)

#### (i) AASB 16 Leases (continued)

(a) Adjustments recognised on adoption of AASB 16

The tables below show the impact AASB 16 has had on the half-year ended 30 June 2019:

#### Impact on Condensed Consolidated Statement of Profit or Loss For the half-year ended 30 June 2019

	Impact of AASB 16 \$'000
Revenue and Other gains	600
Depreciation and amortisation expense	(15,537)
Finance costs	(6,905)
Other expenses	20,775
<b>Profit before income tax</b>	<b>(1,067)</b>
<b>Earnings per share:</b>	<b>Cents</b>
Basic earnings per share	(0.6)
Diluted earnings per share	(0.6)

#### Impact on Condensed Consolidated Statement of Financial Position As at 30 June 2019

	Impact of AASB 16 \$'000
<b>Non-current assets</b>	
Right-of-use asset	215,927
Deferred tax asset	16,346
<b>Total assets</b>	<b>232,273</b>
<b>Current liabilities</b>	
Lease liabilities	48,006
Other current liabilities	(3,441)
<b>Non-current liabilities</b>	
Lease liabilities	222,408
Other non-current liabilities	(20,242)
<b>Total liabilities</b>	<b>246,731</b>
<b>Net assets/(liabilities)</b>	<b>(14,458)</b>

## 1 Significant accounting policies (continued)

### (a) New accounting standards and interpretations (continued)

#### (i) AASB 16 Leases (continued)

#### Impact on Condensed Consolidated Statement of Cash Flows For the half-year ended 30 June 2019

	Impact of AASB 16 \$'000
<b>Cash flows from operating activities</b>	
Payments to suppliers and employees	20,802
Interest and other costs of finance paid	(6,905)
<b>Net cash provided by operating activities</b>	<b>13,897</b>
<b>Cash flows from financing activities</b>	
Repayment of borrowings	(13,897)
<b>Net cash used in financing activities</b>	<b>(13,897)</b>
<b>Net impact on cash and cash equivalents</b>	<b>-</b>

As the Group have elected to use the full retrospective method, comparatives have been restated to adjust for the impact of AASB 16. The tables below show the impact of AASB 16 on the originally reported balances:

	As originally presented \$'000	Adjustments arising from AASB 16 \$'000	Restated \$'000
<b>Condensed Consolidated Statement of Profit or Loss For the half-year ended 1 July 2018</b>			
Revenue and Other gains	2,103,474	-	2,103,474
Depreciation and amortisation expense	(7,977)	(14,793)	(22,770)
Finance costs	(13,089)	(7,050)	(20,139)
Aggregated other expenses	(2,012,864)	19,307	(1,993,557)
<b>Profit before income tax</b>	<b>69,544</b>	<b>(2,536)</b>	<b>67,008</b>

## 1 Significant accounting policies (continued)

### (a) New accounting standards and interpretations (continued)

#### (i) AASB 16 Leases (continued)

Condensed Consolidated Statement of Financial Position As at 1 January 2019	As originally presented \$'000	Adjustments arising from AASB 16 \$'000	Restated \$'000
<b>Current assets</b>			
Other current assets	877,938	-	877,938
<b>Non-current assets</b>			
Right-of-use assets	-	222,760	222,760
Deferred tax assets	17,844	8,922	26,766
Other non-current assets	871,886	-	871,886
<b>Total assets</b>	<b>1,767,668</b>	<b>231,682</b>	<b>1,999,350</b>
<b>Current liabilities</b>			
Lease liabilities	-	44,596	44,596
Other current liabilities	774,102	-	774,102
<b>Non-current liabilities</b>			
Lease liabilities	-	207,906	207,906
Other non-current liabilities	337,088	-	337,088
<b>Total liabilities</b>	<b>1,111,190</b>	<b>252,502</b>	<b>1,363,692</b>
<b>Net assets/(liabilities)</b>	<b>656,478</b>	<b>(20,820)</b>	<b>635,658</b>
<b>Equity</b>			
Retained earnings	401,377	(20,820)	380,557
Other equity	255,101	-	255,101
<b>Total equity</b>	<b>656,478</b>	<b>(20,820)</b>	<b>635,658</b>

## 1 Significant accounting policies (continued)

### (a) New accounting standards and interpretations (continued)

#### (i) AASB 16 Leases (continued)

Condensed Consolidated Statement of Cash Flows For the half-year ended 1 July 2018	As originally presented \$'000	Adjustments arising from AASB 16 \$'000	Restated \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees	(2,167,827)	19,307	(2,148,520)
Interest and other costs of finance paid	(13,089)	(7,050)	(20,139)
Other cash flows from operating activities	2,267,232	-	2,267,232
<b>Net cash provided by operating activities</b>	<b>86,316</b>	<b>12,257</b>	<b>98,573</b>
<b>Cash flows from investing activities</b>			
Other cash flows used in investing activities	(13,244)	-	(13,244)
<b>Net cash used in investing activities</b>	<b>(13,244)</b>	<b>-</b>	<b>(13,244)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(29,724)	(12,257)	(41,981)
Other cash flows used in financing activities	(12,623)	-	(12,623)
<b>Net cash used in financing activities</b>	<b>(42,347)</b>	<b>(12,257)</b>	<b>(54,604)</b>
<b>Net impact on cash and cash equivalents</b>	<b>30,725</b>	<b>-</b>	<b>30,725</b>

Condensed Consolidated Statement of Changes in Equity For the half-year ended 30 June 2018	As originally presented \$'000	Adjustments arising from AASB 16 \$'000	Restated \$'000
<b>Balance at 1 January 2018</b>	367,855	(16,328)	351,527
Profit for the period	52,955	(2,536)	50,419
Other equity movements	(40,212)	-	(40,212)
<b>Closing balance 30 June 2018</b>	<b>380,598</b>	<b>(18,864)</b>	<b>361,734</b>

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

#### The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

## 1 Significant accounting policies (continued)

### (a) New accounting standards and interpretations (continued)

#### (i) AASB 16 Leases (continued)

##### (a) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit on the lease is not readily determinable. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security over the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability is presented as a separate line in the consolidated statement of financial position.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduce for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

##### (b) Right-of-use assets

The Group recognises right-of-use assets at cost at the commencement date of the lease (i.e., the date the underlying assets is available for use).

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Right-of-use assets are subject to impairment in accordance with AASB 136 *Impairment of Assets*. Any identified impairment loss is accounted for in line with our accounting policy for 'Property, plant and equipment'.

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of Property, Machinery/Equipment and Motor Vehicles (i.e., those leases that have a lease of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

## 1 Significant accounting policies (continued)

### (a) New accounting standards and interpretations (continued)

#### (i) AASB 16 Leases (continued)

#### (d) Sale and Leaseback transactions

Where the Group enters into a sale and leaseback transaction, the Group firstly applies the requirements of AASB 15 *Revenue from Contracts with Customers* to determine whether control has passed, and whether the transfer is account for as a sale. Further, when the Group enters into a sale and leaseback transaction and the fair value of the consideration for the sale of the property does not equal the fair value of the asset, or the payments for the lease are not at market rates, the following adjustments are made to measure the sale proceeds at fair value:

- (i) any below market terms are accounted for as a prepayment of lease payments; and
- (ii) any above market terms are accounted for as additional financing provided by the buyer-lessor to the Group.

#### (e) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its property leases to lease the asset for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## 2 Dividends

<b>Half-year ended</b>	
<b>30 June</b>	<b>30 June</b>
<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>

### Ordinary shares

Dividends paid during the half-year	<b>43,045</b>	43,044
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### Dividends not recognised at the end of the half-year

Since the end of the half-year the Directors have determined the payment of an interim dividend of 14 cents (2018 - 14 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. As at Tuesday the 27 August 2019, the aggregate amount of the interim dividend expected to be paid on 17 October 2019 out of retained profits at the end of the half-year, but not recognised as a liability, including all shares yet to be issued, is:

	<b>32,334</b>	26,783
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### **3 Segment information**

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

The consolidated entity operates in four operating and reporting segments being (i) Car Retailing (ii) Truck Retailing (iii) Property and (iv) Investments, these being identified on the basis of being the components of the consolidated entity that are regularly reviewed by the chief decision maker for the purpose of resource allocation and assessment of segment performance.

Information regarding the consolidated entity's reporting segments is presented below:

#### **(i) Car Retailing**

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

#### **(ii) Truck Retailing**

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

#### **(iii) 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 both the Car Retailing segment and Truck Retailing segment commercial rent for owned properties occupied by that segment. The Property segment reports property assets at fair value, based on annual assessments by the directors supported by periodic, but at least triennial, valuations by external independent valuers. Revaluation increments arising from fair value adjustments are reported internally and assessed by the chief operating decision maker as profit adjustments in assessing the overall returns generated by this segment to the consolidated entity.

#### **(iv) Investments**

This segment includes the investments in DealerMotive Limited and Automotive Holdings Group Limited ("AHG Limited").



### 3 Segment information (continued)

<u>6 months ended 30 June 2019</u>	Car Retailing \$'000	Truck Retailing \$'000	Property \$'000	Investments \$'000	Eliminations \$'000	Consolidated \$'000
Sales to external customers	1,846,732	211,673	620	-	-	2,059,025
Inter-segment sales	-	-	11,570	-	(11,570)	-
<b>TOTAL REVENUE</b>	<b>1,846,732</b>	<b>211,673</b>	<b>12,190</b>	<b>-</b>	<b>(11,570)</b>	<b>2,059,025</b>
<b>SEGMENT RESULT</b>						
Operating profit before interest	63,414	6,832	9,408	-	-	79,654
External interest expense allocation	(14,858)	(1,719)	(4,041)	(1,719)	-	(22,337)
<b>OPERATING CONTRIBUTION</b>	<b>48,556</b>	<b>5,113</b>	<b>5,367</b>	<b>(1,719)</b>	<b>-</b>	<b>57,317</b>
Share of net profit of equity accounted investments	-	-	-	4,783	-	4,783
Business acquisition costs	-	-	-	(2,933)	-	(2,933)
Investment revaluation	-	-	-	80,331	(80,331)	-
Profit on sale of property/businesses	1,008	-	1,208	-	-	2,216
Business restructuring costs	(1,088)	-	-	-	-	(1,088)
<b>SEGMENT PROFIT</b>	<b>48,476</b>	<b>5,113</b>	<b>6,575</b>	<b>80,462</b>	<b>(80,331)</b>	<b>60,295</b>
Unallocated corporate expenses						(1,645)
<b>PROFIT BEFORE TAX</b>						<b>58,650</b>
Income tax expense						(16,278)
<b>NET PROFIT</b>						<b>42,372</b>
Depreciation and amortisation	19,092	1,754	1,856	-	-	22,702
<b>ASSETS</b>						
Segment assets	1,465,719	133,313	315,531	244,660	-	2,159,223
<b>LIABILITIES</b>						
Segment liabilities	1,084,601	127,458	124,064	123,704	-	1,459,827
<b>NET ASSETS</b>	<b>381,118</b>	<b>5,855</b>	<b>191,467</b>	<b>120,956</b>	<b>-</b>	<b>699,396</b>
Acquisitions of non-current assets	25,128	2,144	20,475	-	-	47,747

### 3 Segment information (continued)

<b>6 months ended 30 June 2018</b> <b>Restated</b>	<b>Car Retailing \$'000</b>	<b>Truck Retailing \$'000</b>	<b>Property \$'000</b>	<b>Investments \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
Sales to external customers	1,885,085	204,392	172	7,857	-	2,097,506
Inter-segment sales	-	-	12,064	-	(12,064)	-
<b>TOTAL REVENUE</b>	<b>1,885,085</b>	<b>204,392</b>	<b>12,236</b>	<b>7,857</b>	<b>(12,064)</b>	<b>2,097,506</b>
<b>SEGMENT RESULT</b>						
Operating profit before interest	58,866	6,198	8,968	7,857	-	81,889
External interest expense allocation	(13,732)	(1,165)	(3,534)	(1,708)	-	(20,139)
<b>OPERATING CONTRIBUTION</b>	<b>45,134</b>	<b>5,033</b>	<b>5,434</b>	<b>6,149</b>	<b>-</b>	<b>61,750</b>
Investment revaluation	-	-	-	(65,655)	65,655	-
Property revaluation	-	-	351	-	-	351
Profit on sale of property/businesses	2,059	-	3,558	-	-	5,617
<b>SEGMENT PROFIT</b>	<b>47,193</b>	<b>5,033</b>	<b>9,343</b>	<b>(59,506)</b>	<b>65,655</b>	<b>67,718</b>
Unallocated corporate expenses						(710)
<b>PROFIT BEFORE TAX</b>						<b>67,008</b>
Income tax expense						(15,879)
<b>NET PROFIT</b>						<b>51,129</b>
Depreciation and amortisation	19,584	1,368	1,818	-	-	22,770
<b>ASSETS</b>						
Segment assets	1,406,827	124,886	279,968	272,973	-	2,084,654
<b>LIABILITIES</b>						
Segment liabilities	1,009,335	117,156	145,256	89,187	-	1,360,934
<b>NET ASSETS</b>	<b>397,492</b>	<b>7,730</b>	<b>134,712</b>	<b>183,786</b>	<b>-</b>	<b>723,720</b>
Acquisitions of non-current assets	9,681	797	440	22,466	-	33,384

#### Geographic Information

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

## 4 Revenue

### (a) Revenue from contracts with customers

Half-year ended 30 June 2019				
	Retailing \$'000	Property \$'000	Investments \$'000	Total \$'000
<b>Type of goods or service</b>				
New Vehicles	1,296,965	-	-	1,296,965
Used Vehicles	360,625	-	-	360,625
Parts	253,660	-	-	253,660
Service	135,355	-	-	135,355
Other	11,800	620	-	12,420
<b>Revenue from external customers</b>	<b>2,058,405</b>	<b>620</b>	<b>-</b>	<b>2,059,025</b>
<b>Timing of revenue recognition</b>				
At a point in time	1,923,050	620	-	1,923,670
Over time	135,355	-	-	135,355
<b>Total revenue from external customers</b>	<b>2,058,405</b>	<b>620</b>	<b>-</b>	<b>2,059,025</b>
<b>Geographical markets</b>				
Australia	2,058,405	620	-	2,059,025
Half-year ended 30 June 2018				
	Retailing \$'000	Property \$'000	Investments \$'000	Total \$'000
<b>Type of goods or service</b>				
New Vehicles	1,351,142	-	-	1,351,142
Used Vehicles	346,448	-	-	346,448
Parts	246,266	-	-	246,266
Service	125,503	-	-	125,503
Other	20,118	172	7,857	28,147
<b>Revenue from external customers</b>	<b>2,089,477</b>	<b>172</b>	<b>7,857</b>	<b>2,097,506</b>
<b>Timing of revenue recognition</b>				
At a point in time	1,963,974	172	7,857	1,972,003
Over time	125,503	-	-	125,503
<b>Total revenue from external customers</b>	<b>2,089,477</b>	<b>172</b>	<b>7,857</b>	<b>2,097,506</b>
<b>Geographical markets</b>				
Australia	2,089,477	172	7,857	2,097,506

## 5 Current assets - Assets classified as held for sale

The Group has entered into an unconditional agreement with the Seymour Group on 26 June 2019 for the disposal of a parcel of property (inclusive of Land and Buildings) located in Newstead, Queensland for \$61 million. As the sale did not formally settle until 26 August 2019, this property is considered to be held for sale at the interim reporting date and has therefore been reclassified from non-current assets to current assets and measured at its existing carrying value.

## 6 Equity securities movements

	30-Jun-19	Half-year ended		30-Jun-18
	No. of Shares	30-Jun-18	30-Jun-19	30-Jun-18
		No. of Shares	\$'000	\$'000
<b>Movements in ordinary shares during the half-year</b>				
Issue of shares to staff under the share incentive schemes	-	300,823	-	2,377

Included in the share capital is 830,014 ordinary shares held by the Employee Share Trust.

## 7 Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

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

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

### **Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:**

Explanation of asset classes:

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

## 7 Fair value (continued)

Unobservable inputs used in determination of fair values										
Class of Financial Assets & Liabilities	Carrying Amount 30/06/19 \$'000	Carrying Amount 31/12/18 \$'000	Valuation Technique	Key Input	Input	Average / Range 2019	Average / Range 2018	Other Key Information	Range (weighted avg) 2019	Range (weighted avg) 2018
Level 3 Car – HBU Alternate Use	40,375	74,821	Direct comparison	External valuations	Price/sqm land	<b>Average \$2,687/sqm</b>	Average \$2,261/sqm	Land size	<b>Average 3,005 sqm</b>	Average 5,516 sqm
						<b>Range \$1,239 - \$3,982/sqm</b>	Range \$1,240 - \$3,990/sqm		<b>Range 2,015 - 4,853 sqm</b>	Range 2,015 - 18,070 sqm
Level 3 Car Dealership	193,375	210,566	Summation method, income capitalisation and direct comparison	External valuations & industry benchmarks	Capitalisation rate	<b>Average 7.3%</b>	Average 7.2%	Net rent /sqm land	<b>Average \$93/sqm</b>	Average \$98/sqm
						<b>Range .0% - 10.0%</b>	Range 3.3% - 12.3%	Net rent /sqm GBA	<b>Range \$ - \$330/sqm</b>	Range \$25 - \$297/sqm
									<b>Average \$208/sqm</b>	Average \$211/sqm
									<b>Range \$0 - \$1,662/sqm</b>	Range \$106 - \$1,573/sqm
Level 3 Truck Dealership	20,356	24,778	Direct comparison	External valuations	Price/sqm land Price/sqm GBA	<b>Average \$418/sqm</b>	Average \$443/sqm	Land size	<b>Average 24,353 sqm</b>	Average 18,641 sqm
						<b>Range \$280 - \$541/sqm</b>	Range \$282 - \$596/sqm	Net rent/sqm land	<b>Range 23,006 - 25,700 sqm</b>	Range 7,218 - 25,700 sqm
									<b>Average \$29/sqm</b>	Average \$22/sqm
								Capitalisation rate	<b>Range \$18 - \$39/sqm</b>	Range \$17 - \$27/sqm
									<b>Average 6.9%</b>	Average 4.9%
									<b>Range 6.3% - 7.1%</b>	Range 4.4% - 6.2%
Level 3 Other Logistics	17,118	17,157	Income capitalisation method supported by market comparison	External valuations	Capitalisation rate	<b>Average 5.1%</b>	Average 5.6%	Net rent /sqm GBA	<b>Average \$117/sqm</b>	Average \$109/sqm
						<b>Range 3.9% - 8.0%</b>	Range 3.9% - 7.9%		<b>Range \$79 - \$215/sqm</b>	Range \$79 - \$179/sqm
<b>Total</b>	<b>271,224</b>	<b>327,322</b>								

There were no transfers between levels in the period.

## 7 Fair value (continued)

Details of the Group's assets held at fair value through other comprehensive income and information about the fair value hierarchy as at 30 June 2019 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	Carrying Amount 30/06/19 \$'000	Carrying Amount 31/12/18 \$'000	Valuation Technique	Key Input
Level 1 Financial assets at fair value through other comprehensive income - Listed entities	-	149,186	Quoted bid prices in an active market	Quoted bid prices in an active market
Level 3 Financial assets at fair value through other comprehensive income - Unlisted entities	588	588	Net asset assessment and available bid prices from equity participants	Pre tax operating margin taking into account management's experience and knowledge of market conditions and financial position. Market information based on available bid prices.

There were no transfers between levels in the period.

Details of the Group's Derivative financial instruments and information about the fair value hierarchy as at 30 June 2019 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	Carrying Amount 30/06/19 \$'000	Carrying Amount 31/12/18 \$'000	Valuation Technique	Key Input
Level 2 Cash flow hedges - Interest rate swaps	11	35	Discounted cash flow	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between levels in the period.

## 8 Acquisitions

The Group acquired the following business during the first half of 2019 as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2019	Adelaide BMW	30-Apr-19	Motor Dealership	100%
				<b>30 June 2019</b>
				<b>\$'000</b>
	Purchase consideration			<u>8,651</u>

### Allocation of purchase consideration

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

	Fair value \$'000
Cash	4
Receivables and prepayments	74
Inventory	2,163
Plant and equipment	1,509
Right-of-use assets	12,468
Creditors, borrowings and provisions	(1,411)
Lease liabilities	<u>(12,468)</u>
<b>Net assets acquired</b>	<b>2,339</b>
Acquisition cost	<u>8,651</u>
<b>Goodwill on acquisition <sup>(1)</sup></b>	<b><u>6,312</u></b>

<sup>(1)</sup> Goodwill arose in the business combination because as at the date of acquisition, the consideration paid for the combination included amounts in relation to the benefits of expected synergies and future revenue and profit growth from the business acquired. These benefits were not recognised separately from goodwill, as the future economic benefits arising from them could not be reliably measured in time for inclusion in these financial statements. Therefore, the amount allocated to goodwill on acquisition has been provisionally determined at the end of the reporting period.

## 9 Disposals of business

### (a) Description

The Group sold the following business during the first half of 2019 as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2019	Austral Motor Group	17-May-19	Motor Dealership	100%

### (b) Details of the sale of the division

	<b>30 June</b>
	<b>2019</b>
	<b>\$'000</b>
Consideration received or receivable:	
Cash	<b>1,362</b>
Carrying amount of net assets sold	<b>(362)</b>
<b>Gain on sale before income tax</b>	<b>1,000</b>
Income tax expense on gain	<b>(300)</b>
<b>Gain on sale after income tax</b>	<b>700</b>



## 10 Investments in associates

Investments accounted for using the equity method	30-Jun-19 \$'000	31-Dec-18 \$'000
<b>Investments in associates</b>		
Norna Limited	-	1,620
DealerMotive Limited	10,393	10,457
AHG Limited	234,365	-
<b>Total investments accounted for using the equity method</b>	<b>244,758</b>	<b>12,077</b>

### Norna Limited

In 2014 MTQ Insurance Services Limited changed its name to Norna Limited. On 29 August 2014 MTA Insurance Limited (a wholly owned subsidiary of Norna Limited) was sold to AAI Limited with settlement to take place in instalments, the final distribution (via return of capital) was recognised in the financial reporting period ending 30 June 2019. Norna has commenced the process of liquidation.

### DealerMotive Limited

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

### AHG Limited

At 31 December 2018 the Group owned over 20% of the voting power of Automotive Holdings Group Limited ("AHG Limited"). The Directors rebutted the presumption of exercising significant influence at that date on the basis that the Group had no representation on the Board of Directors of AHG Limited, no material transactions with AHG Limited, and no participation in policy-making decisions. As a result, and in line with our election made on application of AASB 9, the investment in AHG Limited was accounted for as an asset held at fair value through other comprehensive income (FVTOCI).

The directors have reassessed the ability of the Group to influence the operating and financial policies of its investee, AHG Limited, during the period to 30 June 2019. On the basis of all the relevant facts and circumstances, the directors have concluded that evidence of significant influence existed from 1 of May 2019. Therefore, in line with AASB 128 *Investments in Associates and Joint Ventures*, the investment in AHG Limited has been accounted for as an investment in associate from that date.

The Group's full accounting policy for Investment in associates is included in the annual report for the period ending 31 December 2018.

In applying equity accounting to its 28.84% holding in AHG Limited from 1 May 2019, the Group is still in the process of determining the net fair value of the identifiable assets and liabilities of AHG Limited. As a result, the Group has made certain assumptions in its provisional accounting of the net fair value of identifiable asset and liabilities acquired, and hence its take up of its investees net profit after tax recorded in the period ending 30 June 2019. Specifically the Group has, based on information provided by its investee, formed the view that certain adjustments are required to be processed to AHG Limited's unaudited statutory result announced on 22 August 2019, in order to appropriately reflect the Group's share of AHG Limited's result for the period from 1 May to 30 June 2019. Such adjustments to AHG Limited's net profit after tax include but are not limited to adjustments in respect of a) alignment of AHG Limited's accounting policies to the Group's policies of \$1.4 million after tax and b) exclusion of non-cash impairments and other unusual items of \$279.4 million after tax assessed as predating the date of exercise of significant influence. In respect of a), the Group has assessed that the impact of the application of AASB16 *Leases* would have an immaterial impact on the result after tax recognised for the period. Further adjustments to the provisional accounting may arise and hence impact net profit after tax as a result of finalising the determination of fair values of plant and equipment, inventories, lease contracts and certain intangibles acquired.

## 10 Investments in associates (continued)

### Share of investees' net profit/(loss)

Detailed in the table below is the share of investees' net profit recognised in the financial period ending 30 June 2019:

	30-Jun-19 \$'000	30-Jun-18 \$'000
Norna Limited	-	-
DealerMotive Limited	(64)	-
AHG Limited	4,847	-
<b>Share of net profit from equity accounted investees</b>	<b>4,783</b>	<b>-</b>

### Summarised financial information of investees (100%)

The summarised financial information for the Group's material associate is detailed below. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. As set out in Note 1, the Group has applied AASB 16 *Leases* for the first time from 1 January 2019. Its investee AHG Limited, will only apply the aforementioned standard from 1 July 2019. As mentioned previously, the Group is still in the process of finalising its accounting for its equity accounted investment in AHG Limited, however were AASB 16 to be applied to the summarised financial information below, the impact would be to recognise a lease liability representing the present value of future lease payments, with a corresponding right of use asset, approximating that referred to in Note 1 (b) in AHG Limited's 2019 Full Year unaudited results released on 22 August 2019. The Group has assessed that the impact of off market lease transactions would not be material as at the 30 June 2019. The summarised statement of financial position below does not reflect the impact of leases on the basis that the impact on the provisional carrying value of the Group's investment has not been deemed material. The carrying value of the investment has been provisionally determined at the end of the reporting period.

	<u>Associate</u> <u>AHG Limited</u> <u>30-Jun-19</u> <u>\$'000</u>
<b>Summarised Statement of Financial Position</b>	
<b>Current Assets</b>	
Cash and cash equivalents	80,637
Other current assets	1,715,890
<b>Total current assets</b>	<b>1,796,527</b>
<b>Non-current assets</b>	
Intangible assets	311,791
Other non-current assets	318,115
<b>Total non-current assets</b>	<b>629,906</b>
<b>Current liabilities</b>	
Financial liabilities	1,252,489
Other current liabilities	392,405
<b>Total current liabilities</b>	<b>1,644,894</b>
<b>Non-current liabilities</b>	
Financial liabilities	215,061
Other non-current liabilities	59,711
<b>Total non-current liabilities</b>	<b>274,772</b>
<b>Net assets</b>	<b>506,767</b>
Adjustment to net assets to align accounting policies	(1,400)
Adjusted net assets	505,367
Group's share (%)	28.84%
Group's share of net assets	145,748
Amount attributable to Goodwill	88,617
<b>Carrying Amount</b>	<b>234,365</b>

## **11 Contingent liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

## **12 Subsequent events**

### **Kloster Motor Group Divestment**

On 5 July 2019, AP Eagers Limited announced that it had entered into an agreement with Tony White Group to sell its 100 per cent interest in Kloster Motor Group for an estimated \$54 million, subject to certain conditions including regulatory approval.

The Group's 100 per cent interest in Kloster Motor Group has not been classified as held-for-sale in these financial statements as the transaction did not meet the conditions for such classification at 30 June 2019.

### **AHG Limited Merger**

On 25 of July 2019, the ACCC made a determination to grant merger authorisation for A.P. Eagers to acquire shares in AHG under its offer. On 16 August 2019 the Group advised that the ACCC's merger authorisation came into force and thus declared its recommended off-market takeover free from all remaining bid conditions. On the 19 August the Group consequently announced a relevant interest of 62.78% in AHG Limited. The current closing date for the offer is 16 September 2019.

AP Eagers Limited's relevant interest in AHG Limited increased to 71.88% on 27 August 2019. The accounting implications of these matters will be considered in the Group's annual financial report for the period ending 31 December 2019.

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

### Report on the interim Financial Report

We have reviewed the accompanying interim financial report of A.P. Eagers Limited ("the company") which comprises the condensed statement of financial position as at 30 June 2019, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the interim 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 end of the interim period or from time to time during the interim period as set out on pages 1 to 26.

#### *Directors' Responsibility for the interim Financial Report*

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of A.P. Eagers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, 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 review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of A.P. Eagers Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the interim period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Deloitte Touche Tohmatsu .

DELOITTE TOUCHE TOHMATSU



Stephen Tarling

Partner

Chartered Accountants

Brisbane, 29 August 2019