Adtrans
GROUP LIMITED

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P.O. Box 55, Goodwood S.A. 5034
T: (08) 8373 1991 F: (08) 8373 3712
Email: corporate@adtransgroup.com.au

A.B.N. 28 008 129 477

www.adtrans.com.au

ASX RELEASE
21 September 2010

Takeover bid by AP Eagers for Adtrans Group Limited

In accordance with item 14 of section 633(1) Corporations Act 2001, attached is a copy of the target's statement, including Independent Expert's Report, in relation to AP Eagers' off-market takeover bid for all the ordinary shares in Adtrans which AP Eagers does not already own.

TERESA COLLIVER
Company Secretary/CFO

Adtrans

Group Limited ACN 008 129 477

TARGET'S STATEMENT

IN RESPONSE TO A CONDITIONAL, OFF-MARKET TAKEOVER OFFER BY

A.P. EAGERS LIMITED ACN 009 680 013

TO ACQUIRE ALL OF YOUR FULLY PAID ORDINARY SHARES IN ADTRANS GROUP LIMITED FOR:

(a) $2.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) and 0.16 AP Eagers Limited shares for each Adtrans Share; or

(b) $4.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) for each Adtrans Share.

THE VOTING DIRECTORS OF ADTRANS GROUP LIMITED
UNANIMOUSLY RECOMMEND THAT YOU

ACCEPT

A.P. EAGERS LIMITED'S OFFER IN THE ABSENCE OF A SUPERIOR PROPOSAL

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have any doubts about how to deal with this document, you should contact your independent legal, financial or other professional adviser immediately.

LEGAL ADVISER

CowellClarke
Commercial Lawyers

KEY DATES

Date of the Offer	20 September 2010
Date the Offer Period Commences	20 September 2010
Date of this Target's Statement	21 September 2010
Record Date for Special Dividend	19 October 2010 unless the Offer Period is extended
Offer Close Date (unless it is extended or withdrawn)	7.00pm (Sydney time) on 20 October 2010

IMPORTANT INFORMATION

Target's Statement

This document is a Target's Statement issued by Adtrans Group Limited ABN 28 008 129 477 ("Adtrans") under Part 6.5 Division 3 of the Corporations Act 2001 (Cth) in response to the Bidder's Statement issued by AP Eagers Limited ACN 009 680 013 ("APE") dated 15 September 2010. This Target's Statement and the Bidder's Statement contain important information. You should read both documents carefully and in their entirety. If you have any doubts about how to deal with either document, please consult your independent legal, financial or other professional adviser immediately.

ASIC Disclaimer

A copy of this Target's Statement was lodged with ASIC on 21 September 2010. Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement.

ASX Disclaimer

A copy of this Target's Statement was provided to ASX and ASIC on 21 September 2010. Neither ASX, ASIC nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain personal financial or taxation advice. You may wish to seek your own independent legal, financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer for your Adtrans Shares.

No verification of Bidder's Statement

Please note that Adtrans has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement. To the fullest extent permitted by law, Adtrans disclaims liability to any person who acts in reliance on that information.

Forward looking statements

This Target's Statement contains forward looking statements. All statements other than statements of historical fact are forward looking statements. Please note that forward looking statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry, in which Adtrans is involved, as well as general economic conditions and conditions in the financial markets. Such factors and risks are beyond the control of Adtrans and its Directors.
Actual events or results may differ materially from the events or results expected or implied in any forward looking statement. None of Adtrans, any of its officers, any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement. You are cautioned to not place undue reliance on any forward looking statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Defined Terms

Capitalised terms used in this Target's Statement are defined in section 7. That section also sets out certain rules of interpretation which apply to this Target's Statement.

Adtrans Shareholder information

If you have any questions in relation to the Offer, please call 08 8373 1991 within Australia or +618 8373 1991 outside of Australia between 9.00am and 5.00pm (Adelaide, South Australia time) Monday to Friday. For Adtrans' record purposes, calls to these numbers may be recorded.

TABLE OF CONTENTS

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21 September 2010

Dear Adtrans Shareholder

On 4 August 2010, Adtrans received an offer from AP Eagers Ltd (AP Eagers) for all the shares in Adtrans Group Limited, which is now as follows:

→ $4.00 cash (less a possible $0.50 per share special dividend), or
→ $2.00 per share cash (less a possible $0.50 per share special dividend) and 4 AP Eagers shares for each 25 Adtrans Group Limited shares.

The Adtrans Directors (which includes five Directors who have share interests in Adtrans representing nearly 25% of the Company's total issued shares but excluding Martin Ward, who is AP Eagers' Chief Executive Officer) unanimously support the merger of the two companies and in the absence of a superior proposal being received, recommends that shareholders accept the AP Eagers offer.

Having noted recent research reports conducted by brokers earlier this year, AP Eagers, in my opinion, has a strong asset backing and represents a solid balance sheet.

From my personal knowledge, the major shareholder of AP Eagers has been a leading car dealer in Australia for over thirty years and I am convinced that the company is well run.

The Independent Expert appointed by Adtrans has concluded that the AP Eagers' offer is both fair and reasonable to Adtrans' shareholders. The Independent Expert Report is attached as Schedule 1 to Adtrans' Target's Statement.

We encourage you to read the Bidder's Statement and the enclosed Target's Statement for further details about the offer, and complete the Acceptance Form.

Yours sincerely

GRAEME BIGNELL
Chairman

ADTRANS GROUP LIMITED

ADELAIDE
Stillwell Ford
Adrian Brien Ford
Rebel Ford
Stillwell Hyundai
Adrian Brien Hyundai
Reynella Hyundai
Stillwell Kia
Adtrans Kia

ADELAIDE
Adrian Brien Chrysler/Jeep/Dodge
Graham Cornes Used Cars
Adtrans Used Cars
Stillwell Small Cars and SUV
Cornes Toyota
Cornes Toyota 4x4 Centre
Stillwell Trucks Regency Park
Stillwell Hyundai Trucks

MELBOURNE
Adtrans Trucks Centre
Melbourne International Truck Centre
Whitehorse Truck and Bus
Whitehorse Truck Centre
Australia Wide Transport Spares
Valley Truck Centre
Melbourne International Truck & Bus

SYDNEY
Stillwell Trucks
The Truck Centre
Adtrans Hino
Sydney Truck Centre
Adtrans Higer

1. INFORMATION REGARDING ADTRANS AND ITS ASSETS

1.1 BACKGROUND AND PRINCIPAL ACTIVITIES

Adtrans has been listed on the ASX since 1987.

Adtrans has its head office based in Adelaide and its principal activity is the operation of franchised motor vehicle dealerships. Adtrans is a significant influence in total car and truck sales in South Australia and truck sales in New South Wales and Victoria.

Adtrans franchises include Ford, Toyota, Hyundai, Kia, Chrysler, Jeep and Dodge in cars and Iveco/International, Fuso, Freightliner, Mercedes-Benz, Hino and Hyundai in trucks, as well as BCI and Higer Buses.

1.2 CURRENT ADTRANS BOARD

1.2.1 Mr. Graeme D. Bignell, F.A.I.C.D

Chairman, Director

Mr. Bignell established Stillwell Ford in Adelaide in 1971. He was elected Chairman of Adtrans when it was formed in 1987 and is Chairman of the Remuneration and Nomination Committees and a member of the Corporate Governance Committee.

1.2.2 Mr. John H. Heard, AM, F.C.A., F.A.I.C.D.

Deputy Chairman, Non-Executive Director

Mr. Heard was appointed a non-executive Director in 1990. He is a chartered accountant in private practice and has experience as a director or consultant for a number of companies. He is Deputy Chairman of the Board, Chairman of the Audit and Risk and Corporate Governance Committees and a member of the Remuneration and Nomination Committee.

1.2.3 Mr. Shaun A. Swift, B.Ec., M.B.A., M.A.I.C.D.

Managing Director

Mr. Swift was appointed Managing Director in 2003. Mr. Swift had previously been employed for 15 years with the Ford Motor Company, both in Australia and in Detroit, US.

1.2.4 Mr. David L. Holst, M.A.I.C.D., Dip. T., B.Ed.

Director

Mr. Holst was appointed a Director in 2001. He has been employed by Adtrans Group since 1986 in several capacities, including Dealer Principal and Director of various Group truck and car dealerships. Effective 1 July 2005, he was appointed Group Director of Sales and is also a Director of the Adtrans Subsidiaries Adtrans Automotive Group Pty Ltd and Adtrans Used Pty Ltd.

1.2.5 Mr. Chris Stillwell, F.A.I.C.D.

Non-Executive Director

Mr. Stillwell was appointed a Non-Executive Director in 2000. He is Executive Chairman of B.S. Stillwell Motor Group Pty Ltd, an automotive dealership group based in Melbourne. He is a member of the Corporate Governance and Remuneration Committees.

1.2.6 Mr. Raymond Grigg, F.S.A.E-I., F.A.I.C.D.

Non-Executive Director

Mr. Grigg was appointed a Non-Executive Director in 2004. Mr. Grigg has extensive experience in the automotive industry following a 47-year career with General Motors Corporation, where he held a number of senior positions in Australia and overseas. He is a member of the Audit and Risk, Corporate Governance and Remuneration Committees.

1.2.7 Mr. Stephen J. Officer, B.Ec. (Hons.), F.A.I.C.D.
Non-Executive Director

Mr. Officer was appointed a Non-Executive Director in 2006. Mr. Officer has over 30 years of experience in the automotive vehicle industry, including 13 years at Ford Motor Company in Australia, the United States and New Zealand and 19 years with Adtrans. Mr. Officer was Managing Director of Adtrans Group until his retirement in August 2003. He is a member of the Audit and Risk and Remuneration Committees.

1.2.8 Mr. Martin A. Ward, B.Sc. (Hons.), F.A.I.C.D.
Non-Executive Director

Mr. Ward was appointed a Non-Executive Director in 2007. Mr. Ward has extensive experience in the automotive industry, where he has held senior positions with several large motor vehicle dealer groups. Mr. Ward is currently CEO and a Director of A.P. Eagers Limited, a substantial shareholder of Adtrans Group. He is a member of the Remuneration and Nomination Committees.

1.3 FINANCIAL OVERVIEW

1.3.1 Summary Balance Sheet

The following table should be read in conjunction with the Annual Report and, in particular, the Notes to the Financial Statements for details regarding Adtrans' financial position as at 30 June 2010.

Balance Sheet

	Consolidated 2010 $'000	2009 $'000
Current Assets		
Cash and cash equivalents	25,322	33,588
Trade and other receivables	35,592	32,527
Prepayments	2,403	2,004
Inventories - Bailment	59,339	51,827
Inventories - Other	47,708	45,566
Non-current assets held for sale	1,925	2,437
Total Current Assets	172,289	167,949
Non-Current Assets		
Property, plant and equipment	38,022	40,716
Intangibles	8,706	8,706
Deferred tax assets	4,203	4,514
Total Non-Current Assets	50,931	53,936
Total Assets	223,220	221,885
Current Liabilities		
Trade and other payables	31,846	31,434
Interest-bearing liabilities - Bailment	80,045	82,529
Interest-bearing liabilities - Other	4,935	4,880
Income tax payable	221	2,302
Provisions	8,096	7,502
Total Current Liabilities	125,143	128,647
Non-Current Liabilities		
Interest-bearing liabilities - Other	19,348	18,861
Deferred tax liabilities	3,910	3,313
Provisions	1,822	1,614
Total Non-Current Liabilities	25,080	23,788
Total Liabilities	150,223	152,435
Net Assets	72,997	69,450
Equity		
Contributed equity	19,375	18,908
Reserves	8,848	10,007
Retained earnings	44,450	40,240
Total parent entity interest in equity	72,673	69,155
Non-controlling interest	324	295
Total Equity	72,997	69,450

1.3.2 Current Cash Position

Adtrans' cash position as at 30 June 2010 was $25,322,000.

1.3.3 Summary Income Statement

The following table should be read in conjunction with the Annual Report and in particular, the Notes to the Financial Statements for details regarding Adtrans' financial performance for the year ended 30 June 2010.

Income Statement

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Sales revenue	**698,537**	683,627
Other revenue	**931**	944
Total Revenue	**699,468**	684,571
Cost of Sales	**(583,725)**	(570,903)
Gross Profit	**115,743**	113,668
Other income	**267**	178
Occupancy expenses	**(9,799)**	(9,523)
Depreciation and amortisation	**(2,165)**	(2,322)
Employee benefits	**(61,016)**	(61,026)
Other expenses	**(24,731)**	(26,245)
Finance costs	**(4,484)**	(5,580)
Profit before income tax expense	**13,815**	9,150
Income tax (expense)/benefit	**(4,551)**	(2,311)
Net profit after tax	**9,264**	6,839
Profit for the period is attributable to:		
Non-controlling interests	**42**	(35)
Members of the parent	**9,222**	6,874
Earnings per share:		
Basic (cents per share)	**36.7**	27.9
Diluted (cents per share)	**35.8**	27.2

1.3.4 Recent Adtrans Share Price Performance

The last recorded (closing) share price of Adtrans Shares on ASX on the Announcement Date was $3.55 per Share.

The last recorded share price of Adtrans on ASX on 17 September 2010 (being the last practical date before this Target's Statement was lodged for registration with ASIC) was $4.00 per share.

Since the initial takeover proposal was announced to ASX on 4 August 2010 until 17 September 2010, 739,259 Adtrans Shares have traded on ASX within the range of $3.95 to $4.18 per Adtrans Share.

The highest and lowest recorded share price of Adtrans Shares on ASX during the four quarters immediately preceding the announcement of initial takeover discussions were as follows:

Quarter	Highest Price	Lowest Price	Volume on ASX
June 2010	$3.62	$2.95	380,487
March 2010	$3.70	$3.20	686,888
December 2009	$3.53	$2.75	267,483
September 2009	$3.05	$2.18	220,542

2. KEY FEATURES OF APE'S OFFER

2.1 SUMMARY OF THE OFFER

The information in this section (2) is a summary of the Offer only. Please refer to Schedules 1 and 2 of the Bidder's Statement for the full terms and conditions of the Offer. Before making any decision in relation to your Adtrans Shares, you should read the Bidder's Statement and this Target's Statement thoroughly.

2.2 OFFER PRICE

APE is offering either:

(a) $2.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) and 0.16 APE shares for each Adtrans Share (**"Cash and Scrip Alternative"**); or

(b) $4.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) for each Adtrans Share (**"Cash Alternative"**).

The Special Dividend will only be payable if APE receives acceptances of its Offer which would result in APE holding or being entitled to hold at least 90% of Adtrans Shares and if all the other Conditions of the Offer are satisfied or waived. You may only accept the Offer in respect of all your Adtrans Shares.

If a Special Dividend is paid, the consideration payable under the Offer will be reduced by the amount of the Special Dividend. If a Special Dividend is not paid, but APE still elects to acquire your Adtrans Shares, the cash payable by APE under the Cash and Scrip Alternative and the Cash Alternative will be $2.00 and $4.00, respectively.

2.3 CONDITIONS OF THE OFFER

The Conditions are set out in full in Schedule 2 of the Bidder's Statement.

In broad summary, the Offer is subject to the following Conditions:

(a) **(90% minimum acceptance)**: that, before the end of the Offer Period, APE has a Relevant Interest in at least 90% (by number) of Adtrans Shares.

(b) **(Regulatory Approvals)**: that, before the end of the Offer Period, all approvals or consents of Regulatory Authorities are given or granted and remain in full force and effect.

(c) **(Regulatory action)**: that, before the end of the Offer Period, there is not in effect any court order or final decision of a Regulatory Authority which restrains or prohibits the Offer or the acquisition of the Adtrans Shares under the Offer.

(d) **(No Prescribed Occurrence)**: that no Prescribed Occurrence occurs between the Announcement Date and the end of the Offer Period.

(e) **(No material adverse change)**: that no event or matter occurs between the Announcement Date and the end of the Offer Period that constitutes a Material Adverse Change in the value of the assets, liabilities, financial performance or prospects of Adtrans.

(f) **(General market fall)**: that the S&P/ASX All Ordinaries Index is, for a period of three consecutive trading days on ASX between the Announcement Date and the end of the Offer Period, not lower than 85% of the level of that index as at the close of normal trading on ASX on the Announcement Date.

(g) **(Third party consents)**: that a third party (such as a party to a contract with Adtrans or an Adtrans Subsidiary) does not exercise contractual termination rights before the end of the Offer Period and gives its waiver or consent to the takeover.

2.4 LIKELIHOOD OF CONDITIONS BEING SATISFIED

As at the date of this Target's Statement, Adtrans is not aware of any act, omission, event or fact that would result in the breach or non-satisfaction of a Condition of the Offer. Adtrans is not in a position to state whether the Conditions of the Offer will be satisfied.

2.5 CONSEQUENCES OF CONDITIONS NOT BEING SATISFIED

Any Condition of the Offer which is not satisfied may be waived by APE.

APE may, at any time in its sole discretion but in compliance with the Corporations Act, declare the Offer free from all or any Conditions by written notice to Adtrans no later than seven (7) days before the end of the Offer Period.

If any Condition is unsatisfied or has been breached and the Condition or breach has not been waived, if, at the end of the Offer Period, APE does not declare the Offer free from that Condition, all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that case, APE will return the Acceptance Form together with all documents to the address shown in the Acceptance Form.

2.6 OFFER PERIOD

Unless the Offer is extended or withdrawn, it is open for acceptance from 20 September 2010 until 7.00 pm Sydney time on 20 October 2010.

2.7 EXTENSION OF THE OFFER PERIOD

APE may extend the Offer Period in accordance with the Corporations Act.

2.8 WITHDRAWAL OF THE OFFER

APE may not withdraw the Offer if you have already accepted it. Before you accept the Offer, APE may withdraw the Offer only with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

2.9 YOUR ABILITY TO WITHDRAW YOUR ACCEPTANCE

You only have limited rights to withdraw your acceptance of the Offer.

You have rights under the Corporations Act to withdraw your acceptance of the Offer if APE varies the Offer in a way that postpones for more than one month the time when APE has to meet its obligations under the Offer. To withdraw your acceptance of the Offer, you must give APE notice of that withdrawal within one month beginning on the day after the day on which you receive a copy of APE's notice of variation and return any consideration to APE that you have received for accepting the Offer.

2.10 RISKS ASSOCIATED WITH ACCEPTING THE OFFER

A number of key risks associated with accepting the Offer are set out in section 8 of the Bidder's Statement. Please refer to that section of the Bidder's Statement for information about the risks.

General risks include share price risks, automotive vehicle industry conditions, legislative and regulatory change, interest rates, fuel costs and vehicle affordability. Specific business risks associated with APE include the potential for APE to require additional funding, fixed-term dealership agreements that may be terminated and inadequate insurance cover. Section 8 of the Bidder's Statement also sets out transaction-specific risks, such as taxation risks which may be borne by each Adtrans Shareholder.

3. DIRECTORS' RECOMMENDATIONS

3.1 VOTING DIRECTORS' RECOMMENDATIONS

Adtrans' Voting Directors (ie all Directors except Martin Ward) unanimously recommend that you accept the Offer subject to Adtrans receiving a Superior Proposal.

Adtrans' Directors are committed to the merger of the two companies and subject to receipt of a Superior Proposal, will accept the Offer for the Adtrans Shares they own or control, within 21 days of the date of this Target's Statement.

The advantages of Adtrans Shareholders accepting the offer are:

(a) The Offer provides an attractive price for your Adtrans Shares. The offer represents a price/earnings ratio of 10.9 times based on Adtrans' profit after tax at 30 June 2010 of $9.2 million.

(b) You have the choice to receive either cash or a cash/APE share combination.

(c) If you choose the APE shares/cash combination, you will remain a shareholder of the merged group and relief from capital gains tax may be available on the scrip component of the Offer.

(d) No brokerage costs or stamp duty will be payable by you on acceptance of the Offer.

The Voting Directors unanimously recommend that, in the absence of a Superior Proposal, you ACCEPT the Offer.

The Independent Expert engaged by Adtrans to consider the Offer, has given his opinion that the Offer is both fair and reasonable to Adtrans Shareholders. A copy of the Independent Expert Report is contained in Schedule 1 to this Target's Statement.

The Adtrans Directors are not aware that any third party intends to make a Superior Proposal for Adtrans Shares.

In considering whether to accept the Offer, the Voting Directors encourage you to:

(a) read the whole of this Target's Statement and the Bidder's Statement;

(b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;

(c) consider the choices available to you as set out in section 3.4 of this Target's Statement; and

(d) obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the tax implications of accepting the Offer.

3.2 ADVANTAGES OF ACCEPTING THE OFFER AND DIRECTORS' REASONS FOR THEIR RECOMMENDATIONS

Refer to section 3.1.

Adtrans' recent share price performance is referred to in section 1.3.4 of this Target's Statement. Since the announcement of the Offer, Adtrans Share price has increased to reflect the terms of the Offer. If the Offer is not successful, the Adtrans directors consider it likely that the share price for Adtrans Shares on ASX will fall below the price at which Adtrans Shares are quoted on ASX at the date of this Target's Statement and below the price as reflected in the terms of the Offer, at least for the time being.

The Independent Expert has concluded that the Offer Price reflects a premium over the Adtrans Share price prior to the Announcement Date.

The merged group will provide significant opportunities for employees and an improved succession plan for the Adtrans group. The merged group could benefit from synergies and improved opportunities with those franchises currently held by each of Adtrans and APE.

Adtrans' Voting Directors who own or control Adtrans Shares, intend to accept the Offer unless there is a Superior Proposal.

The alternatives in the Offer enable Adtrans Shareholders to choose a full cash alternative or an alternative of part cash and part shares in APE.

If you wish to have an investment in the merged group, you can do so by accepting the cash and shares option without incurring any broker fees on the APE Shares you receive.

3.3 IMPLICATIONS OF NOT ACCEPTING THE OFFER

If you do not accept the Offer, you will not receive any cash payment and/or APE Shares in accordance with the terms of the Offer. However, if APE gains a Relevant Interest in 90% or more of the Adtrans Shares, it has stated that it intends to compulsorily acquire the remaining Adtrans Shares. If that occurs and you did not previously accept the Offer, you would then receive the cash Offer Price but at a date later than if you had accepted the Offer. You would not receive any APE Shares.

3.4 YOUR CHOICES AS AN ADTRANS SHAREHOLDER

As an Adtrans Shareholder, you have the following choices in respect of the Offer:

(a) **You may ACCEPT the Offer**, in which case you should follow the instructions set out on page 2 of the Bidder's Statement;

(b) **You may SELL your Adtrans Shares on ASX**, in which case you should instruct your broker when you want to sell; or

(c) **You may choose to NOT ACCEPT the Offer or sell your Adtrans Shares**, in which case you do not need to take any action.

When deciding what to do, you should carefully consider the Voting Directors' recommendations and other important matters set out in this Target's Statement. You should also monitor the Adtrans Share price. If you are in doubt as to how to act, you should consult your independent legal, financial or other professional adviser immediately.

3.5 DIRECTORS' INTENTIONS TO ACCEPT THE OFFER

Each Director who owns or controls Adtrans Shares intends to accept the Offer for the Adtrans Shares they own control. Details of the Relevant Interests of each Director in Adtrans Shares are set out in section 4.1 of this Target's Statement.

4. DIRECTORS' INTERESTS

4.1 DIRECTORS' INTERESTS & DEALINGS IN ADTRANS SHARES

4.1.1 Interests in Adtrans Shares

As at the date of this Target's Statement, the Directors of Adtrans had the following Relevant Interests in Adtrans Shares:

Director	Number of Shares
Mr. Graeme D. Bignell	5,227,786
Mr. John H. Heard	-
Mr. Shaun A. Swift	76,957
Mr. David L. Holst	360,000
Mr. Chris Stillwell	558,116
Mr. Raymond Grigg	-
Mr. Stephen J. Officer	9,913
Mr. Martin A. Ward	-
Total	6,232,772

4.1.2 Dealings in Adtrans Shares

The following table sets out dealings in Adtrans Shares by each Director who holds such Shares in the period from 1 June 2010 to the date immediately before the date of this Target's Statement:

Director with Relevant Interest	Date of Dealing	Description of Dealing
Mr. Graeme D. Bignell	30/7/2010	Acquired 16,827 shares
Mr. Shaun A. Swift	-	-
Mr. David L. Holst	-	-
Mr. Chris Stillwell	-	-
Mr. Stephen J. Officer	-	-

The following table sets out dealings in Adtrans Shares by APE in the period from 1 June 2010 to the date immediately before the date of this Target's Statement:

Date of Dealing	Description of Dealing
1/6/2010	Acquired 200 shares
3/6/2010	Acquired 228 shares
9/6/2010	Acquired 40,000 shares

4.1.3 Benefits & Agreements

(a) Benefits in connection with retirement from office as a result of the Offer

APE indicated in the Bidder's Statement that, if the Offer is successful, it does not intend to maintain the current Board of Adtrans.

Clause 20A of Adtrans' Constitution is in the following terms:

> "Clause 20A:
> Upon the death, resignation or retirement of a Director who was not a Managing Director, the Directors may, subject to any limitations or requirements imposed by law, pay to such person…a retiring allowance not exceeding the total Directors' fees paid to the person by the company, and any subsidiary of the Company (if any) during the period of three years immediately preceding the resignation, retirement or death, provided however that no person shall be eligible to receive such payment without having served as a non-executive Director of the Company for a total period of not less than five years."

John Heard will retire at Adtrans' Annual General Meeting to be held on 28 October 2010. He will offer himself for re-election but even if elected would subsequently retire following successful completion of the Offer.

Ray Grigg and Chris Stillwell will retire from Adtrans' Board at or about the time of successful completion of the Offer. The Board of Adtrans intends to resolve to pay to Messrs Heard, Grigg and Stillwell respectively the retirement benefits set out in the table below in accordance with clause 20A of Adtrans' Constitution. Those retirement benefits will be paid in respect of past services rendered by those Directors to Adtrans. The Board is satisfied that the payments are permitted under the Corporations Act.

Name of Director	Benefit
John Heard	$217,088
Ray Grigg	$151,017
Chris Stillwell	$151,017

(b) Agreements connected with or conditional on the Offer

Shaun Swift and David Holst, in their capacity as employees of Adtrans, were members of Adtrans' employees' deferred share plan and share appreciation rights plan. In consequence of the making of the Offer, cash bonuses will be paid to Mr Swift and Mr Holst and beneficial rights to certain shares will vest early, with the result that those shares can be accepted into the Offer. Further information regarding Adtrans' deferred share plan is set out in the remuneration report and in note 32 to the accounts forming part of Adtrans' Annual Report. If the Offer is successful, the takeover by APE will intervene in the share appreciation rights plan. The Board has resolved that in that case, Mr Swift and Mr Holst will each be paid a further cash bonus.

Except as set out in this section 4.1.3, there are no agreements made between any Adtrans Director and any other person in connection with or conditional upon the outcome of the Offer, other than in his capacity as an Adtrans Shareholder.

(c) Benefits from APE

No Adtrans Director has agreed to receive or is entitled to receive any benefit from APE which is conditional on or is related to the Offer, other than in his capacity as an Adtrans Shareholder.

(d) Interests of Directors in APE

Mr Martin Ward is a Director of Adtrans and is a director and the CEO of APE. Otherwise, at the date this Target's Statement was approved by the Voting Directors, no Director of Adtrans has an interest in APE, except as may result from his being an Adtrans Shareholder, as set out in the table below:

Adtrans Director	Number of Shares in APE
Mr. Graeme D. Bignell	956,299 (indirect)
Mr. Shaun A. Swift	111 (indirect)
Mr. Chris Stillwell	250 (indirect)
Mr. Stephen J. Officer	3,400 (indirect)
Mr. Martin A. Ward	529,773 (direct & indirect)

Mr Martin Ward also has 81,672 performance rights & 731,155 options in APE.

5. ADDITIONAL INFORMATION

5.1 MATERIAL CONTRACTS OR COMMITMENTS

As a "disclosing entity", Adtrans is required to immediately disclose to the market through ASX any information concerning Adtrans that a reasonable person would expect to have a material effect on the price or value of Adtrans Shares. Adtrans has complied with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

Except as otherwise detailed in this Target's Statement, there have been no material contracts or commitments entered into by Adtrans, which would be expected to have a material effect on the price or value of Adtrans Shares, which have not been announced to ASX.

A list of Adtrans' recent announcements to ASX is set out in Schedule 3 of this Target's Statement. Copies of the documents filed with ASX may be obtained from the ASX website and the Adtrans website – www.adtrans.com.au.

5.2 MATERIAL CONTRACTS - "CHANGE OF CONTROL" TERMINATION RIGHTS

Adtrans is a party to several material contracts in the ordinary course of its business where the other party has rights in the event of a "change of control" of Adtrans. These contracts relate to Adtrans' banking arrangements, real estate leases, dealer and supplier agreements and distribution agreements. The acquisition by APE of Adtrans Shares would constitute a "change of control". Adtrans has contacted the other parties to those contracts in accordance with the requirements in those contracts In summary, at the date of this Target's Statement, Adtrans Directors do not expect any third party to exercise any change of control rights in a manner adverse to the material interests of Adtrans.

5.3 MATERIAL LITIGATION

Adtrans is involved in a number of disputes regarding the supply of or services performed to vehicles. Disputes of this type arise from time to time in the course of the conduct of Adtrans' business. Adtrans keeps in effect insurances consistent with good business practice. At the date of this Target's Statement, Adtrans Directors do not consider that Adtrans has any uninsured liability or potential liability arising from those disputes which would be adverse to Adtrans in a material degree.

5.4 TAX CONSIDERATIONS

Schedule 2 contains an opinion regarding possible Australian income tax consequences for Adtrans Shareholders who dispose of Adtrans Shares under the Offer.

The opinion is based on the law and practice in effect on the date of this Target's Statement. It is general in nature only and is not a complete or authoritative statement of applicable tax law. It does not take into account the specific circumstances of every Adtrans Shareholder.

The opinion is applicable in a general sense to Adtrans Shareholders that are Australian residents and that hold their Adtrans Shares on capital account for income tax purposes. The opinion does not take into account Adtrans Shareholders that are not Australian residents for income tax purposes nor Adtrans Shareholders that hold their Adtrans Shares in the course of a business of trading or dealing in securities. The opinion does not apply to Adtrans Shareholders who acquired their Adtrans Shares as part of an employee share scheme operated by Adtrans.

Adtrans Shareholders should not rely upon the opinion and are advised to seek independent professional advice about their particular circumstances. Non-resident Adtrans Shareholders should seek their own advice on the Australian and foreign taxation consequences of any disposal of their Adtrans Shares.

To the extent permitted by law, Adtrans and Cowell Clarke do not accept any responsibility for tax implications for individual Adtrans Shareholders.

5.5 FEES TO DIRECTORS AND ADVISERS

Except as set out in this Target's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director in connection with the Offer other than in their capacity as an Adtrans Shareholder.

Cowell Clarke has acted as legal adviser to Adtrans in relation to the Offer. Cowell Clarke is entitled to receive professional fees on normal hourly basis.

KPMG has acted as Independent Expert in the preparation of the Independent Expert Report. KPMG is entitled to receive professional fees on a normal basis.

5.6 NO OTHER MATERIAL INFORMATION

This Target's Statement is required to include all the information that Adtrans Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

(a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

(b) only if the information is known to any Adtrans Director.

The Directors are of the opinion that the information that Adtrans Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

(a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);

(b) the information contained in Adtrans' releases to ASX, and in the documents lodged by Adtrans with ASIC before the date of this Target's Statement; and

(c) the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

a) the nature of the Adtrans Shares;

(b) the matters that Adtrans Shareholders may reasonably be expected to know;

(c) the fact that certain matters may reasonably be expected to be known to Shareholders' professional advisers; and

(d) the time available to Adtrans to prepare this Target's Statement.

5.7 ASIC MODIFICATIONS AND EXEMPTIONS

Adtrans has not obtained or applied to ASIC for any modifications of, or exemptions from, the Corporations Act in relation to this Target's Statement. However, ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including Adtrans. In particular, but without limitation, Adtrans relies on the following instruments

5.7.1 ASIC Class Order 01/1543

Adtrans relies on ASIC Class Order 01/1543 in that this Target's Statement may include, or be accompanied by, certain statements which are made, or based on, statements made in documents lodged with ASX in accordance with the ASX Listing Rules or documents lodged with ASIC. As required by the Class Order, Adtrans will make available a copy of these documents free of charge to any Adtrans Shareholder who requests a copy. To request a copy of any document, please contact Adtrans or access the Adtrans website - www.adtrans.com.au.

5.7.2 ASIC Class Order 03/635

Adtrans relies on ASIC Class Order 03/635 in that this Target's Statement may include, or be accompanied by, certain statements fairly representing a statement by an official person or from a public official document or published book, journal or comparable publication.

5.7.3 ASIC Class Order 07/249

Adtrans relies on ASIC Class Order 07/249 in that this Target's Statement may include, or be accompanied by, a trading data reference where both:

(a) the trading data to which the trading data reference relates reflects trading on a prescribed financial market (such as ASX); and

(b) the Target's Statement or accompanying document states, close to the trading data reference, the name of the person who prepared the trading data and that the person who prepared the trading data has not consented to the use of the reference in this Target's Statement or accompanying document (as applicable).

If the conditions set out in the above ASIC Class Orders are satisfied, the consent of the person to whom a relevant statement is attributed is not required for that statement to be included in this Target's Statement or accompanying document (as applicable).

5.8 CONSENTS

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent:

(a) to be named in this Target's Statement in the form and context in which they are named;

(b) for the inclusion of their respective reports or statements (if any) noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and

(c) the inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Capacity	Reports or Statements
Cowell Clarke	Legal advisers	Legal advisers and provision of tax opinion
KPMG	Independent Expert	Independent Expert Report
Computershare Investor Services Pty Ltd	Adtrans' Share Registrar	Australian Securities Registrar

Each of the persons named above:

(a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

None of the Independent Expert, Computershare Investor Services Pty Ltd or Cowell Clarke has authorised nor caused the issue of this Target's Statement.

6. FREQUENTLY ASKED QUESTIONS

This section answers some frequently asked questions about the Offer. It is not intended to address all relevant issues for Adtrans Shareholders. This section should be read together with all other parts of this Target's Statement.

QUESTION	ANSWER
Who is the Bidder?	The Offer is made by AP Eagers Limited ACN 009 680 013, a public company listed on the ASX. Information about APE can be obtained from section 4 of the Bidder's Statement.
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer. The law requires that APE sends it to you.
What is this Target's Statement?	This Target's Statement has been prepared by the Adtrans Directors and provides Adtrans' response to the Offer, including the recommendations of the Voting Directors.
Who is the Offer made to?	The Offer is made to all persons who hold Adtrans Shares as at the Register Date but may also be accepted by any person who is able to give good title to Adtrans Shares during the Offer Period. The Offer extends to any Adtrans Shares that are issued during the Offer Period as a result of the exercise of any options or other rights convertible into Adtrans Shares.
What is the Offer Price for my Adtrans Shares?	APE has made a conditional offer of either: • $2.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) and 0.16 APE shares for each Adtrans Share; or • $4.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) for each Adtrans Share. The Special Dividend is to be a fully franked dividend of $0.50 per Adtrans Share. If the Special Dividend is paid, the cash consideration payable under the Offer will be reduced by the amount of the Special Dividend. The Special Dividend will only be payable if APE receives acceptances of its offer which would result in APE holding or being entitled to hold at least 90% of Adtrans shares and if all the other conditions of the offer are satisfied or waived.
What choices do I have as an Adtrans Shareholder?	As an Adtrans Shareholder you can: • accept the Offer; • sell your Adtrans Shares on ASX, in which case you should instruct your stockbroker when you want to sell; or • do nothing. When deciding what to do, you should carefully consider the Voting Directors' recommendations and other important considerations set out in this Target's Statement and monitor the Adtrans Share price. Since the Announcement Date, the Adtrans Share price has traded in a range of between $3.95 and $4.18.
Should I accept the Offer?	The Voting Directors recommend that, in the absence of a Superior Proposal, you ACCEPT the Offer. However, this recommendation does not take account of your personal circumstances and you may wish to seek independent financial and taxation advice from your professional advisers. If there is a change in this recommendation or any material developments in relation to the Offer, Adtrans will lodge a supplementary Target's Statement and send it to ASX for public release.
Why are the Directors recommending I accept the Offer?	The Offer Price is an attractive price for your Adtrans Shares. You have the choice to receive either cash or cash and APE Shares. If you choose the cash/shares combination, you will participate as a shareholder in the merged group. The Independent Expert has opined that the Offer is fair and reasonable to Adtrans Shareholders.

QUESTION	ANSWER
What does the Independent Expert say?	The Independent Expert has concluded that the Offer is fair and reasonable to Adtrans Shareholders The Independent Expert Report is set out in Schedule 1 to this Target's Statement.
What are the tax implications of accepting the Offer?	A general discussion of the taxation treatment for Australian resident Adtrans Shareholders accepting the Offer is set out in Schedule 2. You should not rely on the opinion in Schedule 2 as advice about your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your Adtrans Shares.
What are the implications of NOT accepting the Offer?	You will not receive any cash payment and/or APE Shares in accordance with the terms of the Offer. If APE gains a Relevant Interest 90% or more of the Adtrans Shares, it is likely your shares would be compulsorily acquired. You would then be paid the cash Offer Price but at a later date than if you had accepted the Offer.
What are the implications of accepting the Offer?	Assuming the Offer is successful, you will receive cash and/or APE Shares. If you accept the cash and shares option, you will have a shareholding in the merged group.
How do I accept the Offer?	Details of how to accept the Offer are set out in section 3 of the Bidder's Statement. You may wish to seek independent financial and taxation advice from your professional adviser in relation to the action that you should take.
How do I reject the Offer?	To reject the Offer, you do not need to do anything. Simply continue to hold your Adtrans Shares.
What do the Adtrans Directors who are also Adtrans Shareholders intend to do with their Adtrans Shares?	All Directors who hold or control Adtrans Shares intend, in the absence of a Superior Proposal, to ACCEPT the Offer in respect of all Adtrans Shares they own or control. Please see section 3.1 of this Target's Statement for more information.
If I accept the Offer, can I later withdraw my acceptance?	You only have limited rights to withdraw your acceptance of the Offer. You may only withdraw your acceptance of the Offer if APE varies the Offer in a way that postpones for more than one month the time by which APE must satisfy its obligations under the Offer. This will occur if APE extends the Offer Period by more than one month and the Offer is still subject to any defeating conditions.
What happens if a Superior Proposal is made by a third party?	If you accept the Offer for your Adtrans Shares, you are only able to withdraw your acceptance in limited circumstances (see the answer to the question "If I accept the Offer, can I later withdraw my acceptance?" above). Accordingly, if you accept the Offer, you may be unable to accept a Superior Proposal if one arises after that time. At the date of this Target's Statement, the Adtrans Directors have no notice that any third party intends to make a Competing Proposal as defined in section 12.1 of the Bidder's Statement.
Can I accept the Offer for only some of my Adtrans Shares?	No. You can only accept the Offer in respect of all the Adtrans Shares you hold. Please refer to section 2 of the Bidder's Statement for more information, under the "Frequently Asked Question" "How do I accept the Offer?".
Can I be forced to sell my Adtrans Shares?	You cannot be forced to sell your Adtrans Shares unless APE has the right to compulsorily acquire your Adtrans Shares under the Corporations Act. If APE gains a Relevant Interest in 90% or more of the Adtrans Shares, APE intends to compulsorily acquire the Adtrans Shares held by Adtrans Shareholders who do not accept the Offer.

QUESTION	ANSWER
When does the Offer close?	The Offer is scheduled to close at 7.00 pm Sydney time on 20 October 2010. It is possible that APE may choose to extend the Offer Period in accordance with the Corporations Act.
If I accept the Offer, when will I be paid?	Provided that the necessary transfer documents accompany your Acceptance Form, you will be paid the cash component of the Offer Price and will be issued APE shares within one month of the later of: (a) the date you accept the Offer; and (b) the date the Offer becomes unconditional. In any event, you will be paid within 21 days after the Offer closes (assuming all Conditions of the Offer are satisfied or waived).
How will I know when the Offer is unconditional?	APE is required to advise Adtrans and Adtrans Shareholders as soon as the Conditions to the Offer are waived or satisfied.
Can APE withdraw the Offer?	APE can only withdraw its Offer with the written consent of ASIC, which consent may be subject to conditions.
What are the Conditions to the Offer?	The Conditions to the Offer include: • a 90% minimum acceptance condition; • no Material Adverse Change to the Adtrans Group; • no "change of control" event triggered under any material contracts to which Adtrans is a party; and • no contravention of the Prescribed Occurrences. See Schedule 3 of the Bidder's Statement for further details.
What happens if the Conditions to the Offer are not satisfied or waived?	If the Conditions are not satisfied or waived before the end of the Offer Period, the Offer will lapse.
Will I be entitled to the Special Dividend?	Adtrans has declared a fully franked final dividend of $0.15 per Adtrans Share. The record date for that dividend is 14 September 2010 and is due to be paid by Adtrans on 8 October 2010. In addition, if APE becomes entitled to compulsorily acquire all Adtrans Shares and the other conditions of the Offer are satisfied or waived by APE, Adtrans will pay all Adtrans Shareholders an additional fully franked dividend of $0.50 per Adtrans Share. This Special Dividend will substitute for $0.50 of the cash component of the Offer Price. If you accept the Offer before the payment of Adtrans' fully franked dividend of $0.15 per Adtrans Share or payment of the Special Dividend (if the Special Dividend becomes payable), APE will not register the transfer of your Adtrans Shares until after the record date for both of these dividends, to enable you to receive these payments. At the date of this Target's Statement, the record date for the Special Dividend (if payable) is expected to be 19 October 2010, being 1 Business Day before the close of the Offer Period. If the Offer Period is extended, that record date is likely to also be extended. If APE obtains a Relevant Interest in less than 90% of Adtrans Shares, APE may waive the 90% acceptances condition and still proceed with the Offer but no Special Dividend will be paid.
Is there a phone number I can ring if I have any queries?	If you have any queries in relation to the Offer, please call 08 8373 1991 (or from overseas +618 8373 1991) during 9.00 am to 5.00 pm Monday to Friday Adelaide time.

7. DEFINITIONS AND INTERPRETATION

7.1 DEFINED TERMS

Adtrans means Adtrans Group Limited ABN 28 008 477.

Adtrans Group means Adtrans and each of its Subsidiaries.

Adtrans Shareholder means a holder of Adtrans Shares.

Adtrans Shares means fully paid ordinary shares in the capital of Adtrans.

Announcement Date means 4 August 2010, being the date of announcement of the Offer.

Annual Report means the Adtrans' 2009-2010 Annual Report dated 26 August 2010 and lodged with ASX on 17 September 2010.

APE means AP Eagers Limited ACN 009 680 013.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the financial market which it operates (as the context requires).

ASX Listing Rules means the listing rules of ASX, as amended or replaced from time to time.

Bid Implementation Agreement means the agreement between APE and Adtrans dated 9 September 2010 documenting APE's proposal to make a takeover bid to acquire all the Adtrans Shares.

Bidder's Statement means the Bidder's Statement dated 15 September 2010 lodged with ASIC by APE on that date.

Board means the board of Directors of Adtrans.

Business Day means a business day as defined in the ASX Listing Rules.

Conditions means the conditions to the Offer as set out in Schedule 3 of the Bidder's Statement.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of Adtrans including, for the avoidance of doubt, the Voting Directors.

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:

(a) bill, bond, debenture, note or similar instrument;

(b) acceptance, endorsement or discounting arrangement;

(c) guarantee;

(d) finance or capital lease;

(e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or

(f) obligation to deliver goods or provide services paid for in advance by any financier.

Material Adverse Change means any matter, event or circumstance that, when taken as a whole or with other matters, events or circumstances is, or is likely to cause:

(a) the value of net assets of Adtrans or the Adtrans Group to be reduced by at least $3.5 million against what they would have been but for the matters, events or circumstances; or

(b) the ongoing annual net profit after tax, in any financial year after the one ending 30 June 2010, of the Adtrans or the Adtrans Group to be reduced by at least $750,000 against what it would have been but for the matters, events or circumstances,

but does not include any change occurring directly or indirectly as a result of any matter, event or circumstance required or permitted by this document, the Offer, the Bid Implementation Agreement or the transactions contemplated by them

Offer means the conditional off-market takeover bid contained in the Bidder's Statement and made by APE for all Adtrans Shares.

Offer Close Date means the date on which the Offer Period ends.

Offer Period means the period commencing on 20 September 2010 and ending at 7.00pm Sydney time on the Offer Close Date, or such later date to which the Offer may be extended.

Offer Price means:

(a) $2.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) and 0.16 APE shares for each Adtrans Share; or

(b) $4.00 cash (less a possible $0.50 per Adtrans Share Special Dividend) for each Adtrans Share.

Prescribed Occurrence means:

(a) **(conversion)** Adtrans converts all or any of its Shares into a larger or smaller number of Shares;

(b) **(reduction of share capital)** Adtrans resolves to reduce its Share capital in any way;

(c) **(buy-back)** Adtrans:

(i) enters into a buy-back agreement; or

(ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;

(d) **(issuing shares or options)** a member of the Adtrans Group:

(i) issues shares;

(ii) grants an option over its shares; or

(iii) agrees to make an issue of shares or grant an option over its shares,

in each case to a person outside the Adtrans Group;

(e) **(convertible notes)** a member of the Adtrans Group issues, or agrees to issue, convertible notes.

(f) **(disposals)** a member of the Adtrans Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;

(g) **(charges)** a member of the Adtrans Group charges, or agrees to charge, the whole or a substantial part of its business or property;

(h) **(winding up)** a member of the Adtrans Group resolves to be wound up;

(i) **(insolvency matters)** one of the following happens:

(i) a liquidator or provisional liquidator of a member of the Adtrans Group is appointed;

(ii) a court makes an order for the winding up of a member of the Adtrans Group;

(iii) a member of the Adtrans Group executes a deed of company arrangement;

(iv) a receiver, or receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of the a member of the Adtrans Group;

(j) **(distribution)** Adtrans makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);

(k) **(securities or other instruments)** a member of the Adtrans Group:

(i) issues securities or other instruments convertible into shares or debt securities; or

(ii) agrees to issue securities or other instruments convertible into shares or debt securities, in each case to a person outside the Adtrans Group;

(l) **(constitution)** a member of the Adtrans Group adopts a new constitution or modifies or repeals its constitution or a provision of it;

(m) **(acquisitions, disposals or tenders)** a member of the Adtrans Group:

(i) acquires or disposes of;

ii) agrees to acquire or dispose of; or

(iii) offers, proposes, announces a bid or tenders for,

any material business, asset, interest in a joint venture, entity or undertaking;

(n) **(Encumbrances)** a member of the Adtrans Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);

(o) **(Board)** any person is appointed to the Board of Adtrans, other than those approved by APE;

(p) **(employment arrangements)** a member of the Adtrans Group:

(i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or

(ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind, other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;

(q) **(termination or retention payment)** a member of the Adtrans Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to APE);

(r) **(commitments and settlements)** a member of the Adtrans Group:

(i) enters into any contract or commitment involving revenue or expenditure by the Adtrans Group of more than $1million over the term of the contract or commitment;

(ii) terminates or amends in a material manner any contract material to the conduct of the Adtrans Group's business or which involves revenue or expenditure of more than $1million over the term of the contract;

(iii) waives any material third party default where the financial impact on the Adtrans Group will be in excess of $500,000; or

(iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of $500,000) less than the full compensation due to Adtrans or a Subsidiary of Adtrans;

other than as a result of contracted arrangements that are in effect at the Announcement Date;

(s) **(capital expenditure)** a member of the Adtrans Group undertakes or agrees to undertake capital expenditure in excess of $1 million in aggregate;

(t) **(Financial Indebtedness)** a member of the Adtrans Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of $1 million;

(u) **(accounting policy)** a member of the Adtrans Group changes any accounting policy applied by them to report their financial position except as required by any law or Regulatory Authority;

(v) **(tax liability)** Adtrans or any other member of the Adtrans Group does anything that results in a taxable gain for the Adtrans Group by either causing a Subsidiary to cease being a member of the Adtrans Group or causing the Adtrans Group to cease being a Consolidated Group,

but a Prescribed Occurrence does not include:

(w) the making or declaring of a final dividend announced on 29 July 2010 of 15 cents per Adtrans Share;

(x) any matter required to be done or brought about by Adtrans under this document or by law or which is contemplated by the Offer;

(y) the making or declaring of a Special Dividend in accordance with clause 2.3 of the Bid Implementation Agreement; or

(z) any other matter, the undertaking of which APE has been notified before the Announcement Date, which was disclosed to ASX before the Announcement Date, which has been approved by APE in writing or which is done by Adtrans or a member of the Adtrans Group in the ordinary course of business.

Register Date means the date set by APE under section 633(2) of the Corporations Act (as may be varied pursuant to the Corporations Act).

Regulatory Approvals means all approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit:

(a) the Offer to be lawfully made to and accepted by Adtrans Shareholders; and

(b) the acquisition of the Adtrans Shares by APE.

Regulatory Authority includes:

(a) ASX, ASIC, Australian Competition and Consumer Commission, the Foreign Investment Review Board and the Australian Taxation Office;

(b) a Government Agency;

(c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and

(d) any regulatory organisation established under statute.

Related Body Corporate has the same meaning as given by section 50 of the Corporations Act.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Special Dividend means a fully franked dividend of $0.50 per Adtrans Share.

Subsidiary has the meaning given to that term by section 9 of the Corporations Act.

Superior Proposal means a publicly announced competing proposal that, taking into account all aspects of the competing proposal, is:

(a) reasonably capable of being completed;

(b) more favourable to Adtrans Shareholders than the Offer.

Target's Statement means this target's statement lodged by Adtrans.

Voting Directors means Graeme Bignell, Shaun Swift, John Heard, Chris Stillwell, David Holst, Raymond Grigg and Stephen Officer.

7.2 INTERPRETATION

Unless specified otherwise, or otherwise required by the context, all words and phrases in this Target's Statement have the meanings given to them in the Corporations Act.

The following interpretation rules apply unless the context requires otherwise:

7.2.1 the singular includes the plural and vice versa;

7.2.2 a gender includes the other genders;

7.2.3 headings used in this Target's Statement are for convenience only and do not affect the interpretation of this Target's Statement;

7.2.4 other grammatical forms of defined words or expressions have corresponding meanings;

7.2.5 a reference to a document includes the document as modified from time to time and any document replacing it;

7.2.6 if something is to be done on a day that is not a Business Day, then it must be done on the next Business Day;

7.2.7 the word "person" includes a natural person and any body or entity whether incorporated or not;

7.2.8 the word "month" means a calendar month and the word "year" means 12 months;

7.2.9 the words "in writing" include any communication sent by letter, facsimile transmission or email or any other form of communication capable of being read by the recipient;

7.2.10 a reference to a "thing" includes a part of that thing;

7.2.11 a reference to all or any part of a statute, rule, regulation or ordination ("statute") includes that statute as amended, consolidated, re-enacted or replaced from time to time;

7.2.12 wherever "include" or any form of that word is used, it must be construed as if it were followed by "(without being limited to)";

7.2.13 monetary amounts are stated in Australian currency unless otherwise specified.

8. APPROVAL OF TARGET'S STATEMENT

The copy of this Target's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Voting Directors of Adtrans on 21 September 2010.

Signed by John H Heard, Deputy Chairman of Adtrans, in accordance with section 351 of the Corporations Act.

J H Heard
Deputy Chairman
Adtrans Group Limited

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The Independent Directors
Adtrans Group Limited
Level 1
4 Greenhill Road
Wayville SA 5034

20 September 2010

Dear Sirs

Independent expert report & Financial services guide

1 Introduction

On 4 August 2010, A.P. Eagers Limited (APE) announced its intention to make an off-market takeover offer to acquire all of the issued capital which it did not already own in Adtrans Group Limited (ADG or the Company). APE became a substantial shareholder in ADG on 1 May 2007 through the purchase of a 15% interest to increase its total shareholding to 19.6%. APE has continued to purchase ADG shares progressively since then, and currently has a 27.9% interest in ADG.

APE is now offering ADG's shareholders the choice of receiving the equivalent to 0.16 APE shares plus $2.00 in cash (Cash and Scrip Alternative), or $4.00 in cash (Cash Alternative) for each ADG share owned (the Offer). ADG shareholders will receive $0.50 of the cash consideration in the form of a fully franked special dividend providing APE's prior written approval is granted and APE becomes entitled to compulsorily acquire any outstanding ADG shares pursuant to Division 1 of Part 6.1 of the Corporations Act (ADG Special Dividend). Shareholders of ADG as at 14 September 2010 will also receive the fully franked final dividend of $0.15 per ADG share (ADG Final Dividend) payable on 8 October 2010.

ADG is the leading automotive retailer in South Australia (SA) and is a leading truck retailer in New South Wales (NSW) and Victoria (VIC). ADG has been listed on the Australian Securities Exchange (ASX) since 1987 and as at 17 September 2010, being the latest date of our analysis (Latest Analysis Date), ADG had a market capitalisation of approximately $101 million.

APE was established in 1913 and is principally involved in owning and operating motor vehicle dealerships across Queensland (QLD), NSW and the Northern Territory (NT). APE has franchise agreements with all of the top 10 selling vehicle brands in Australia and has been listed on the ASX since 1957. As at the Latest Analysis Date APE had a market capitalisation of approximately $373 million.

2 Summary of the Offer

Pursuant to the Offer, ADG shareholders will have the ability to choose between the following two alternatives as consideration (Consideration):

- Cash and Scrip Alternative: This alternative comprises $2.00 in cash per ADG share (inclusive of the ADG Special Dividend) plus four APE shares for every 25 ADG shares (equivalent to 0.16 APE shares per ADG share). Based on APE's closing price of $12.51 on 4 August 2010 being the date of the initial Offer announcement (Initial Announcement Date), this implies an offer price of $4.00 per ADG share

- Cash Only Alternative: This alternative comprises $4.00 in cash per ADG share (inclusive of the ADG Special Dividend).

The APE shares offered as consideration to ADG shareholders will rank equally with APE's existing fully paid ordinary shares from the date of issue.

The Offer is open until 7:00pm Sydney time on 20 October 2010 unless extended (the Offer Period).

2.1 Conditions Precedent

The Offer is subject to a number of conditions precedent, including amongst others:

- a 90% minimum acceptance condition

- regulatory approvals and no regulatory action

- no material adverse changes in ADG's circumstances or any prescribed occurrences

- the S&P/ASX All Ordinaries Index (All Ordinaries Index) not falling by 15% or more for a period of three consecutive trading days from the Initial Announcement Date to the end of the Offer Period

- any required third party change of control consents in respect of material contracts.

Further details in relation to the terms of the Offer and conditions precedent are set out in Schedule 2 of APE's Bidder's Statement, which was lodged with the ASX after the close of trade on 15 September 2010.

3 Scope of the Report

This report has been prepared by KPMG Corporate Finance (Aust) Pty Ltd (KPMG) for inclusion in the Target's Statement to be issued by ADG to its shareholders. The sole purpose of this report and appendices is to express the opinion of KPMG as to whether the Offer is fair and reasonable to ADG shareholders. This report should not be used for any other purposes or by any other party.

3.1 Technical requirements

Pursuant to Section 640(1) of the Corporations Act (Act), a target's statement given in response to a takeover offer must include an independent expert report (IER) if either the bidders' voting power in the target is 30% or more, or the bidder and the target have one or more common directors. The independent expert is required to provide shareholders of the target company with an objective view as to whether the offer is fair and reasonable and to provide them with sufficient information to make an informed decision as to whether to accept the Offer.

As a common director exists between ADG and APE, it is a requirement of Section 640 of the Act that an IER is provided in response to the Offer. Accordingly ADG has engaged KPMG to provide the IER outlining its opinion as to the fairness and reasonableness of the Offer.

Pursuant to ASIC Regulatory Guide 111 'Content of expert reports' (RG111):

- an offer is fair if the value of the consideration is equal to or greater than the value of the securities the subject of the offer
- an offer is deemed to be "reasonable" if it is fair
- an offer may be reasonable if, despite not being fair, the expert believes after considering other significant factors, shareholders should accept the offer in the absence of any higher bid.

RG111 sets out that the valuation should be completed assuming 100% ownership of the target and irrespective of whether the consideration is cash or scrip. The expert is also required to disregard the percentage holding of the bidder, or its associates, in the target in assessing whether the offer is fair.

Under these definitions, and in the absence of a higher offer, the Offer would be considered fair, and therefore reasonable, if the Consideration offered by APE is equal to, or greater than, the assessed full underlying value of one ADG share, assuming 100% ownership of ADG.

4 Summary of opinion

In our opinion the Offer is, on balance, fair and reasonable

Our assessment of the key issues considered in forming our opinion, and the issues that ADG shareholders should consider in deciding whether to accept the Offer, are summarised below and discussed in more detail in the remainder of this report.

4.1 In our opinion, the Offer is fair

In considering whether the Offer is fair we have compared the value of a share in the issued capital of ADG with the value of the Consideration.

We have assessed the value of the whole of ADG to lie in the range of $102.3 million to $119.4 million, or between approximately $3.81 and $4.49 per ADG share. This value range is comparable to the consideration offered under the Offer (inclusive of any ADG Special Dividend payable).

When assessing the controlling value of ADG, we have considered those synergies and benefits which would generally be available to a broad pool of hypothetical purchasers. We have not included the value of synergies and benefits that may be unique to APE.

Our analysis indicates that the Consideration, under both alternatives, is fair as summarised in the table below.

Table 1: Summary of assessment of Offer consideration

	Low	High
	$	$
Assessed value per ADG share	**3.81**	**4.49**
Cash Alternative		
Consideration under the Cash Alternative	**4.00**	**4.00**
Cash and Scrip Alternative		
Cash component	2.00	2.00
Implied scrip component	**1.81**	**2.49**
Offer exchange ratio	6.25	6.25
Implied APE share price	**11.31**	**15.56**

Source: KPMG analysis

Cash Alternative

As the Consideration under the Cash Alternative of $4.00 per ADG share falls within the range of values we have attributed to an ADG share of between $3.81 to $4.49 we have formed the opinion that the Cash Alternative is fair.

Cash and Scrip Alternative

We have been constrained in our assessment of the Cash and Scrip Alternative through the availability of only public information relating to APE. We have considered whether there is any reason to expect that the value of an APE share on a portfolio basis is less than $11.31. We have considered this from the following perspectives:

- the implied historical EBITDA less bailment interest cost (Adjusted EBITDA) multiple which would result in a value per APE share of $11.31 based upon the most recent 12 months Adjusted EBITDA in comparison to APE's multiples and those of comparable companies
- broker pricing estimates and recommendations
- the historical trading prices of APE.

In considering the above we note:

- the APE share price has not traded below $11.31 since 15 December 2009
- based upon APE's most recent 12 month Adjusted EBITDA and net debt (excluding bailment finance and leaseback liabilities) as at 30 June 2010 a share price of $11.31 equates to an implied Adjusted EBITDA multiple of 6.4 times

- other than FY08, APE shares have closed trading at an implicit Adjusted EBITDA multiple in excess of 6.4 times[1]

- the average Adjusted EBITDA multiple of APE's peers was 5.7 times, based on a market capitalisation as at 4 August 2010, being the last day of trading prior to the announcement of the Offer, 10.9% below the minimum implied Adjusted EBITDA multiple for APE of 6.4 times. Given APE has traditionally traded at a multiple in excess of its peers and generated EBITDA margins in excess of its peers we do not consider the implied premium to be unreasonable

- the average price target of APE based on the two available broking house reports pre Offer was $15.24, which represents a premium of 34.7% to the low end of the implied range

- the lowest target price for an APE share published by various broking houses prior to the announcement of the Offer of $14.26, represents a premium of 26.1% to the minimum APE share price which would make the Cash and Scrip Alternative fair and implies a corresponding value for a ADG share of $4.28 which represents a premium of 12.3% to the low end of our range of values for a ADG share

- both broking houses had a 'Buy' recommendation for APE prior to the announcement of the Offer and both confirmed their positive recommendations in reports published since the announcement of the Offer

- the highest trading price for an APE share in the 12 months prior to the announcement of the Offer of $13.55 represents a premium of 19.8% to the low end of the implied range

- the volume weighted average price (VWAP) of APE for the 6 months prior to the Offer was $12.55, an 11% premium to the low end of the implied range.

Based on our analysis, we have also formed the opinion that the Cash and Scrip Alternative is fair.

4.2 On balance, the Offer is reasonable

Pursuant to the operation of ASIC's RG111, given that we have concluded the Offer is fair, the Offer is also deemed to be reasonable. Notwithstanding this, we have also considered whether there are any other factors that suggest that ADG shareholder should, on balance, accept the Offer which we set out below.

[1] Calculated using an enterprise value based on the market capitalisation at close of trade on the date of release of the preliminary final report, net debt excluding bailment finance and leasebook liabilities, divided by underlying EBITDA for the financial year less bailment finance costs

Principal advantages

In our view, the principal advantages relating to the Offer are:

- APE is paying a premium
- the ability to participate in the combined APE and ADG (the Combined Group) (under the Cash and Scrip Alternative)
- the flexibility associated with the Offer
- the ability to sell shares in an illiquid market without brokerage.

Each of these are discussed below.

APE is paying a control premium to acquire ADG

A premium for control reflects the benefits the acquirer achieves through holding a controlling interest in contrast to a portfolio shareholding. Such benefits may typically include:

- full and unfettered access to the cash flows of the business
- control over dividend decisions
- control over voting at shareholder meetings, and, in particular decisions requiring special resolutions, and composition of the board of directors
- absolute control over the future direction of the company without having to deal with minority shareholder issues
- ability to group tax losses.

Based on:

- the terms of the Offer
- APE's closing share price of $12.51 on the last trading day prior to the announcement of the Offer,

the implied consideration under both the Cash Alternative and the Cash and Scrip Alternative is $4.00. The implied premia of the consideration being offered by APE over the VWAP of ADG shares at various points in the 12 months on and prior to the Initial Announcement Date is set out below.

Table 2: Assessment of implied premium of the Offer consideration

Period to 4 August 2010	ADG VWAP $	Implied Consideration $	Implied premium
1 week	3.48	4.00	14.9%
1 month	3.46	4.00	15.5%
3 months	3.49	4.00	14.6%
6 months	3.50	4.00	14.4%
12 months	3.34	4.00	19.7%

Source: IRESS and KPMG analysis

The assessed value of the Consideration to be received by ADG shareholders under both alternatives represents a premium (between 14.4% and 19.7%) over the market price of ADG shares based on VWAP prices on and prior to 4 August 2010, being the period before the announcement of APE's intention to make a takeover offer for ADG.

We have undertaken an analysis of data in order to assess a reasonable range for implied acquisition premiums in Australia in the last 10 years. Our analysis indicated that 20 day premiums ranged showed an average and median of approximately 36.1% and 29.6% respectively[2], after excluding outliers, which we have defined as those with negative premiums or those with premiums greater than 150%.

It is apparent from a review of these transactions that there is a wide dispersion of observed acquisition premiums. This is not unexpected given that acquisition premiums can be affected by a wide range of factors. Having considered these factors, and the nature of the distribution of our observed data we consider on balance it is reasonable to suggest that in Australia, successful transactions are typically likely to complete within an acquisition premium range of 25% to 40%.

It is noted that acquisition premiums are often linked to the level of synergy value expected from the transaction. In regard to the synergies of the Offer, APE has not disclosed any estimates in regard to synergies. Based on the information contained within the Bidder's Statement and our understanding of the operations of ADG and APE, and the automotive retailing industry, we consider the potential synergies to be moderate. Further, as APE has already acquired an interest of 27.9%, we expect some of the control premium to be built into the VWAP of ADG. Having regard to these factors, we would expect the premium implied by the Offer, to be low.

We note that the actual premium for the Cash and Scrip Alternative will change with movements in the APE share price. General market sentiment and conditions and reaction to future APE announcements could all impact upon APE's share price. To the extent that this share price is not representative of the longer term trading prices for shares in APE, ADG shareholders accepting the Cash and Scrip Alternative under the Offer may be advantaged or disadvantaged.

Accordingly, ADG shareholders will need to consider, inter alia, movements in the underlying APE share price subsequent to the date of this report and also form a view as to the future prospects of APE in deciding whether or not accept the Offer and specifically the Cash and Scrip Alternative.

[2] Connect 4, 'Takeovers - Offer Summary Report' and KPMG analysis

Ability to participate in the Combined Group

Pursuant to the Cash and Scrip Alternative, ADG shareholders are being provided with the ability to elect to have an ongoing ownership interest in ADG through an investment in the Combined Group, enabling ADG shareholders to participate in any upside that is generated by the combination of the two entities. In relation to potential upside, this may be generated through the following:

- Diversification: The Combined Group will have greater diversification of operations across geography. The Combined Group will also have an increased number of car and truck dealerships and brands

- Potential for increased liquidity: Whilst on a stand alone basis, APE and ADG have low levels of share turnover, APE even more so than ADG, it is possible, due to its increased size and market position, that the Combined Group will attract an increased level of investor interest that may generate an increased level of liquidity on the ASX. We note that APE initiated an on-market share buy back in May 2009 and has indicated it intends to continue buying back shares throughout 2010, which will assist the liquidity in APE shares

- Improved EPS: Based on the pro forma historical FY10 earnings per share (EPS) of the Combined Group of 138.1 cents and the exchange ratio under the Cash and Scrip Alternative consideration of 0.16 APE shares per ADG share, the implicit EPS after the Offer is 44.2 cents (calculated as 138.1 cents multiplied by 0.32, assuming ADG shareholders purchased APE shares with the cash component of consideration) per ADG share, which is higher than the historical FY10 ADG EPS of 36.7 cents per ADG share as set out in Table 22. Hence, the Combined Group is expected to have an improved EPS compared to ADG.

Flexibility of Offer

Under the terms of the Offer, ADG shareholders are able to choose between the Cash Alternative and the Cash and Scrip Alternative. Those shareholders who elect to receive APE scrip as part consideration will gain an exposure to the business operations of APE and ADG (the Combined Group). This exposure may result in a change to their current portfolio risk and return profile. The choice of Consideration allows the shareholder to match their choice to their risk and return profile.

KPMG makes no recommendation as to the form of consideration ADG shareholders should elect and/or any particular combination of consideration offered under the Offer. The relative benefits of the Cash Alternative, or the Cash and Scrip Alternative will depend on the individual financial position and circumstances of each ADG shareholder. Shareholders should seek their own financial advice if in any doubt as to whether the Cash Alternative or the Cash and Scrip Alternative would provide a superior outcome for them individually.

Ability to sell shares in a relatively illiquid investment with no brokerage costs

The Offer provides ADG shareholders the opportunity to realise their investment in ADG at a full price, given the relative illiquidity of ADG shares, compared to average levels of trading in other ASX listed companies. ADG's turnover of shares was 13.2% of free float[3] in the 12 months on and prior to the announcement of the Offer. Further, the terms of the Offer provide ADG shareholders to realise their investment without incurring any brokerage costs.

Other advantages

Provides succession certainty to shareholders and ADG employees

We understand that there is currently no clear succession plan in place to provide for the eventual retirement of ADG's Chairman, who founded ADG and has driven its evolution over the ensuing 23 years. The Offer provides ADG shareholders and its employees succession certainty past the tenure of Mr Graeme Bignell. It also provides some level of business continuity through both Mr Martin Ward, CEO of APE, having been on the ADG Board since 2007 and also APE's intentions to continue the employment for the vast majority of ADG employees.

Potential to access franking credits

Subject to the payment of the ADG Special Dividend of $0.50 per share, which may be paid to ADG shareholders subject to APE's approval and APE becoming entitled to compulsorily acquire any remaining ADG shares following the Offer Period, ADG shareholders should be entitled to the benefit of any franking credit attached to the ADG Special Dividend if the shareholder has held the ADG shares (at risk) for at least 45 days prior to the record date for the ADG Special Dividend. A fully franked dividend payment of $0.50 implies a franking credit of $0.21 per share. ADG shareholders should refer to section 10 of the Bidder's Statement for further information and should seek their own independent taxation advice regarding their eligibility to receive franking credits associated with the Offer.

Principal disadvantages

We set out our view as to the principal disadvantages associated with the Offer below.

Ownership dilution

If the Cash and Scrip Alternative is accepted, ADG's shareholders will be entitled to receive four fully paid ordinary shares in APE for every 25 ADG shares (in addition to the cash component). Accordingly, ADG's shareholders (excluding APE) will, in aggregate, hold up to 8.4% of the expanded capital of APE, depending on the take up of the Offer and the consideration alternative selected, before taking into account the impact of the disposal of foreign shareholders' and unmarketable parcel interests. Those same shareholders currently hold 72.1% of the issued capital of ADG.

As such, the interest of ADG shareholders in the Company's existing operations will be significantly diluted. However, in the event the Offer is accepted, ADG shareholders will also obtain an interest in APE's operations and any synergies realised by APE as a result of the integration of ADG.

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[3] Excludes the shares owned by ADG's two substantial shareholders and the entity associated with ADG's employee share plan

Limited liquidity in APE shares

APE shares have exhibited a low level of liquidity for the 12 months on and prior to the Initial Announcement Date, with turnover of 5.3% of free float during this period. In comparison over the same period, ADG had a share turnover of 13.2% of free float. If ADG shareholders accept the Cash and Scrip Alternative they will receive shares in a company with lower levels of liquidity, which can impact the share price at which shareholders can realise their investment. However we note this is mitigated in part by the on-market share buy back APE is currently undertaking and note that liquidity may improve from historical levels due to the increased size and spread of shareholders of APE should the Offer be successful.

The Cash and Scrip Alternative does not provide certainty as to the value of consideration received

If the Cash and Scrip Alternative is accepted, ADG shareholders will receive four new fully paid ordinary shares in APE for every 25 ADG shares (in addition to the cash component). Accordingly, the ultimate consideration received by ADG shareholders will be dependent upon the trading price for an APE share at the time each ADG shareholder decides to realise their investment.

Whilst there is no reason to expect that the trading price of APE materially undervalues a minority interest in the company at the date of this report, the trading price of an APE share may increase over the short to medium term, or conversely may decline in value in the future depending on price sensitive actions of APE.

Accordingly, ADG shareholders will need to consider, inter alia, movements in the underlying APE share price subsequent to the date of this report and also form a view as to the future prospects of APE in deciding whether to support the Offer.

Involuntary disposal of shares

ADG shareholders whose address is shown in ADG's shareholder register as being a place outside of Australia and its external territories, or New Zealand, will be deemed to be "Foreign Shareholders" for the purposes of the Offer. APE will not be obliged to issue new fully paid ordinary APE shares to Foreign Shareholders electing to accept the share consideration pursuant to the Cash and Scrip Alternative, unless APE determines it is lawful and not unduly onerous or impractical to do so. In the event new APE shares are not issued to Foreign Shareholders, the APE shares to which the Foreign Shareholders would otherwise have been entitled to will be issued to a nominee and realised, with the net proceeds of such sales distributed to the relevant Foreign Shareholders, notwithstanding that those shareholders may have desired to retain an interest in ADG through shares in the expanded APE.

Capital gains tax exposure

While the Cash Alternative under the Offer provides certainty in relation to the value of the consideration being received, it will potentially result in capital gains tax (CGT) consequences for ADG shareholders arising earlier than may have otherwise been the case. The Cash and Scrip Alternative may also result in CGT consequences as discussed below under Other Considerations and set out in section 10 of the Bidder's Statement.

Other considerations

No superior proposal for ADG shares has emerged

Following the announcement of the Offer, potential alternative acquirers have had the opportunity to make competing offers for ADG. The Directors of ADG have advised us that no such offers have been received.

Approximately five weeks will elapse between the date of this report and the expiration of the Offer. In the event that a superior proposal emerges within this timeframe, ADG shareholders could elect to accept an alternative proposal. We note, ADG shareholders are only able to withdraw their acceptance in limited circumstances, accordingly ADG shareholders may be unable to accept a superior proposal if it arises if they have already accepted the Offer.

APE currently holds 27.9% of ADG and ADG's other major shareholder, Graeme Bignell, holds 20.8%. Accordingly, a superior proposal would need to consider the interests of these shareholders in making any alternative offer.

In the event the Offer is unsuccessful, the ADG share price is likely to fall

If the Offer is not accepted and APE does not gain 90.1% or more of ADG's issued capital, ADG will continue to be listed on the ASX and ADG management have indicated to us that it will be a 'business as usual' approach to running the business.

ADG's share price has increased significantly since APE announced its intention to make an Offer to ADG shareholders. On the last trading day prior to the announcement of the Offer on 4 August 2010, ADG's shares closed at $3.55 on the ASX (on a cum dividend basis, with the final dividend to be $0.15 per share). ADG's shares closed, on the day the Offer was announced, approximately 15.2% higher at $4.09 and have subsequently traded cum dividend in the range of $4.05 to $4.19 to 7 September 2010 and ex dividend $3.95 to $4.09, closing at $4.00 on 17 September 2010 being the last day of trading prior to the date of this report. We note that over the same period of time the All Ordinaries Index increased by approximately 2.8%.

Whilst the increase in ADG's share price from pre-announcement levels may reflect factors in addition to the Offer, we consider it reasonable to expect given the quantum of the immediate uplift upon announcement of the Offer that the increase is largely attributable to the market's perception of the Offer, particularly, with respect to the level of premium being offered in terms of pre-announcement trading prices. Further, we note that APE purchased 56.3% of the 1.6 million ADG shares traded over the 12 months prior to and including 4 August 2010.

Accordingly, having regard to our range of assessed fair value for ADG and other factors discussed above, in the event the Offer lapses, it is likely that the price of an ADG share will fall from current trading levels.

Taxation

The tax consequences for ADG shareholders in respect of the receipt of a fully franked dividend and disposal of ADG shares in exchange for cash or cash and scrip will vary according to the individual circumstances of each shareholder and will be impacted by various factors such as place of residence, and when shareholder acquired their shares in ADG. ADG shareholders should read the overview of the tax implications that may arise as a consequence of the Offer, set out in section 10 of the Bidder's Statement, and should seek their own independent taxation advice regarding the tax consequences of accepting the Offer.

Shareholders accepting the Cash and Scrip Alternative may be entitled to CGT rollover relief where certain circumstances are met, including APE obtaining a holding of at least 80% of the voting shares in ADG as a result of the Offer. We note that the Offer is currently subject to a 90% minimum acceptance condition which if satisfied will provide ADG shareholders with scrip for scrip rollover relief (assuming the other specified conditions set out in Schedule 2 of the Bidder's Statement are met). However, in the event APE waives this condition or otherwise receives less than 80% of the voting shares in ADG pursuant to the Offer, the CGT rollover relief rules will not apply.

5 Other matters

In forming our opinion, we have considered the interests of ADG shareholders as a whole. This advice does not consider the financial situation, objectives or needs of individual shareholders in ADG. It is not practical nor possible to assess the implications of the Offer on individual shareholders as we do not know their specific financial circumstances.

KPMG's opinion should not be construed to represent a recommendation as to whether or not ADG shareholders should accept the Offer. The decision of an ADG shareholder as whether or not to accept the Offer is a matter for individual shareholders based on their tax profile, liquidity preference, investment strategy and tax position. In particular, the taxation consequences will vary widely depending on the individual circumstances of each shareholder. Individual shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to accept or reject the Offer may be influenced by his or her particular circumstances, we recommend that individual shareholders consult their financial and/or taxation adviser.

Our opinion is based solely on prevailing market, economic and other conditions and information available as at the date of this report as set out in Appendix 2. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in section 6 of our report.

Our report has been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. We recommend residents of foreign jurisdictions who are entitled to receive this report and who are uncertain as to the consequences of this seek their own independent professional advice.

This report has been prepared solely for the purpose of assisting shareholders in ADG in considering the Offer. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Target's Statement to be sent to ADG shareholders in relation to the Offer, without the prior written consent of KPMG as to the form and context in which it appears. KPMG consents to the inclusion of this report in the form and context in which it appears in the Target's Statement.

The foregoing is a summary of KPMG's opinion as to the merits or otherwise of the Offer and should be considered in conjunction with and not independently of the information set out in the balance of our report and appendices as attached.

Yours faithfully

D Manifold

Don Manifold
Executive Director

Ian Jedlin
Executive Director

Contents

The remainder of this report is set out below under the following headings:

Financial services guide

Dated 20 September 2010

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged to provide an Independent Expert's Report (**Report**) in relation to the off-market takeover offer by A.P. Eagers Limited (**APE**) for all the shares in Adtrans Group Limited (**Company**) to which APE is not already entitled (**Transaction**) for inclusion in the Company's Target's Statement.

Purpose of this Guide

This Guide is designed to help retail clients to decide how to use our Report. It includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide under our licence
- how we and our staff are paid
- any relevant associations or relationships we have
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Document contains information about significant benefits, risks, fees and other charges and other information about the Transaction.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

Our responsibility to you

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. You have not engaged us directly but have received a copy of the Report because of your connection to the Transaction.

We are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in our Report.

General Advice

Our report only contains general advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in our Report having regard to your circumstances before you act on our Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees we may receive

We charge fees for preparing reports. These fees will usually be agreed with, and paid by, the financial product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Company has agreed to pay us in the range of $120,000 to $140,000 for preparing the Report.

KPMG and its officers, employees, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's

Australian professional advisory and accounting practice (the **KPMG Partnership**). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have not, at any time in the past two years, provided audit, tax and advisory services to the Company or any other interested party to the Transaction for which professional fees have been received.

No KPMG entity, and no individual involved in the preparation of the Report, has any interest in the Company or any other interested party to the Transaction.

Remuneration or other benefits received by our representatives

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**) of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

Contact Details

You may contact us using the contact details set out at the top of the letterhead on page 1.

6 Scope of report

6.1 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 to this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of ADG for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with ADG's management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG included budgeted/prospective financial information prepared by the management of ADG. Whilst KPMG has relied upon this budgeted/prospective information in preparing this report, ADG remains responsible for all aspects of this budgeted/prospective information. Achievement of budgeted/prospective results is not warranted or guaranteed by KPMG. Budgeted/prospective results are by their nature uncertain and are dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the budgeted/prospective results relied on by KPMG. Any variations from budgeted/prospective results may affect our valuation and opinion.

We note that the projected results prepared by ADG do not include estimates as to the potential impact of any future emissions trading scheme (ETS) in Australia. As the structure and mechanism of any such ETS is unable to be reliably determined at this time, we have adopted the Company's estimate as to the impact of such a scheme upon the operations and financial results of the Company in forming our opinion. We however cannot comment as to the reliability of the Company's estimates.

6.2 Disclosure of information

In preparing this report, KPMG has had access to all financial information considered necessary in order to provide the required opinion. ADG has requested KPMG to limit the disclosure of some commercially sensitive information relating to ADG and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising the ADG group of companies. We have disclosed material information which we relied on in forming our opinion.

7 Industry overview

ADG and APE are both principally engaged in automotive retailing in Australia with operations including new and used vehicle sales, vehicle servicing and the sale of spare parts. We note that operations are not directly comparable, with diversity in geographic presence, ADG's exposure to trucks in addition to cars, and APE's larger involvement in property ownership, however the performance of both companies is largely impacted by developments and trends in the Australian automotive retailing industry.

The Australian automotive industry is of significant size, with more than 1 million new vehicles, including trucks, sold in Australia during FY10[4]. At 31 March 2009 15.7 million motor vehicles (including motor cycles) were registered in Australia and the average age of a vehicle was 9.9 years[5]. The average annual growth rate of registered vehicles in Australia over the five years to 31 March 2009 was 3%[6].

In order to provide a context for assessing the prospects of both ADG and APE in the automotive retailing market, we have provided at Appendix 3 an overview of the Australian automotive retailing industry.

8 Profile of ADG

8.1 Corporate background

ADG was established and listed on the ASX in 1987 in order to acquire BS Stillwell-Ford Pty Ltd, which owned car and truck dealership interests in Adelaide and Sydney. ADG is principally engaged in vehicle retailing across SA, NSW and VIC. It is the leading car retailer in SA holding franchises for Ford, Toyota, Hyundai, Kia and Chrysler (which includes Jeep and Dodge brands) and is a leading truck retailer across NSW, VIC and SA, with franchises including Freightliner, Mercedes-Benz, Iveco/International, Fuso, Hino and Hyundai. ADG also has Higer Bus and BCI bus franchises.

Across its Car and Truck Divisions and via its 11 subsidiaries, ADG operates from 23 locations in SA, six locations in VIC and three locations in NSW. In addition to retailing of new and used vehicles, ADG is involved in parts distribution and vehicle servicing. Both provide a significant contribution to earnings. ADG has franchise agreements with two of the top three vehicle manufacturers in Australia (Toyota and Ford) which consist of more than 30% of new Australian vehicle sales annually[7].

ADG had a market capitalisation of approximately $101 million as at Latest Analysis Date. ADG employs more than 830 permanent staff. During FY10, ADG generated revenue of approximately $698.5 million and EBITDA of approximately $19.5 million. ADG's Car Division contributed 57% of revenue and 63.3% of profit before tax (excluding corporate) in FY10, with the remainder provided by its Truck Division (excluding corporate).

8.2 Company structure

The following chart outlines the corporate structure of ADG as at the date of this report.

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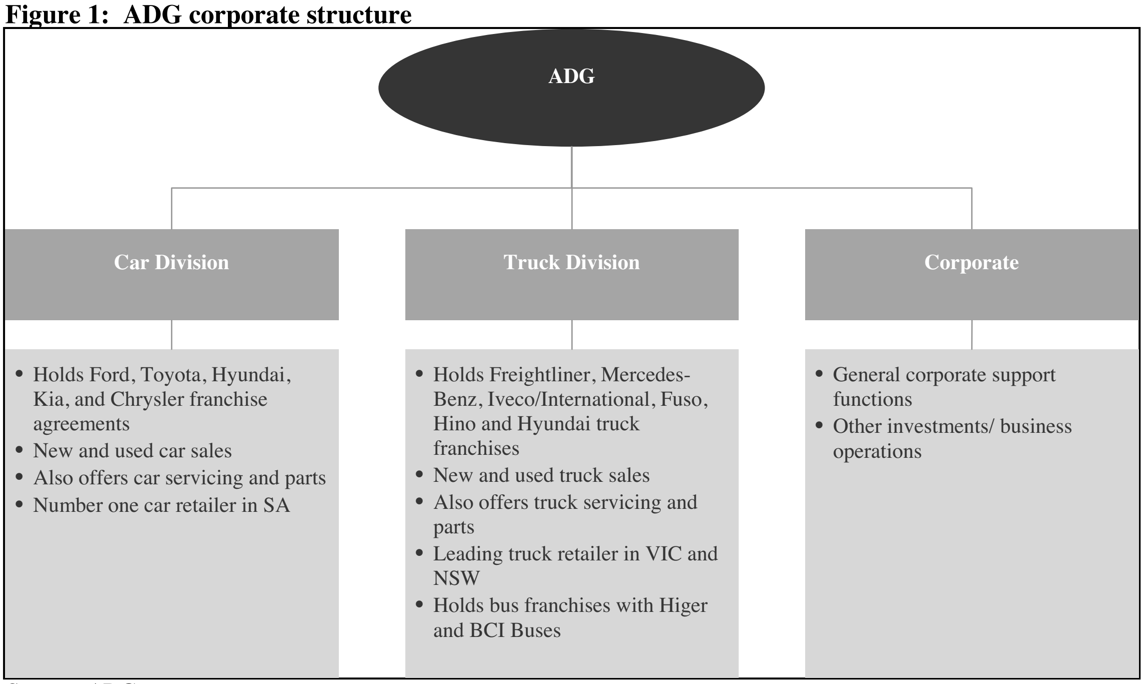
[4] ABS, 9314.0 Sales of New Motor Vehicles, Australia, June 2010
[5] ABS, 9309.0 Motor Vehicle Census, 31 March 2009
[6] ABS, 9309.0 Motor Vehicle Census, 31 March 2009
[7] Federal Chamber of Automotive Industries, VFACTS National Report, New Car Sales, December 2009

Figure 1: ADG corporate structure



Source: ADG

8.3 Overview of Car Division

ADG's Car Division is the top car retailer in SA, with approximately 10% of the SA new vehicle sales market[8]. It operates 16 new and used car sales sites, five car parts departments, including a parts warehouse, and 11 car service departments across SA, which are bundled into five larger dealership groups and five independent used car dealerships. The Car Division employs around 462 permanent staff. In FY10, revenue was $400.5 million and profit before tax was $10.7 million, up 10.5% and 44.8% to the previous corresponding period, respectively. Results in the first six months of FY10 were assisted by the Commonwealth Government's economic stimulus package (refer to section 8.5 for further detail).

The new car sales operations are engaged in the retailing of new cars pursuant to franchise agreements with Ford, Toyota, Hyundai, Kia and Chrysler (which includes Jeep and Dodge brands). Ford and Toyota are two of the three top selling brands of new cars in the Australian marketplace. ADG agrees the numbers and models of vehicles to stock in conjunction with each manufacturer and has discretion to set the sale price of each vehicle. ADG is entitled to receive bonus payments from manufacturers, depending on meeting varying performance benchmarks which typically include volume of sales, customer satisfaction and presentation of facilities. There is a significant level of repeat business in new car sales from previous customers, through either repeat sales or referrals. ADG is experiencing increased sales leads from internet car sales sites. Arranging customer finance for new and used car sales is also an important part of the sale process for ADG and provides a significant contribution to earnings.

The Car Division also sells used cars which are either sourced from trade-ins from buyers of new or other used cars, or from the general used car market place, quite frequently outside of SA. Used car sales are

[8] Based on ADG's average new car sales by unit over FY09-FY10 and new vehicle (including trucks) units for SA over the same period sourced from Australian Bureau of Statistics (ABS)

not subject to franchise agreements. The split between sales of new and used car volumes in ADG's Car Division is circa 45% new to 55% used.

The service departments assist the Car Division in achieving customer satisfaction and therefore attaining new vehicle sales, with repeat customers important to ADG's sales. The service departments are engaged in pre delivery service work, reconditioning of used vehicles, warranty work (for both new and used cars) and general retail servicing and repair work.

ADG's parts departments provide parts to the service departments and largely to external trade customers and dealers. Parts departments sell parts from franchised brands and also offer other automotive products such as paint.

The revenue of the Car Division is influenced by general macro economic factors, particularly interest rates, availability of finance, consumer sentiment and employment levels. In this context used car sales and sales of parts and services provide some hedge to downturns in new car sales, as consumers shift their buying preferences towards lower cost alternatives, or delay new purchases. Fuel prices also impact car sales, with consumers' preference for car size influenced by fuel prices, with a shift to smaller more fuel efficient cars evident as fuel prices rise.

ADG competes with other dealers offering the same brands of cars, other dealership groups, auction houses, independent dealers and private individuals. Competition is primarily based on pricing, brands/products, availability of brands/models, customer service, after market service provided and location. ADG's combined car group is the largest car retailing group in SA.

8.4 Overview of Truck Division

ADG's Truck Division is a top three truck retailer across NSW, VIC and SA. It operates across seven dealership groups which offer new and used truck sales, service and parts. The Truck Division employs 351 permanent staff and in FY10, revenue was $298 million and profit before tax was $6.2 million, down 7.2% and up 93.8% from FY09 respectively (refer to section 8.5 for further detail).

ADG has been involved in truck sales since 1975. It currently has one truck dealership group in SA, two in NSW and four in VIC. ADG sells new trucks and buses pursuant to franchise agreements with Freightliner, Mercedes-Benz, Iveco/International, Fuso, Hino, Hyundai, Higer Bus and BCI. The Truck Division sells a mix of heavy and light trucks and also buses. Stock levels and mixes are determined in line with the current market conditions and also regulation including state based regulations which dictate maximum tonnages and national emissions standards, with the next level of standard, Euro 5 (ADR 80/03). ADG's new truck sales in units, declined by over 20% in FY10, reflecting the broader market trend in truck sales.

The Truck Division also sells used trucks, which are either sourced from trade-ins from buyers of new or other used trucks, or from the general used truck market place. Used truck sales are not subject to franchise agreements. Used truck sales (in units) generally do not decline as significantly as new truck sales during unfavourable market conditions, evidenced by the improvement of 3% in units sold of used trucks during FY10 from the previous corresponding period. The split between sales of new and used trucks in ADG's Truck Division is approximately 75% new to 25% used. Typically used truck sales and the service and parts departments performs relatively better than new truck sales in economic downturns.

The service department is important in providing after market support and achieving customer satisfaction. It holds various service agreements/maintenance contracts with larger fleets, for which it manages the whole servicing cycle including monitoring truck mileage. The service centres are an important part of the Truck Division.

ADG's truck parts departments provide parts to the service departments and largely to external trade customers. Parts departments deal predominantly in parts from franchised brands.

Truck sales are influenced by the total tonnage of freight hauled by road which in turn is driven by downstream demand from road freight users and therefore general macro economic factors, such as interest rates, availability of finance, consumer sentiment and employment levels. ADG's sales are also affected by the availability of models from manufacturers. ADG typically sells to small to mid size fleets and single operators and competes against other larger truck dealers such as CMV and Suttons Motors Group, as well as factory stores, individual dealers and to a lesser extent, private individuals. Competition is driven by pricing, franchised brands, product availability, customer and after market service and location of dealerships.

Manufacturers operate in a mature marketplace where there has been considerable consolidation in recent times. Continued consolidation of truck manufacturers is a potential risk to the Truck Division as consolidations create uncertainty over the continuation of franchise agreements. ADG recently lost the UD franchise which it had held for many years following Volvo Mack's acquisition of the UD truck brands and its subsequent decision to distribute the vehicle through its Volvo Mack dealers from January 2010.

Increasing activity in truck and bus manufacturing by emerging markets such as China and India is expected to create opportunities for truck retailers in the light truck sector such as ADG to source cheaper stock at improved margins. This would build on the success of ADG's franchise for BCI buses which are manufactured in China.

8.5 Financial performance

ADG's audited consolidated financial performance for the three years ended 30 June 2010 are summarised in the following table.

Table 3: ADG historical consolidated financial performance

	Audited FY08 $M	Audited FY09 $M	Audited FY10 $M
Revenue	**752.8**	**683.6**	**698.5**
Cost of sales	(634.1)	(570.9)	(583.7)
Gross profit	**118.7**	**112.7**	**114.8**
Other income	2.7	0.3	0.3
Occupancy expenses	(8.4)	(9.5)	(9.8)
Employee benefits expense	(60.2)	(61.0)	(61.0)
Other expenses	(27.6)	(26.4)	(24.7)
EBITDA	**25.2**	**16.1**	**19.5**
Depreciation and amortisation expense	(2.3)	(2.3)	(2.2)
EBIT	**22.8**	**13.8**	**17.4**
Interest income / (expense)	(5.3)	(4.6)	(3.6)
Profit before tax	**17.5**	**9.1**	**13.8**
Income tax benefit / (expense)	(5.4)	(2.3)	(4.6)
Profit after tax	**12.1**	**6.8**	**9.3**
Outside equity interests[1]	(0.1)	0.0	(0.0)
Profit after tax attributable to members	**12.0**	**6.9**	**9.2**
Basic EPS (cents per share)	*49.8*	*27.9*	*36.7*
Diluted EPS (cents per share)	*49.8*	*27.2*	*35.8*
Dividends per share (cents per share)	*25.0*	*16.0*	*23.0*
EBITDA margin	*3.3%*	*2.4%*	*2.8%*
EBIT margin	*3.0%*	*2.0%*	*2.5%*

Notes:
1 *Outside equity interests represent the investment in entities where ADG owns less than 100%*
Source: ADG 2008, 2009, 2010 Annual Reports

In relation to the historical financial statements outlined above, we note:

- For FY10, we note:
  - sales revenue was 2.2% higher than for the previous corresponding period, including an improvement of 6.5% in parts and service sales. Whilst the Australian new vehicle sales market was up 9.6%, the heavy commercial vehicle market within this was down by 15%[9]. Sales were assisted during the first six months of FY10 by the Commonwealth Government's economic stimulus package which included various tax concessions for qualifying businesses on new vehicles ordered prior to 30 December 2009
  - EBITDA improved 21.1% on previous corresponding period, reflecting the continued focus on cost control and inventory management. Similarly, profit after tax attributable to members was 33.8% higher than the previous corresponding period, or 45.8% higher than the previous

[9] ADG FY10 Annual Report

corresponding period excluding the effect of a $563,489 tax reversal in FY09. Improved results are as a result of cost control measures and inventory management and resultant bailment interest savings, in addition to improved sales results

- the result includes a writedown to property investments of $502,000

- revenue includes other income of $267,000 reflecting $195,000 of income from HIH distributions, $60,000 from the sale of non-current assets and $12,000 of sundry income

- while the EBITDA margin has increased over levels experienced in FY09 it has not returned to levels generated in FY08, prior to the global financial crisis

- For FY09, we note:

  - sales revenue was 9.2% lower than for the previous corresponding period, despite an improvement of 4% in parts and service sales. EBITDA and profit after tax attributable to members were 36% and 42.8% lower, respectively. ADG's results were affected by the challenging environment for vehicle sales, with a 13.4% decline in the overall Australian new vehicle market[10] following the onset of the global financial crisis. ADG was impacted most significantly by the downturn in the vehicle market during the first three months of the FY09 year, with results improving over every subsequent quarter

  - the Hino operation was restructured in January 2009, with the Gosford location closed

  - other income comprised $135,107 gross ($94,575 after tax) refund from the Australian Tax Office during this period, following a Federal Court ruling on GST paid on vehicle manufacturer holdback payments (which included a reversal of tax on the non-assessable portion of GST on holdback refund, which was fully provided for at June 2008), $99,000 of income from HIH distributions and $56,000 from the sale of non-current assets

  - income tax was impacted by $563,489 for the reversal of tax on the abovementioned GST on holdback refund

- For FY08, we note:

  - Sales revenue increased 17% from the previous corresponding period to a record level of $752.8 million. Similarly a record net profit after tax attributable to members of $12 million was achieved, 37.7% up from the previous corresponding period. Improved results were driven by:

    - increased new vehicle sales, consistent with strength in the Australian new vehicle sales market and increased activity in the heavy truck market. Australian new vehicle sales were up 6.4% in FY08 (including a 13% increase in the heavy duty segment of the truck market[11])

[10] ADG FY09 Annual Report

[11] ADG FY08 Annual Report

- a $2.5 million gross ($1.7 million after tax) refund from the Australian Tax Office during this period, following a Federal Court ruling on GST paid on vehicle manufacturer holdback payments, accounted for in other income

- a 9.8% increase to parts and service department sales from the previous corresponding period, impacted by the purchase of parts and service business of Colrain Truck and Trailer in January 2008.

8.6 Financial position

ADG's audited consolidated financial positions at 30 June 2008, 2009 and 2010 are summarised in the following table.

Table 4: ADG historical consolidated financial position

	Audited 30-Jun-08 $M	Audited 30-Jun-09 $M	Audited 30-Jun-10 $M
Current assets			
Cash and cash equivalents	25.3	33.6	25.3
Trade and other receivables and prepayments	35.8	34.5	38.0
Inventories – Bailment	72.7	51.8	59.3
Inventories - Other	47.8	45.6	47.7
Non-current assets held for sale	-	2.4	1.9
Total current assets	**181.6**	**167.9**	**172.3**
Non-current assets			
Property, plant and equipment	43.5	40.8	38.0
Intangibles	8.7	8.7	8.7
Deferred tax assets	4.0	4.5	4.2
Total non-current assets	**56.3**	**54.0**	**50.9**
Total assets	**237.9**	**221.9**	**223.2**
Current liabilities			
Trade and other payables	28.3	31.4	31.8
Interest-bearing liabilities - Bailment	104.5	82.5	80.0
Interest-bearing liabilities - Other	4.7	4.9	4.9
Provisions and income tax payable	14.2	9.8	8.3
Total current liabilities	**151.7**	**128.6**	**125.1**
Non-current liabilities			
Interest-bearing liabilities - Other	19.2	18.9	19.3
Provisions and deferred tax liabilities	5.1	4.9	5.7
Total non-current liabilities	**24.3**	**23.8**	**25.1**
Total liabilities	**176.0**	**152.4**	**150.2**
Net assets	**61.8**	**69.5**	**73.0**
Equity			
Contributed equity	17.1	18.9	19.4
Reserves	10.0	10.0	8.8
Retained earnings	34.4	40.2	44.5
Total parent entity interest in equity	**61.5**	**69.2**	**72.7**
Outside equity interest	0.3	0.3	0.3
Total equity	**61.8**	**69.5**	**73.0**
Ordinary shares on issue (million)	*24.3*	*25.0*	*25.2*
Net assets per share ($)	*$2.54*	*$2.78*	*$2.90*
Net tangible assets per share ($)	*$2.14*	*$2.37*	*$2.54*

Source: ADG 2008, 2009, 2010 Annual Reports

In relation to the statements of financial position outlined above, we note:

- Cash and cash equivalents consist of cash held at bank and deposits at call
- Trade and other receivables comprises largely trade receivables (less allowance for doubtful debts). Trade debtors are non-interest bearing and generally on less than 30 day terms
- Inventories – Bailment consists of vehicles in ADG's possession secured under bailment agreements between the bailment financier and ADG and/or its associated entities. The bailment financier retains legal ownership of the inventory until immediately prior to the sale to the customer, however ADG assumes all risks and benefits attributable to the vehicle
- Inventories – Other largely relates to finished goods and consists of vehicles purchased by ADG, including demonstrator vehicles, and spare vehicle parts
- Intangibles consist largely of goodwill. It also includes the Whitehorse Truck brand name acquired in FY06 which is considered to have an indefinite life
- Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses to the extent it is probable that taxable profit will be available against which the tax assets can be utilised, except in limited circumstances
- Trade payables consist entirely of trade creditors
- Interest bearing liabilities – Bailment reflects ADG's liability to its bailment financiers consisting of both liabilities secured against bailment inventory and other funds owing relating to recent deliveries to customers and ADG demonstrator vehicles (included in finished goods)
- Current interest bearing liabilities – Other relates to hire purchase finance lease liabilities and other unsecured debt from employee deposits, which is repayable on demand and relates to deposits made by employees into the savings facilities provided by ADG
- Non-current interest bearing liabilities – Other relates to hire purchase finance leases and a property loan secured by a charge over freehold land and buildings and cross-guarantees by various ADG group companies
- Provisions consist of employee provisions and on occasion dividends payable.

In relation to the table above, as at 30 June 2010, we note:

- Trade debtors (gross) of $35.6 million comprised $29.5 million (82.8%) of current debtors, $5 million (14%) of past due debtors and $1.1 million (3.1%) of past due 61 days plus debtors
- Other inventories of $47.7 million comprised largely (98.7%) of finished goods, which largely consists of used cars and also demonstrator vehicles and parts inventory

- Property, plant and equipment of $38 million consisted of $24.5 million in freehold land and buildings, $9.2 million of leasehold improvements, $2.8 million of plant and equipment and $1.6 million in motor vehicles. The ADG financial statements indicate that independent valuations are performed with sufficient regularity to ensure that the carrying amount does not materially differ from the asset's fair value at the balance sheet date

- Intangibles comprised $8.4 million in goodwill and $300,000 in brand name value.

Net debt

ADG's level of net debt fluctuates in line with its inventory levels, given a large proportion of debt relates to bailment financier agreements. ADG currently has bailment finance arrangements with St George Bank (St George), which commenced in October 2009 and also Toyota and Mercedes-Benz. Agreements are subject to annual review, with Toyota and St George's arrangements currently being renewed.

As at 30 June 2010, ADG had net debt of $79 million (including its bailment financing arrangements), comprising interest bearing liabilities of $104.3 million and cash and cash equivalents of $25.3 million. Excluding bailment financing arrangements, ADG had net cash of $1 million.

8.7 Contingent liabilities

There are no legal proceedings pending against or involving ADG that in the opinion of the Board of Directors will have a material adverse effect on ADG, nor are the Directors aware of any other issues that may give rise to a contingent liability as at the date of this report.

8.8 Outside equity interests

Outside equity interests reflect the interests of third parties in non wholly owned subsidiaries.

8.9 Cash flow

ADG's audited consolidated cash flow statements for the three years ended 30 June 2010 are summarised in the following table.

Table 5: ADG historical consolidated cash flow statements

	Audited FY08 $M	Audited FY09 $M	Audited FY10 $M
Receipts from customers	839.1	753.3	756.7
Payments to suppliers and employees	(798.9)	(724.9)	(743.6)
Finance cost paid	(6.4)	(5.6)	(4.5)
Interest received	1.1	0.9	0.9
Income taxes (paid) / received	(4.9)	(3.0)	(5.1)
GST on holdback refund	-	2.6	-
GST (paid) / received	(8.9)	(8.3)	(7.4)
Net cash provided by operating activities	**21.1**	**15.1**	**(3.0)**
Payment for property, plant and equipment	(1.7)	(1.9)	(0.7)
Acquisition of business units	(6.2)	-	-
Proceeds from sale of property, plant and equipment	0.2	0.5	0.3
Net cash (used) by investing activities	**(7.6)**	**(1.4)**	**(0.4)**
Proceeds from borrowings	8.2	-	-
Repayment of borrowings	(3.9)	(0.8)	(0.2)
Dividends paid	(5.2)	(4.5)	(4.6)
Net cash (used) by financing activities	**(0.9)**	**(5.4)**	**(4.9)**
Cash/(overdraft) at beginning of the period	12.6	25.3	33.6
Net increase / (decrease) in cash held	**12.7**	**8.3**	**(8.3)**
Cash/(overdraft) at period end	**25.3**	**33.6**	**25.3**

Source: ADG 2008, 2009, 2010 Annual Reports

In relation to the above, for FY10, it is noted:

- Net cash used by operating activities was $3 million, which we note compares to net cash provided of $15.1 million for the previous corresponding period, driven by a reduction of $9.7 million to a subset of bailment finance, Other, relating to vehicles delivered but not paid out to the financier and increased inventory levels and trade debtors

- Net cash held decreased by $8.3 million, largely due to operating cash flows (noted above) and dividends paid of $4.6 million.

8.10 Dividends and franking credits

A summary of the dividends declared by ADG during FY08, FY09 and FY10 is set out below.

Table 6: ADG historical dividend summary

	Audited FY08 cents	Audited FY09 cents	Audited FY10 cents
Interim fully franked dividend declared	9.5	4.0	8.0
Final fully franked dividend declared	15.5	12.0	15.0
Total fully franked dividend declared	**25.0**	**16.0**	**23.0**

Source: ADG 2008, 2009, 2010 Annual Reports

At 30 June 2010, ADG's franking credit balance was $30.2 million.

8.11 Share capital and ownership

ADG currently has on issue approximately 25.2 million fully paid ordinary shares. ADG's top ten shareholders as at 19 August 2010 are set out below.

Table 7: ADG's top ten shareholders

Shareholder	Number of shares held 000	Percentage of issued capital %
APE	7,028.5	27.91
G D Bignell Nominees Pty Ltd	3,769.1	14.97
Mr Graeme Bignell (and associates)	1,458.7	5.79
CPU Share Plans Pty Ltd (CPU)	960.5	3.81
C P Causby Nominees Pty Ltd	638.5	2.54
HSBC Custody Nominees	625.1	2.48
AB Fitzgerald Nominees Pty Ltd	605.7	2.40
Push Ridge Pty Ltd	483.6	1.92
RBC Dexia Investor Services Australia Nominees Pty Limited (RBC)	413.9	1.64
Milton Corporation Limited	410.0	1.63
Total number of shares held by top 10 shareholders	**16,393.6**	**65.09**
Other shareholders	8,792.0	34.91
Total number of shares on issue	**25,185.7**	**100.00**

Source: ADG

In relation to the above we note:

- APE is the largest ADG shareholder with a 27.9% interest
- Graeme Bignell, the Chairman of ADG, and any associated entities is the next largest shareholder, with combined holdings of 20.76%
- CPU is the entity holding ADG employee shares relating to the Deferred Share Plan
- Milton Corporation Limited and RBC are also in the top 10 shareholders of APE, as is Patterson Cheney, who is outside of the top 10 ADG shareholders
- as at 1 September 2010, RBC had increased its shareholding to 479,273, or a 1.9% interest in ADG
- C P Causby Nominees Pty Ltd and AB Fitzgerald Nominees Pty Ltd are entities associated with former directors of ADG

- Push Ridge Pty Ltd is an associated entity of current ADG director, Chris Stillwell.

Substantial shareholder notices have been received by ADG from various parties as set out below.

Table 8: Substantial shareholders

Shareholder	Number of shares held	Percentage of issued capital
	000	%
A.P. Eagers Limited	7,028.5	27.91
Graeme D. Bignell	5,227.8	20.76

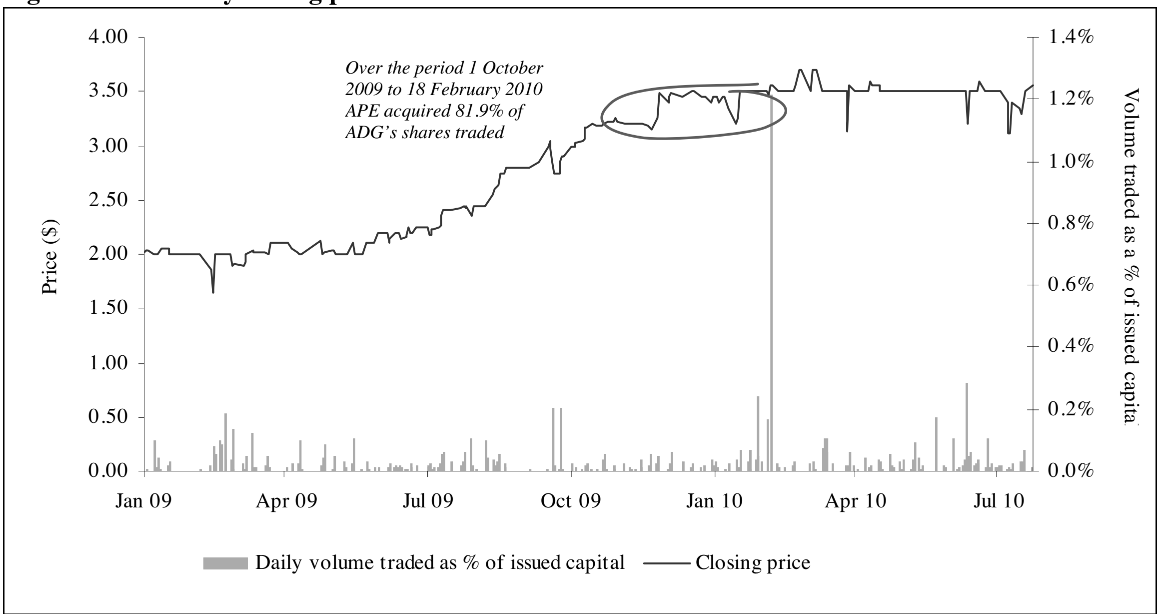
Source: ADG and ASX announcements

We note that APE acquired 3.6 million shares, or a 15% interest, in ADG on 1 May 2007 from Graeme Bignell Nominees Pty Ltd (Graeme Bignell Nominees) for a total payment of $14.4 million comprising $3.6 million in cash and 939,131 shares (at $11.50 per share) in APE, taking APE's relevant interest in ADG to 19.6%. This acquisition was equivalent to a price of $4.00 per ADG share.

8.12 Share price and volume history

The chart below depicts ADG's daily closing share price on ASX in the period since 1 January 2009 to 4 August 2010, being the last trading day prior to the date the Offer was announced, along with the daily volume of shares traded on ASX as a percentage of total issued capital.

Figure 2: ADG daily closing price and volume of shares traded on ASX



Source: Bloomberg

From January 2009 until the announcement of the Offer in August 2010, despite trading being relatively flat since mid December 2009, ADG's share price has trended up, trading within a range of $1.65 on 26 February 2009, albeit in small volumes, to $3.70 on 19 March 2010, before closing at $3.55 on the last trading day prior to the announcement of the Offer. Since the announcement of the Offer, ADG's shares have closed cum dividend between $4.09 and $4.19 and closed ex dividend between $3.95 and $4.07. The closing price of an ADG share on 17 September 2010, being the last day of trading prior to the date of this report was $4.00.

In our view the trading price of ADG shares needs to be considered in light of the initial APE purchase, the ongoing APE acquisitions and the volume of ADG shares traded.

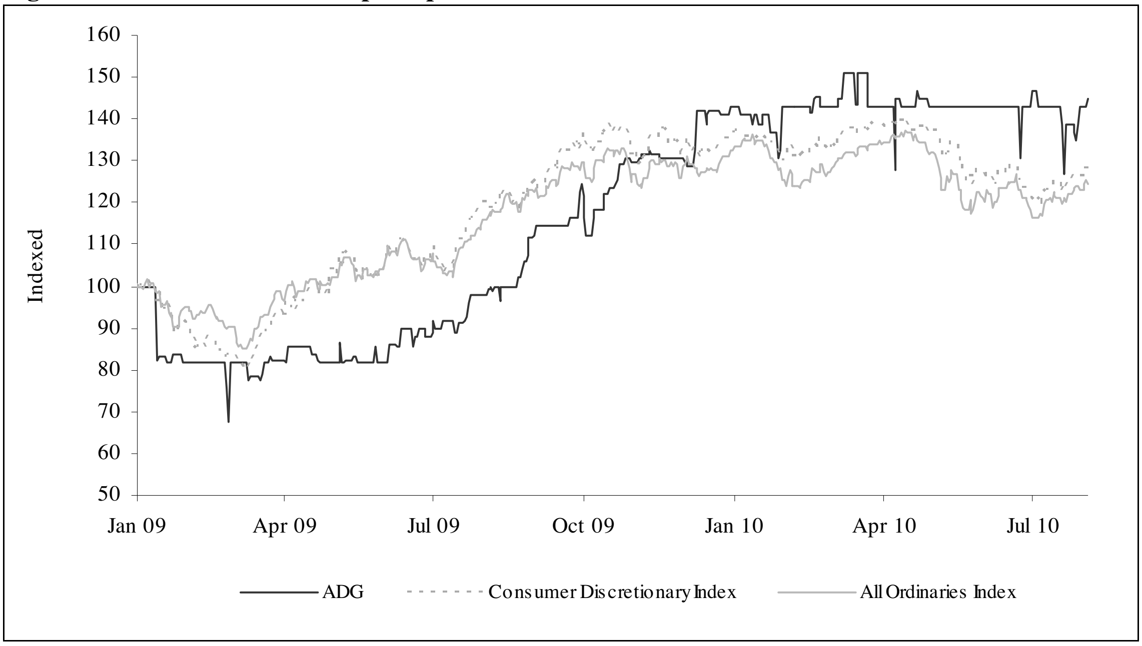
Significant announcements made by ADG since January 2009 that may have had an impact on its share price include:

- 15 September 2010 – Bidder's Statement in relation to the Offer
- 26 August 2010 – Preliminary Final Report
- 4 August 2010 – Directors` statement regarding intention of takeover offer from APE
- 29 July 2010 – Annual dividend up by 44% on prior year
- 25 February 2010 – Half Yearly Report and Accounts
- 18 February 2010 – Change in substantial holding from APE
- 28 January 2010 – Unaudited half year result and full year profit forecast
- 18 June 2009 – Revised full year FY09 profit forecast for ADG
- 3 March 2009 – Change in substantial holding from G. D. Bignell Nominees Pty Ltd
- 26 February 2009 – ADG first half FY09 results.

Further details in relation to all ASX announcements made by ADG to ASX can be obtained from either ADG's website or ASX's website.

The figure below details the trading performance of ADG's shares from January 2009 to the last trading day prior to the announcement of the Offer relative to both the All Ordinaries Index and the S&P/ASX 200 Consumer Discretionary Index (Consumer Discretionary Index) is shown in the figure below.

Figure 3: ADG's relative share price performance



Source: Bloomberg

In relation to the figure above it is noted:

- ADG underperformed the All Ordinaries Index and the Consumer Discretionary Index until the end of August 2009 when it released its preliminary final report for FY09 and a positive profit outlook for FY10 to the market
- there has been a high degree of correlation between the All Ordinaries Index and the Consumer Discretionary Index. The Consumer Discretionary Index has marginally outperformed the All Ordinaries on a consistent basis.

Trading liquidity on ASX

We set out in the table below an analysis of the periodic VWAPs and liquidity of ADG's shares for:

- Period 1: the 12-month period prior to and including 4 August 2010[12] (period before the Initial Announcement Date)
- Period 2: the period prior to 8 September 2010, being the period after the Initial Announcement Date but before the ex dividend date for ADG shares
- Period 3: the period from 8 September 2010 (the ex dividend date for the ADG Final Dividend) until 15 September 2010, being the last day of trading prior to the lodgement with the ASX of the Bidder's Statement (Formal Announcement Date)

[12] The Initial Announcement was made in the evening of 4 August 2010. Hence the trading activities for 4 August 2010 have been included in Period 1.

- Period 4: the period from 16 September 2010, being the first day of trading following the Formal Announcement Date to the Latest Analysis date of 17 September 2010.

Table 9: ADG's VWAP and liquidity analysis

Period	VWAP of period $	Lowest traded price during period $	Highest traded price during period $	Cumulative volume of shares traded during period 000	Volume of shares traded as a % of issued capital %	Volume of shares traded as a % of free float[1] %
Period 1						
1 week	3.48	3.40	3.56	28	0.1	0.2
1 month	3.46	3.11	3.56	103	0.4	0.9
3 months	3.49	3.11	3.62	417	1.7	3.5
6 months	3.50	2.95	3.70	1,094	4.3	9.1
12 months	3.34	2.35	3.70	1,582	6.3	13.2
Period 2						
1 day	4.15	4.09	4.18	129	0.5	1.1
1 week	4.12	4.09	4.18	417	1.7	3.5
1 month	4.11	4.05	4.18	602	2.4	5.0
Total period	4.11	4.05	4.19	635	2.5	5.3
Period 3						
1 day	4.08	4.04	4.09	22	0.1	0.2
1 week	4.00	3.95	4.09	66	0.3	0.6
Total period	4.00	3.95	4.09	66	0.3	0.6
Period 4						
1 day	3.98	3.97	4.00	36	0.1	0.3
Total period	3.98	3.97	4.00	38	0.1	0.3

Notes:
1 Issued capital has been reduced by 13.2 million shares held by the two substantial shareholders and CPU
Source: IRESS, Bloomberg, KPMG analysis

In relation to the table above, we note:

- APE holds approximately 27.9% of total issued shares and acquired shares equating to approximately 3.5% of the issued capital, and 7.5% of the free float over the 12 months prior to and including the Initial Announcement Date

- ADG's Chairman, Mr Graeme Bignell, directly and indirectly holds approximately 20.8% of total issued shares and acquired shares equating to approximately 0.2% of the issued capital and 0.3% of the free float over the 12 months prior to and including the Initial Announcement Date

- CPU is the entity associated with the ADG employee share plan and holds approximately 3.8% of issued capital. Over the 12 months prior to and including the Initial Announcement Date, CPU acquired 1% of the issued capital, and 2.1% of the free float

- on the day following the Initial Announcement Date, ADG's shares traded at a VWAP of approximately $4.15 per share. ADG's share price continued to trade above $4.05 per share on a cum dividend basis after the Initial Announcement Date with highest price traded of $4.19, indicating a positive market response to the announcement of the Offer

- from 8 September 2010, being the ex dividend date for the ADG Final, ADG's shares traded between $3.95 and $4.09
- following the Formal Announcement Date, ADG shares traded between $3.97 and $4.00.

In assessing the liquidity in the trading of ADG's shares, it is noted two substantial shareholders together with CPU have acquired 4.7% of the issued capital over the 12 months prior to the Initial Announcement Date and hold 52.5% of total issued capital (i.e. non-free float). Therefore the balance of the shareholders, who accounted for 47.5% of ADG's share register, had an effective turnover of 1.6% of ADG's total issued shares in the 12 months prior to the Initial Announcement Date (6.3% less the 4.7% acquired by the two substantial shareholders and CPU) or 3.3% excluding the non-free float interests (13.2% less 9.9% attributable to the two substantial shareholders and CPU).

Based on this analysis, ADG's shares have demonstrated a low level of liquidity.

8.13 Options and share plans

Options

The final tranche of options issued under a plan approved by shareholders at the ADG Annual General Meeting of 23 October 2001 were exercised during FY07. There are currently no outstanding options.

Long term incentive plan

In July 2008 ADG implemented a Share Appreciation Rights Plan (SAR) for its senior executives, whereby senior executives and executive Directors are eligible to receive equity based payments providing certain performance targets are met, or at the discretion of the Board of Directors. Pursuant to the performance conditions being met, shares allocated pursuant to the SAR are not restricted in any manner. However, rights held pursuant to the SAR are subject to forfeiture. There are currently 2.4 million rights issued under the SAR.

The rights held pursuant to the SAR will not meet the performance hurdles required to vest.

Employee share plans

ADG currently has the following employee share plans in place:

- Tax Exempt Share Plan (TESP)
  - Introduced in July 2007, the ADG TESP enables permanent employees with more than three years service with ADG to purchase up to $1,000 worth of ADG shares at a 20% discount to market value on the ASX. Shares issued under the TESP cannot be sold until three years after the date of issue, or cessation of employment. Shares can be new issues or purchased on-market six-monthly. There are currently 139,995 shares on issue, pursuant to the TESP
- Deferred Employee Share Plan (DESP)
  - Introduced in July 2007, the ADG DESP aims to encourage employees to improve the performance of ADG and its return to shareholders. The DESP provides the opportunity to

participants, upon invitation, to sacrifice some of their annual remuneration to receive shares in ADG. The terms of issue are dependent on position as summarised below:

- General Managers: shares are allocated at a 20% discount to market and cannot be sold until the earlier of three years after allocation or cessation of employment

- senior executives (excluding the Executive Chairman): shares are allocated on a one-for-one basis, free matching shares to the participants. Shares allocated pursuant to the plan are subject to a four year restriction period. Should a participant cease employment with ADG during this period, matching shares issued for free will be forfeited.

There are currently 960,500 shares issued to pursuant to the DESP. In connection with the Offer, any restrictions in relation to shares issued pursuant to the TESP and DESP will be waived and accordingly holders of TESP and DESP shares will be able to participate in the Offer with respect to these shares.

8.14 Directors' interests

The Directors of ADG held approximately 24.7% of ordinary shares as at 30 July 2010.

Table 10: Directors' relevant interests

Director	Position	Number of shares held	Percentage of issued capital
		000	%
Graeme D. Bignell	Chairman	5,227.8	20.8
Shaun A. Swift	Managing Director	77.0	0.3
David L. Holst	Group Director, Sales	360.0	1.4
John H. Heard	Deputy Chairman	-	-
Chris Stillwell	Director	558.1	2.2
Raymond G. Grigg	Director	-	-
Stephen J. Officer	Director	9.9	0.0
Martin A. Ward	Director	-	-
Total		**6,232.8**	**24.7**

Source: ADG and announcements

All Directors of ADG, except Martin Ward who is also a Director of APE, have indicated that they intend voting in favour of the Offer in the absence of a superior proposal being received.

9 Profile of APE

9.1 Corporate background

Overview

APE was initially established in Brisbane in 1913 as EG Eager & Son Pty Ltd, a family automotive company. It subsequently listed on the ASX in 1957.

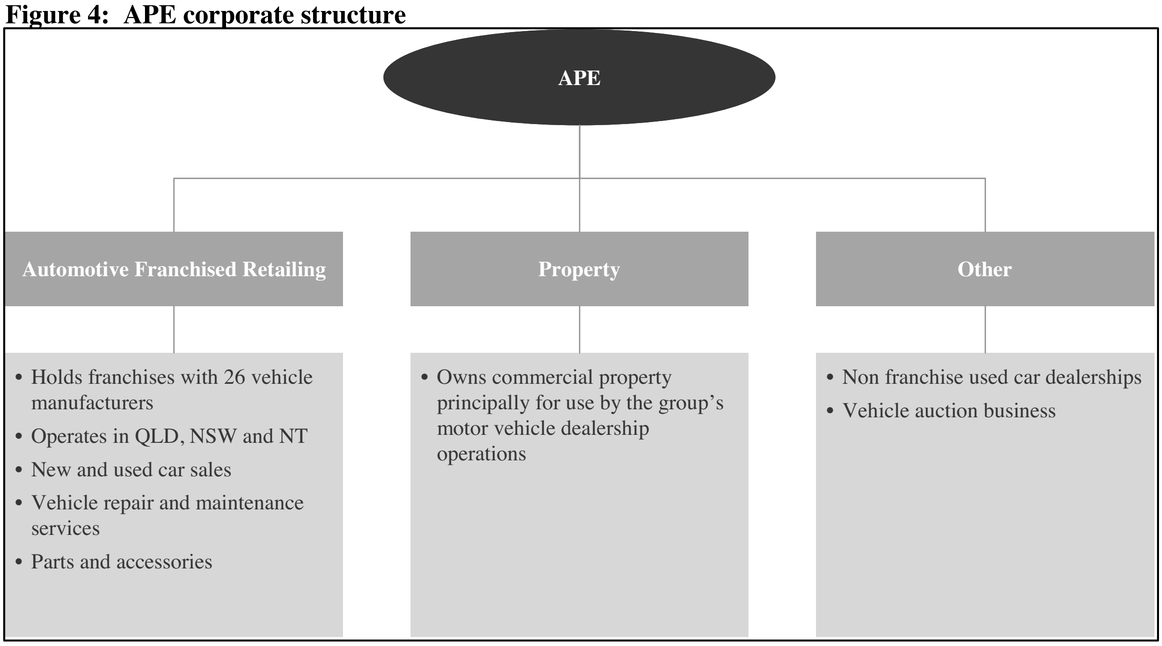
APE is principally involved in owning and operating motor vehicle dealerships which provide full facilities including new and used car sales, service, spare parts and the facilitation of consumer allied finance across QLD, NSW and the NT. APE has franchise agreements with all of the top 10 selling vehicle brands in Australia and 26 brands in total and operates from strategically clustered dealerships owned by APE's property segment.

APE had a market capitalisation of approximately $373 million as at the Latest Analysis Date and employs more than 2,000 staff. During FY09[13], APE generated revenue of approximately $1,663 million and EBITDA of $82.9 million. Approximately 62% of revenue was generated through new car sales, 19% through used car sales, 12% parts, 6% services with the balance largely relating to rent and commissions (refer to section 9.6 for further detail).

9.2 Company structure

The following chart outlines the corporate structure of APE as at the date of this report.

Figure 4: APE corporate structure



Source: APE 2009 Annual Report

During FY09 the Automotive Franchised Retailing, Property and Other segments accounted for approximately 96.6%, 0.1% and 3.3% of total revenue, and 88.9%, 11.7% and (0.6)% of profit before tax respectively (after eliminations and excluding corporate expenses).

9.3 Overview of Automotive Franchised Retailing

APE operates approximately 69 franchised dealerships throughout QLD, NSW and NT, many of which are strategically clustered in order to obtain operational synergies that allow low unit franchises to operate profitably alongside major franchises. Approximately 75% of the property occupied by APE's dealerships is owned by APE, with the majority of remaining occupancies on long term leases. Accordingly APE's rental expenses are lower than if they leased all of their premises.

[13] Unlike ADG, APE has a December year end so in the case of APE, FY09 refers to the 12 months ended 31 December 2009

APE's new car brand portfolio includes all of the top 10 selling brands in Australia, comprising Toyota, Holden, Ford, Mazda, Mitsubishi, Nissan, Hyundai, Honda, Subaru and Volkswagen. The group also represents a further 16 brands, including Audi, BMW, Mini, Saab, Porsche, Volvo, Land Rover, Jaguar, Lexus, Kia, Suzuki, Hummer, Peugeot, Proton, Citroen and Great Wall. New vehicle sales contributed revenue of $1,037.9 million in FY09, representing 62% of APE's total revenue.

In addition to new vehicles, APE's franchised dealerships sell used vehicles sourced through trade-ins and the wholesale used car market. Used vehicle sales (including the Other segment) contributed revenue of $307.7 million in FY09, representing 19% of APE's total revenue.

APE distributes parts through both its dealership network and its dedicated multi franchise parts distribution centres in QLD and NSW. APE's parts distribution centres are some of the largest in Australia and supply parts to many of the other franchised dealers throughout QLD and Northern NSW as well as crash repairers, mechanical shops and other parts outlets. Parts and accessories contributed revenue of $209.7 million in FY09, representing 12.6% of APE's total revenue.

Service centres located across APE's dealership network offer a range of vehicle maintenance and repair services and support the sale of vehicles through pre delivery service and warranty repairs. These services are predominantly supplied in accordance with franchise agreements with manufacturers. Service and repairs contributed revenue of $97.8 million in FY09, representing 5.9% of APE's total revenue.

The Automotive Franchised Retailing Segment also offers extended warranty contracts and receives commissions on finance arranged with third party sources.

9.4 Overview of property portfolio

APE's property portfolio includes over 60 acres of commercial property in QLD, NSW and NT principally relating to its car dealership operations. Approximately 98% of property revenue relates to commercial charges between the Property segment and the Automotive Franchised Retailing segment which is eliminated in the consolidated financial statements.

In FY09 APE performed a review of its property portfolio and categorised properties as either core or non-core based on their strategic value and potential. Following this process, APE announced it would divest its non-core properties and subsequently sold its property located in Fortitude Valley, Queensland for $21.5 million. At 31 December 2009 APE identified that 5% - 10% of its remaining owned properties represent non-core underutilised assets which will be selectively sold to fund growth initiatives. APE categorised $24.2 million of its property portfolio as held for sale at June 2010, with the remaining property portfolio comprised of properties valued at between $7 million to $20 million situated in high profile locations.

9.5 Overview of Other business

APE's Other business is predominantly comprised of non-franchise dealerships operating within the used car market and includes Brisbane Motor Auctions. Brisbane Motor Auctions operates the largest undercover auction facility in Queensland and provides cost effective disposal of motor vehicles, light trucks, boats and light machinery. APE's Other business contributed revenue of $55.7 million in FY09, representing 3.3% of total revenue.

9.6 Financial performance

APE's historical consolidated audited financial performance for each of FY07, FY08 and FY09 and the 6 months to 30 June 2010 are summarised below.

Table 11: APE historical consolidated financial performance

	Audited FY07 $M	Audited FY08 $M	Audited FY09 $M	Audited 1HFY10 $M
Revenues				
Sale of goods and services	1,673.9	1,686.5	1,655.7	847.7
Other	1.0	1.9	7.0	3.8
Total revenues	**1,674.8**	**1,688.4**	**1,662.7**	**851.5**
Raw materials and consumables used	(1,502.0)	(1,408.5)	(1,397.0)	(756.5)
Employee benefits expense	(109.4)	(124.1)	(124.9)	(61.7)
Changes in inventories of finished goods and work in progress	66.5	(23.2)	10.3	42.2
Other expenses	(64.7)	(73.0)	(75.2)	(39.1)
Share of net profits of associates accounted for using the equity method	2.5	1.2	4.1	1.3
EBITDA (underlying)	**67.8**	**60.8**	**79.9**	**37.6**
Non recurring income/(expense)	-	12.3	0.5	(0.7)
Impairment of non-current assets	-	(17.8)	(3.4)	-
Reversal of impairment of non-current assets	-	-	5.8	-
EBITDA	**67.8**	**55.4**	**82.9**	**37.0**
Depreciation and amortisation expense	(8.0)	(9.4)	(9.6)	(4.4)
EBIT	**59.7**	**46.0**	**73.3**	**32.5**
Interest income	0.7	0.6	0.4	-
Finance costs	(20.4)	(26.6)	(21.2)	(9.7)
Profit before tax	**40.0**	**19.9**	**52.5**	**22.8**
Income tax expense	(11.4)	(5.4)	(15.9)	(7.0)
Profit after tax	**28.6**	**14.5**	**36.6**	**15.9**
Outside equity interests[1]	-	-	0.0	0.0
Profit after tax attributable to members	**28.6**	**14.5**	**36.6**	**15.9**
Basic EPS (cents per share)	*102.2*	*49.2*	*121.6*	*53.2*
Diluted EPS (cents per share)	*101.0*	*48.8*	*120.6*	*52.3*
Dividends per share (cents per share)	*58.0*	*44.0*	*62.0*	*23.0*
EBITDA margin (underlying)	*4.0%*	*3.6%*	*4.8%*	*4.4%*
EBIT margin	*3.6%*	*2.7%*	*4.4%*	*3.8%*

Notes:

1 Outside equity interests represent the 9% interest in APE's subsidiary, Eagers MD Pty Ltd, not held by APE

Source: APE 2007, 2008, 2009 Annual Reports and 2010 Half Year Report

In relation to the historical income statements outlined above, we note:

- For the first half of FY10 we note:

  - sale of goods and services was 3.7% higher than during the previous corresponding period, driven by increased new car sales revenue

  - EBITDA declined 7.7% from the previous corresponding period due to increasing competition in new and used cars, however profit before tax was only 1.3% lower than the previous corresponding period, which was a first half year record result of $23.1 million, which included the initial positive impact of the federal government's economic stimulus measures announced in the May 2009 federal budget, most notably the 30% investment allowance. The FY10 first half year result was assisted by lower interest expenses

- For FY09 we note:

  - sale of goods and services revenue decreased by 1.8% to $1,655.7 million driven by a decline in new car sales of 5.0% to 32,312 units reflecting the 7.4%[14] decline in national new car sales volumes. This decline was despite an increase of 4.9% in used cars sales (by units) to 17,279 units and parts sales growth of 3%

  - underlying EBITDA (EBITDA prior to non recurring items and impairment impacts, including profits of associates) improved significantly by 31.4% to $79.9 million and the EBITDA margin improved to 4.8% from 3.6%. These improvements were driven by improved margins on new cars due to lower inventory levels, and labour costs, and to a lesser degree an improvement in gross margins. Further used car margins improved due to better used car market conditions and service margins were up as a result of gains from margin improvement initiatives and cost containment

  - the value of APE's investment in ADG increased by $5.8 million, resulting in a reversal of a prior year impairment

  - following a desktop review of 45% of the property portfolio, the director's adopted valuations resulting in a 2% reduction in total property value as compared to previous corresponding period. Three specific properties were subject to devaluations in excess of any associated property valuation reserve and an income statement loss of $3.4 million was incurred

  - the FY09 dividend of 62 cents per share was a record dividend for APE

- For FY08 we note:

  - sale of goods and services revenue increased by 0.8% to $1,686.5 million. Whilst car sales increased in units, with new car sales up 5.5% to 34,016 units and used car sales up 4.2% to 16,472 units, the sales mix shifted toward smaller cars and non-luxury cars with lower sales prices. Revenue from existing operations decreased by 8.5%, offset by the acquisition of the Bill Buckle Auto Group business, which contributed $109 million to revenue and assisted with geographic diversification into the Sydney market and enhanced exposure to quality brands

[14] Federal Chamber of Automotive Industries

- the difficult trading conditions experienced in the new and used car businesses were substantially offset by the parts and service businesses with revenue improving by 5% and 23% respectively, reflecting a number of consecutive years of strong new car sales and an increasing number of cars on Australia's roads
- underlying EBITDA declined 10.2% to $60.8 million at a margin of 3.6%. Earnings declined despite improved profitability of the parts and services businesses due to rationalisation of distribution facilities and the success of APE's margin improvement initiatives. Reduced margins in new and used cars contributed significantly to the decline in EBITDA, due to the shift in product mix and industry wide price discounting to clear excess inventory
- in response to slowing retail demand, APE implemented dealership rationalisations with the closure of the Southside Ford and Southside Land Rover/Volvo retail businesses in Queensland
- non-recurring income was comprised of an $11.5 million refund of GST that APE had previously paid on manufacturer holdback income and $0.8 million proceeds from an insurance claim for hail damage
- APE recorded $17.8 million in impairment of non current assets, including $6.8 million from goodwill and franchise rights, $1.5 million from downward revaluations on specific properties and a $9.5 million write down in the carrying value of the company's investment in ADG

- For FY07 we note:
  - sale of goods and services revenue increased by 43% to $1,673.9 million. Revenue from existing operations increased by 16% reflecting improved turnover in all aspects of the automotive retail business. The acquisition of the Klosters and Surfers City businesses contributed $310 million to the increase in revenue
  - the advantage of managing an extensive portfolio of vehicle brands offering wide model diversification was again highlighted with the poor performance of large cars being offset by growth in sports utility vehicles (SUVs), commercial, small cars and luxury vehicles
  - new car sales increased by 38% to 32,252 units. Excluding 2007 dealership acquisitions the increase was 13%
  - profit margins on new cars increased as a result of a shift in product mix to luxury vehicles, SUVs and niche brands
  - used car sales increased by 28% to 15,804 units reflecting a full year of Brisbane Motor Auctions volume and the contribution from Klosters and Surfers City Holden used car business. Used car profit margins increased due to operational efficiency gains
  - parts profit margins declined in 2007 as a result of higher property costs associated with Brisbane's industrial and city fringe locations and a more competitive parts market
  - service margins improved reflecting strong new car sales
  - during the year APE increased its strategic investment in ADG to 19.6%.

9.7 Financial position

APE's historical audited consolidated financial position as at 31 December 2007, 2008 and 2009 and as at 30 June 2010 are summarised below.

Table 12: APE historical consolidated financial position

	Audited 31-Dec-07 $M	Audited 31-Dec-08 $M	Audited 31-Dec-09 $M	Audited 30-Jun-10 $M
Cash and cash equivalents	1.0	0.0	18.9	6.9
Trade and other receivables	69.1	57.2	58.3	66.2
Leasebook receivables	-	9.3	6.1	5.3
Inventories	230.0	206.8	217.1	259.2
Non-current property assets held for sale	-	-	17.5	24.2
Other	1.1	3.8	8.0	1.8
Total current assets	**301.2**	**277.1**	**325.9**	**363.7**
Leasebook receivables	-	17.0	10.4	7.5
Investments accounted for using the equity method	24.9	17.6	26.9	29.5
Property, plant and equipment	332.1	358.7	305.6	300.1
Intangible assets	60.9	67.6	67.5	77.5
Other	0.8	-	0.4	0.2
Total non-current assets	**418.7**	**461.0**	**410.8**	**414.9**
Total assets	**719.9**	**738.1**	**736.7**	**778.6**
Trade and other payables	48.7	45.7	57.1	47.5
Borrowings - bailment and bank overdraft[1]	188.2	168.5	170.9	230.7
Borrowings - leasebook liabilities	-	7.6	5.6	5.1
Current tax liabilities	4.8	-	12.4	5.6
Provisions	8.1	8.5	9.2	9.3
Other	0.3	3.4	-	0.0
Total current liabilities	**250.2**	**233.6**	**255.4**	**298.2**
Borrowings - leasebook liabilities	-	17.6	9.7	6.8
Borrowings – other	133.8	145.9	115.2	115.1
Deferred tax liabilities	27.1	25.1	21.7	21.6
Provisions	3.4	3.9	4.1	4.2
Other	1.8	1.0	-	-
Total non-current liabilities	**166.1**	**193.4**	**150.7**	**147.6**
Total liabilities	**416.3**	**427.0**	**406.1**	**445.8**
Net assets	**303.5**	**311.1**	**330.6**	**332.7**
Contributed equity	135.8	148.1	145.5	143.2
Reserves	108.9	106.7	75.2	75.6
Retained earnings	58.9	56.3	109.9	113.8
Attributable to equity holders of the parent	303.5	311.1	330.6	332.6
Non-controlling interests	-	-	0.0	0.1
Total equity	**303.5**	**311.1**	**330.6**	**332.7**
Ordinary shares on issue (m)	*29.0*	*30.0*	*29.9*	*29.7*
Net assets per share ($)	*10.48*	*10.37*	*11.07*	*11.21*
Net tangible assets per share ($)	*8.38*	*8.11*	*8.81*	*8.60*

Notes:

1 Includes overdraft of $1.2 million as at 31 December 2008 and $4.8 million as at 30 June 2010

Source: APE 2007, 2008, 2009 Annual Reports and 2010 Half Year Report

In relation to the statement of financial positions outlined above, we note:

- Inventories reflect new motor vehicles, used vehicles, parts and other consumables held at net realisable value. Inventories include bailment stock which consists of vehicles in APE's possession secured under bailment agreements between the floor plan loan providers and APE and/or its associated entities. The bailment financier retains legal ownership of the inventory until immediately prior to the sale to the customer. Motor vehicles financed under bailment plans are recognised as trading stock with the corresponding liability shown as owing to the finance provider

- Investments in associates, ADG and MTQ Insurance Limited, are accounted for using the equity method of accounting

- Intangible assets consist of goodwill, franchise rights and trade marks/brand names

- Other borrowings relates to lease liabilities, bills payable and a capital loan. The bills payable and capital loan are provided on an interest only basis subject to compliance with specific covenants and an annual review

- Provisions consist of employee benefits and make good provisions on leasehold premises.

In relation to the table above, as at 30 June 2010, we note:

- Cash declined by $12 million over the six months to 30 June 2010, reflecting an investment in growth initiatives including; the acquisition of Caloundra City Autos business, additional investment in ADG, share buy backs and facility upgrades

- Total debt (including bailment financing and excluding leaseback liabilities increased by $59.6 million to $345.7 million over the six months to 30 June 2010. All of this growth was in bailment finance liabilities

- Other current assets includes non-current property assets held for sale of $24.2 million, representing property assets surplus to ongoing business requirements expected to be sold within 12 months

- Inventories increased $42.2 million over the six months to 30 June 2010.

In relation to the table above, as at 31 December 2009, we note:

- Property, plant and equipment of $305.6 million consisted of $284.2 million in freehold land and buildings, $6.8 million of leasehold improvements and $14.6 million of plant and equipment. The APE financial statements note that land and buildings are shown at fair value, based upon annual assessment by the directors supported by periodic, but at least triennial valuations by the external independent valuers

- Intangibles comprised $34 million in goodwill, $29.8 million in franchise rights and $3.7 million in trade marks and brand name value.

Net debt

As at 30 June 2010, APE had net debt of $113 million (excluding bailment financing of $226 million and lease back liabilities of $11.9 million), comprising interest bearing liabilities of $119.9 million and cash and cash equivalents of $6.9 million. The company had a gearing ratio (net debt/net debt plus the book value of equity) of 25.4% as at 30 June 2010 compared to 22.6% as at the previous corresponding period.

Including bailment financing, APE's net debt is $338.9 million (excluding lease back facilities of $11.9 million).

9.8 Cash flow

APE's audited consolidated cash flow statements for the three years ended 31 December 2009 are summarised in the following table.

Table 13: APE historical consolidated cash flow statements

	Audited FY07 $M	Audited FY08 $M	Audited FY09 $M	Audited 1HFY10 $M
Cash flows from operating activities				
Receipts from customers	1,830.2	1,865.1	1,828.8	930.0
Payments to suppliers and employees	(1,763.0)	(1,790.6)	(1,738.7)	(894.2)
Receipt from insurance claim	-	0.8	-	-
Dividends received	1.5	1.7	1.2	1.2
GST on holdback refund (net of costs)	-	11.5	-	-
Interest received	0.9	0.6	0.3	0.4
Interest and other costs of finance paid	(20.2)	(27.3)	(21.0)	(8.8)
Income taxes paid	(12.5)	(13.3)	(5.4)	(13.8)
Net cash inflow from operating activities	**36.7**	**48.5**	**65.2**	**14.9**
Cash flows from investing activities				
Payments for shares in associated entity	(11.2)	(2.7)	(0.5)	(2.5)
Payment for acquisition of subsidiaries and businesses	(72.1)	(32.4)	-	(12.0)
Payment for acquisition of brand name	(0.1)	(0.0)	(0.0)	-
Payments for property, plant and equipment	(27.2)	(10.6)	(8.9)	(5.1)
Proceeds from sale of property, plant and equipment	-	0.5	20.6	5.5
Proceeds from sale of business	-	-	0.4	-
Net cash inflow / (outflow) from investing activities	**(110.6)**	**(45.3)**	**11.6**	**(14.2)**
Cash flows from financing activities				
Buy-back of shares	-	-	(4.0)	(2.3)
Proceeds from borrowings	25.0	26.9	65.0	46.0
Repayment of borrowings	-	(21.6)	(105.6)	(44.5)
Dividends paid	(5.0)	(10.7)	(12.1)	(11.9)
Net cash inflow / (outflow) from financing activities	**20.0**	**(5.4)**	**(56.7)**	**(12.7)**
Net cash increase / (decrease) in cash	**(53.9)**	**(2.1)**	**20.1**	**(12.0)**
Cash at the beginning of the period	54.9	1.0	(1.2)	18.9
Cash at the end of the period	**1.0**	**(1.2)**	**18.9**	**6.9**

Source: APE 2007, 2008, 2009 Annual Reports and 2010 Half Year Report

In relation to the table above, for first half FY10, we note:

- net cash provided by operating activities of $14.9 million was well below the previous corresponding period ($47.8 million) due to higher tax payments based on FY09 profitability and also increased working capital levels

- payment for property, plant and equipment of $5.1 million was up from the previous corresponding period of $4.3 million. This principally related to the construction of the new Metro Ford Newstead showroom and upgrades to the Eagers Holden Windsor and Subaru Toowong facilities.

In relation to the table above, for FY09, we note:

- net cash provided by operating activities increased to $65.2 million from $48.5 million for the previous corresponding period. It is noted the previous corresponding period included $11.5 million from a tax refund of GST on holdback payments

- net cash provided by investing activities included $20.6 million of proceeds from the sale of surplus property assets

- net cash used by financing activities included the cost of acquiring 445,329 APE shares during the year in accordance with the on-market share buyback announced on 23 March 2009.

9.9 Dividends and franking credit balance

A summary of the dividends declared by APE during FY07, FY08 and FY09 is set out below.

Table 14: APE historical dividend summary

	Audited FY07 Cents	Audited FY08 Cents	Audited FY09 Cents
Interim fully franked dividend declared	22.0	22.0	22.0
Final fully franked dividend declared	36.0	22.0	40.0
Total fully franked dividend declared	58.0	44.0	62.0

Source: APE 2007, 2008, 2009 Annual Reports

At 31 December 2009, APE's franking credit balance was $52.0 million.

9.10 Share capital and ownership

As at 30 March 2010, APE had on issue 29.8 million fully paid ordinary shares, which are quoted on ASX. APE's top ten shareholders as at 30 March 2010 are set out below:

Table 15: APE top ten shareholders

Shareholder	Number of shares held 000	Percentage of issued capital %
WFM Motors Pty Ltd	11,826.1	39.64
Patterson Cheney Investments Pty Ltd	2,358.4	7.90
Alan Piper Investments (No 1) Pty Ltd	1,281.3	4.29
G D Bignell Nominees Pty Ltd	956.3	3.21
Argo Investments Limited	846.5	2.84
Milton Corporation Limited	829.6	2.78
Berne No 132 Nominees Pty Ltd	465.0	1.56
Mrs Diane Colman	376.3	1.26
RBC Dexia Investor Services Aust Nominees Pty Ltd	349.0	1.17
Mr Martin Andrew Ward	319.8	1.07
Total shares held by top ten shareholders	**19,608.3**	**65.72**
Other shareholders	10,238.5	34.28
Total shares on issue	**29,846.8**	**100.00**

Source: APE 2009 Annual Report

In relation to the above we note:

- WFM Motors Pty Ltd is associated with Mr Nicholas Politis, a director of APE
- GD Bignell Nominees Pty Ltd is associated with Mr Graeme Bignell, Chairman of ADG
- Mr Martin Ward is the managing director APE and a director of ADG
- Patterson Cheney Investments Pty Ltd, Milton Corporation Limited and RBC are mutual shareholders of ADG and APE.

We note that since 30 March 2010, APE has purchased and cancelled 228,801 ordinary shares in itself pursuant to its on-market buy back scheme (announced on 23 March 2009) and issued 220,000 fully paid ordinary shares pursuant to the exercise of unquoted performance rights. Pursuant to the on-market buy back scheme APE has purchased shares for $12.50.

APE's substantial shareholders as at 30 March 2010 are set out below:

Table 16: APE substantial shareholders

Shareholder	Number of shares held[1] 000	Percentage of issued capital %
WFM Motors Pty Ltd	11,826.1	39.64
Patterson Cheney Investments Pty Ltd	2,358.4	7.90

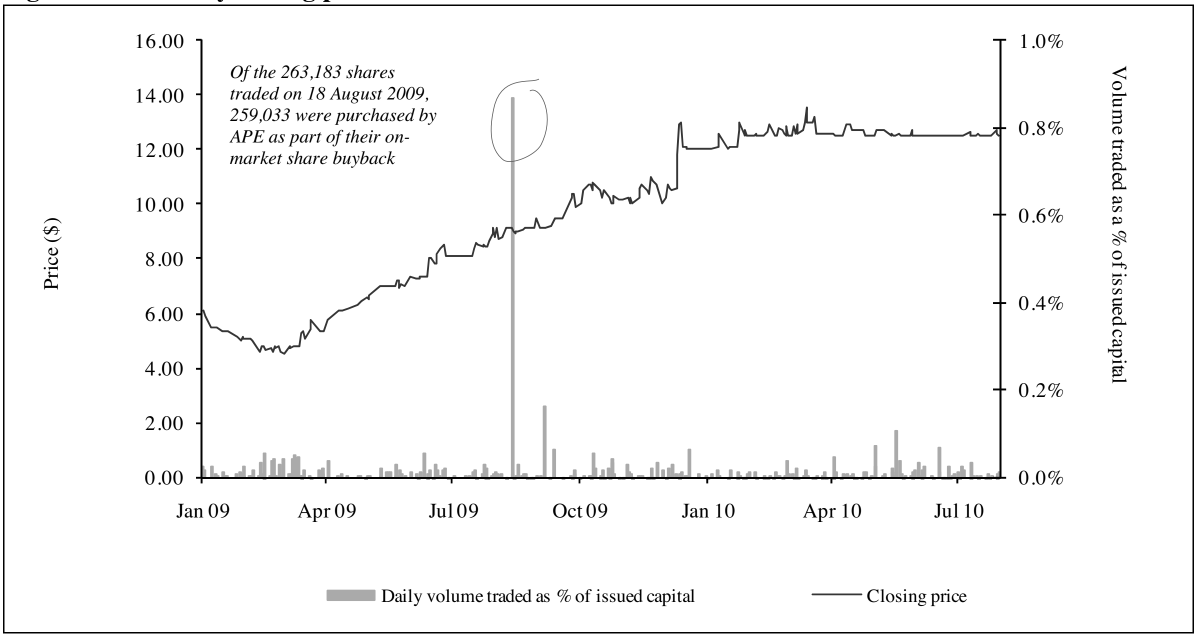
Notes:
1 Based on APE's Top 20 Shareholder list disclosed in APE's FY09 Annual Report
Source: APE 2009 Annual Report

We note that there has been no notification of a change in substantial holding lodged with the ASX since 30 March 2010.

9.11 Share price and volume history

The chart below depicts APE's daily closing share price on the ASX in the period since 1 January 2009 to 4 August 2010, being the last trading day prior to the Offer being announced, along with the daily volume of shares traded on ASX as a percentage of total issued capital.

Figure 5: APE daily closing price and volume of shares traded on ASX



Source: Bloomberg

APE's share price has increased from January 2009 until the announcement of the Offer on 4 August 2010, although trading has been relatively stable between a range of $12.00 - $13.55 since 1 January 2010. APE's shares have traded within a range of $4.50 on 5 March 2009 to $13.55 on 18 March 2010, before closing at $12.51 on the last trading day prior to the announcement of the Offer. Since the announcement of the Offer, APE's shares have closed between $12.50 and $12.65. The closing price of an APE share on the last day of trading prior to the date of this report was $12.50.

Significant announcements made by APE since January 2009 that may have had an impact on its share price include:

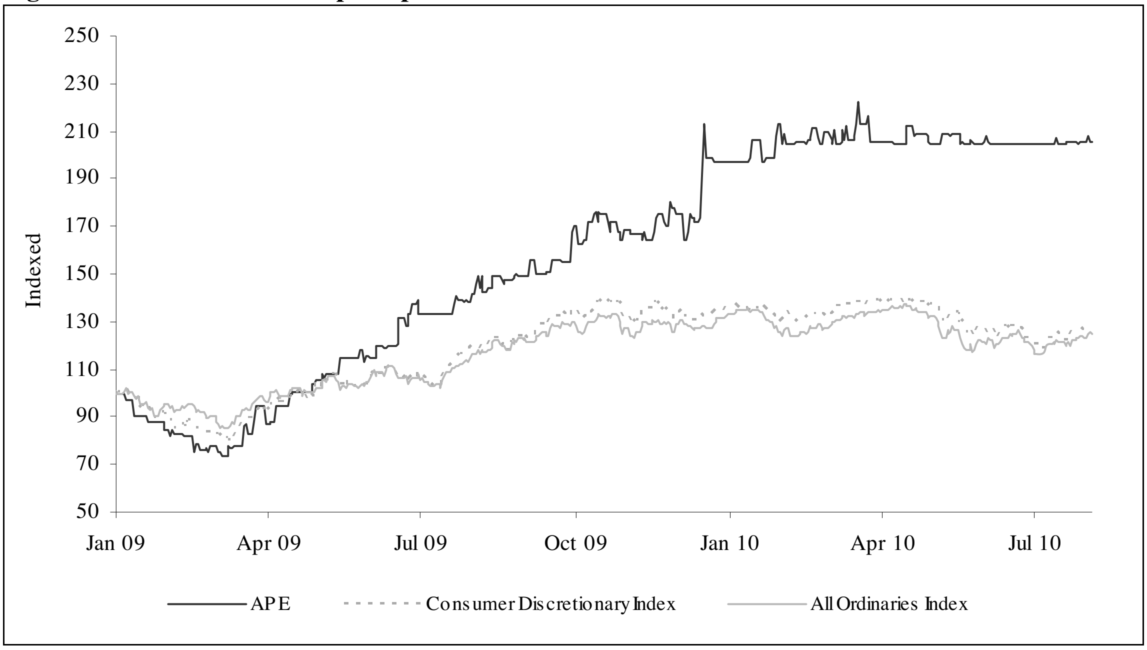
- 15 September 2010 – Bidder's Statement in relation to the Offer
- 27 August 2010 – Half Yearly Report and Accounts
- 4 August 2010 – Announcement of bid for ADG
- 21 July 2010 - FY10 half year unaudited profit before tax of $22.8 million
- 18 March 2010 - Terms of the on-market share buy-back extended until 5 April 2011
- 12 February 2010 - Acquisition of the Caloundra City Autos group of dealerships for approximately $10.5 million

- 27 January 2010 - Record unaudited net profit before tax for FY09 of $52.4 million
- 11 December 2009 - Updated profit guidance for FY09 of $48 to $50 million
- 14 October 2009 - Profit guidance for FY09 of $42 to $45 million
- 22 July 2009 - Increase in underlying profit for the half year ended 30 June 2009
- 2 June 2009 - Sale of property (100 McLachlan Street, Fortitude Valley, Qld) for $21.5 million
- 23 March 2009 - Intention to carry out on-market share buy-back.

Further details in relation to all ASX announcements made by APE to ASX can be obtained from either APE's website or ASX's website.

The figure below details the trading performance of APE's shares from January 2009 to the last trading day prior to the announcement of the Offer relative to both the All Ordinaries and the Consumer Discretionary Index is shown in the figure below.

Figure 6: APE relative share price performance



Source: Bloomberg

In relation to the figure above it is noted since May 2009, APE has outperformed the All Ordinaries and the Consumer Discretionary Index although trading has been relatively consistent since January 2010. In late December 2009 APE's relative performance spiked as it announced an expected record profit result for FY09.

Trading liquidity on ASX

We set out in the table below an analysis of the periodic VWAPs and liquidity of APE's shares for:

- Period 1: the 12-month period prior to and including 4 August 2010[15] (period before the Initial Announcement Date)

- Period 2: the period after the Initial Announcement Date to 15 September 2010, being the Formal Announcement Date

- Period 3: the period following the Formal Announcement Date to the Latest Analysis Date of 17 September 2010.

Table 17: APE VWAP and liquidity analysis

Period	VWAP of period	Lowest traded price during period	Highest traded price during period	Cumulative volume of shares traded during period	Volume of shares traded as a % of issued capital	Volume of shares traded as a % of free float[1]
	$	$	$	'000	%	%
Period 1						
1 week	12.57	12.51	12.70	7	0.0	0.0
1 month	12.51	12.50	12.70	42	0.1	0.3
3 months	12.51	12.49	12.75	212	0.7	1.3
6 months	12.55	12.49	13.55	310	1.0	1.9
12 months	10.72	8.71	13.55	873	2.9	5.3
Period 2						
1 day	12.50	12.50	12.51	8	0.0	0.0
1 week	12.51	12.50	12.64	9	0.0	0.1
1 month	12.52	12.50	12.65	74	0.2	0.4
Total period	12.52	12.50	12.65	100	0.3	0.6
Period 3						
1 day	12.50	12.50	12.51	23	0.1	0.1
Total period	12.51	12.50	12.60	26	0.1	0.2

Notes:
1. Issued capital has been reduced by 13.4 million shares held by the two substantial shareholders

Sources: IRESS, Bloomberg, KPMG analysis

In relation to the table above, we note:

- WFM Motors Pty Ltd and Patterson Cheney Investments Pty Ltd hold approximately 39.6% and 7.9% respectively of total issued shares and they do not appear to have traded over the last 12 months

- on the day following the Initial Announcement Date, APE's shares traded at a VWAP of approximately $12.50 per share. APE's share price continued to trade above $12.50 per share after the Initial Announcement Date with the highest price traded of $12.65.

In assessing the liquidity in the trading of APE shares, it is noted two substantial shareholders who together hold 44.8%[16] of total issued capital have not traded over the last 12 months. Further we note

[15] The Initial Announcement was made in the evening of 4 August 2010. Hence the trading activities for 4 August 2010 have been included in Period 1.
[16] Based on APE's current issued shares outstanding of 29.8 million

APE has purchased approximately 589,551 shares pursuant to its on-market share buy back over the 12 months prior to the Initial Announcement Date. Therefore the balance of the shareholders (excluding APE's two substantial shareholders and APE purchases), who accounted for 55.2% of APE's share register, had an effective turnover of 0.9% of APE's total issued shares (2.9% less the volume contribution of APE's buy back) in the last 12 months or 1.7% excluding the non-free float interests.

Based on this analysis, APE's shares have demonstrated a low level of liquidity.

As at 25 August 2010, there were 1,653,047 options on issue, under the Executive Incentive Plan, comprising 5.1% of APE's total issued capital (on a diluted basis). A summary of the issued options is set out below.

Table 18: APE's options on issue

Grant date	Expiry date	Exercise price ($)	Number
28 August 2009	28 August 2016	9.12	932,783
28 August 2009	27 September 2017[1]	9.12	252,660
27 January 2010	27 July 2017	12.10	467,604
Total			**1,653,047**

Notes:
1. Estimated expiry date - options expire 6 months following the date the audited full year financial statements for the 2016 financial year are released to the ASX
Source: APE 2009 Annual Report, DatAnalysis

Long term incentive plan

APE has one active share-based compensation plan:

- Executive Incentive Plan (EIP)
  - Introduced in 2009, the EIP was established as a replacement scheme for the SIP to initially cover the performance period of 2010 to 2015. Under the EIP, performance rights and options are granted to participants at no cost to the participants. The performance rights and options vest in tranches subject to the fulfilment of vesting conditions. 114,843 rights and 454,288 options were issued on 28 August 2009

APE currently has 318,980 performance rights on issue, under the EIP.

10 Overview of the Combined Group

An overview of the Combined Group is summarised below.

10.1 The Combined Group's operations

Operations

If the Offer is successful, the Combined Group will bring together complementary automotive retailing organisations. The Combined Group will combine ADG's SA, VIC and NSW car, truck and bus dealership networks with APE's car dealerships in QLD, NSW and NT to form a group with greater scale, revenue diversification and geographic extension as shown below.

Table 19: Combined Group operations

	ADG	APE	Combined Group
Market capitalisation at 4 August 2010 ($M)	89.41	374.51	410.9[1]
No. of employees	830	2,000	2,830
No. of car brands	7	26	29[2]
No. of truck brands	6	-	6
No. of bus brands	2	-	2

Notes:
1 Combined market capitalisation assumes 100% acceptance of the Cash and Scrip Alternative (excluding APE) and has been calculated as APE market capitalisation at 4 August 2010 plus 2.9 million APE shares to be issued to ADG shareholders at the APE closing price on 4 August 2010 of $12.51
2 ADG would add Chrysler, Dodge and Jeep to the Combined Group brand portfolio
Source: DatAnalysis, APE 2009 Annual Report, various ASX announcements, ADG

Dealership network

The Combined Group's dealership network will be expanded as shown in the table below.

Table 20: Combined Group dealership locations

	ADG	APE	Combined Group
NSW	3	21	24
NT	-	7	7
QLD	-	33	33
SA	23	-	23
VIC	6	-	6
Total	**32**	**61**	**93**

Source: APE website, ADG

10.2 Financial overview of the Combined Group

Basis of preparation

The summary financial information is prepared on the following basis:

- Financial performance for both ADG and APE has been based on the last twelve months (LTM) to 30 June 2010
- No synergistic benefits have been factored into the summary financial information
- No transaction or integration costs have been factored into the summary financial information
- All of ADG's shareholders (excluding APE) elect to receive $2.00 cash per share and 4 APE shares for each 25 ADG shares (i.e. 100% take up of the Cash and Scrip Alternative).

Capital structure

APE currently has approximately 29.8 million fully paid ordinary shares on issue, 1.7 million options and 0.3 million performance rights on issue. ADG currently has 25.2 million fully paid ordinary shares on issue. APE already holds 7 million of ADG's fully paid ordinary shares on issue.

As set out in the table below, based on the terms of the Offer and dependent upon the level of acceptance of the Cash and Scrip Alternative, options exercised and performance rights vested in APE in the future, ADG non-associated shareholders may hold up to 8.4% of the fully diluted issued capital in the Combined Group.

Table 21: Capital structure

	000	%
ADG shares on issue	25,186	
Less: ADG shares held by APE	7,029	
ADG shares held by non-associated shareholders	18,157	*72.1%*
Terms of the offer	0.16	
APE shares to be issued	2,905	*8.4%*
APE shares currently on issue	29,838	*86.0%*
APE ordinary shares on issue if the Offer is successful	**32,743**	
APE performance rights on issue	319	*0.9%*
APE options on issue	1,653	*4.8%*
APE diluted shares on issue if the Offer is successful	**34,715**	***100.0%***

Notes:
1 Includes share movements subsequent to 30 June 2010 (comprising the issue of 220,000 new shares and cancellation of 99,087 shares pursuant to APE's on-market buy back)
Source: DatAnalysis, ADG, KPMG Analysis

Summary financial performance

Summary financial performance indicators for the Combined Group are set out in the table below.

Table 22: Summary financial performance

	ADG 30-Jun-10 $M	APE 30-Jun-10 $M	Combined Group $M
Total revenues	698.5	1,693.7	2,392.2
EBITDA (normalised)[1]	20.0	77.5	97.5
Profit after tax attributable to members	9.3	35.9	45.2
EBITDA margin	*2.9%*	*4.6%*	*4.1%*
Weighted number of ordinary shares (million)[2]	*25.1*	*30.1*	*32.7*
Diluted number of ordinary shares (diluted - million)[3]	*25.2*	*31.8*	*34.7*
Basic EPS (cents per share)	*36.7*	*119.4*	*138.1*
Diluted EPS (cents per share)	*35.8*	*112.9*	*130.2*
Comparable basic EPS (cents per ADG share)[4]	*36.7*	*n/a*	*44.2*
Comparable diluted EPS (cents per ADG share)[4]	*35.8*	*n/a*	*41.7*

Notes:
1 ADG EBITDA is adjusted to include an add back of $502,000 relating to an impairment expense
2 APE number is as at 31 December 2009. Number of ordinary shares for the Combined Group has been calculated above in Table 21
3 APE number is as at 31 December 2009. Diluted number of shares for the Combined Group has been calculated above in Table 21
4 Comparable EPS for the Combined Group has been calculated by multiplying the Combined Group basic and diluted EPS by 0.32, being the number of APE shares an ADG shareholder would receive if they accepted the Cash and Scrip Offer and used the cash component to purchase shares in APE at APE's closing price of $12.51 on 4 August 2010
Source: ADG 2010 Annual Report, APE 2009 Annual Report, 2009 and 2010 APE Half Year Reports, DatAnalysis

In relation to the above summary financial performance for the Combined Group we note that:

- Based on the above, ADG's representation of the Combined Group's financial performance is approximately:
  - 29% of revenue
  - 20% of EBITDA
  - 21% of profit after tax
- Pro forma EBITDA margin of the Combined Group is 4.1%, 1.2% higher than ADG's EBITDA margin for FY10
- Pro forma basic EPS is 138.1 cents per the above commentary, which is significantly higher than the ADG FY10 EPS of 36.7 cents. We note that this is not directly comparable as ADG shareholders would hold a different number of shares in APE and would have reduced their investment by $2.00 per share. We have calculated a comparable basic EPS (on the basis of an equivalent proportionate share of earnings) of 44.2 cents per share as outlined in the table above which suggests that the Offer is EPS accretive for ADG shareholders.

Summary financial position

Summary financial position indicators for the Combined Group are set out in the table below.

Table 23: Summary financial position

	ADG 30-Jun-10 $M	APE 30-Jun-10 $M	Combined Group Cash and Scrip[1] $M	Combined Group Cash only[1] $M
Cash and cash equivalents	25.3	6.9	23.1	23.1
Trade and other receivables	35.6	66.2	101.8	101.8
Leasebook receivables	-	5.3	5.3	5.3
Inventories	107.0	259.2	366.3	366.3
Non-current property assets held for sale	1.9	29.0	30.9	30.9
Other	2.4	1.8	4.2	4.2
Total current assets	**172.3**	**368.5**	**531.7**	**531.7**
Leasebook receivables	-	7.5	7.5	7.5
Investments accounted for using the equity method	-	29.5	2.0	2.0
Property, plant and equipment	38.0	295.3	333.3	333.3
Intangible assets	8.7	77.5	118.1	118.1
Deferred tax assets	4.2	-	4.2	4.2
Other	-	0.2	0.2	0.2
Total non-current assets	**50.9**	**410.1**	**465.4**	**465.4**
Total assets	**223.2**	**778.6**	**997.1**	**997.1**
Trade and other payables	31.8	47.5	79.4	79.4
Borrowings - bailment and bank overdraft	80.0	230.7	310.7	310.7
Borrowings - leasebook liabilities	4.9	5.1	10.0	10.0
Current tax liabilities	0.2	5.6	5.8	5.8
Provisions	8.1	9.3	17.4	17.4
Other	-	0.0	0.0	0.0
Total current liabilities	**125.1**	**298.2**	**423.4**	**423.4**
Borrowings - leasebook liabilities	-	6.8	6.8	6.8
Borrowings - other	19.3	115.1	164.4	200.7
Deferred tax liabilities	3.9	21.6	26.0	26.0
Provisions	1.8	4.2	6.0	6.0
Total non-current liabilities	**25.1**	**147.6**	**203.2**	**239.5**
Total liabilities	**150.2**	**445.8**	**626.5**	**662.9**
Net assets	**73.0**	**332.7**	**370.6**	**334.2**
Contributed equity	19.4	143.2	179.5	143.2
Reserves	8.8	75.6	75.6	75.6
Retained earnings	44.5	113.8	115.0	115.0
Attributable to equity holders of the parent	72.7	332.6	370.2	333.8
Non-controlling interests	0.3	0.1	0.4	0.4
Total equity	**73.0**	**332.7**	**370.6**	**334.2**
Ordinary shares on issue (m)[2]	*25.2*	*29.7*	*32.7*	*29.8*
Net assets per share ($)	*2.90*	*11.21*	*11.31*	*11.20*
Net tangible assets per share ($)	*2.54*	*8.60*	*7.71*	*7.25*
Comparable net assets per share ($)[3]	*2.90*	*n/a*	*3.62*	*n/a*
Comparable net tangible assets per share ($)[3]	*2.54*	*n/a*	*2.47*	*n/a*

Notes:

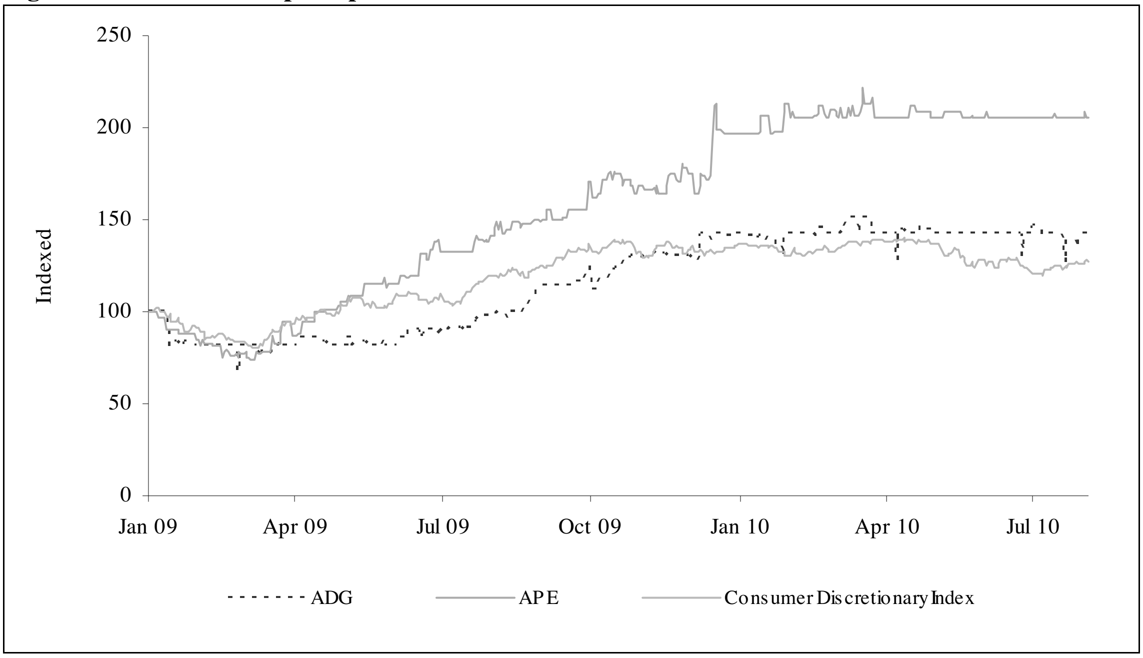
1 Combined Group balances have been taken from the Bidder's statement

2 Combined Group ordinary shares has been calculated as outlined above in Table 21 (and includes movement in APE's shares since 30 June 2010)
3 Comparable net assets per share and net tangible assets per share for the Combined Group has been calculated by multiplying the Combined Group net assets per share and net tangible assets per share by 0.32, being the number of APE shares an ADG shareholder would receive if they accepted the Cash and Scrip Alternative and used the cash component to purchase shares in APE at APE's closing price of $12.51 on 4 August 2010
Source: ADG 2010 Annual Report, APE 2009 Annual Report, APE Bidder's statement

10.3 Relative share price performance

We summarise in the figure below the share price (represented by the VWAP) performance of ADG and APE ordinary shares compared to the Consumer Discretionary Index between 1 January 2009 and 4 August 2010.

Figure 7: Relative share price performance



Source: Bloomberg

The above figure indicates that:

- The share price of APE's ordinary shares, on a relative basis, generally outperformed ADG's ordinary share price over the period with total growth of 105% compared to ADG's growth of 45%
- APE's ordinary share price has generally outperformed the Consumer Discretionary Index over the analysed period, while ADG's performance was in line with the Consumer Discretionary Index.

10.4 Liquidity

We summarise in the table below an analysis of the liquidity of the Combined Group based on ADG and APE volumes traded over the last 12 months.

Table 24: Summary liquidity

Period	ADG % of free float	APE % of free float	Combined Group % of free float[1]
1 week	0.2	0.0	0.1
1 month	0.9	0.3	0.3
3 months	3.5	1.3	1.6
6 months	9.1	1.9	2.8
12 months	13.2	5.3	6.4

Notes:
1 *Calculated as the volume of APE shares traded, plus the volume of ADG shares traded (multiplied by the Offer conversion ratio of 0.16 to provide an equivalent basis) divided by the Combined Group free float of 32.7 million shares less the substantial shareholders interests and Graeme Bignell's implied interest*

Source: IRESS, KPMG analysis

The above table indicates that shares in the Combined Group would have a lower level of liquidity than shares in ADG.

10.5 Board of directors

Depending on the level of ownership achieved, it is APE's intention to substitute some or all of the members of the ADG Board (and the Board of any company on which ADG has nominee directors), other than Martin Ward, with APE nominee directors.

11 Valuation of ADG

An important aspect when considering whether the Offer is fair and reasonable to ADG shareholders is to compare the underlying value per ADG share to the value of the consideration being offered to the ADG shareholders under the Offer.

This section sets out our assessment of the underlying value of ADG shares inclusive of a premium for control and on an ex dividend basis (refer to section 11.2). When assessing the value of 100% of the issued capital of ADG, we have considered those synergies and benefits which would generally be available to a broad pool of hypothetical purchasers. We have not included the value of synergies and benefits that may be unique to APE. Accordingly, our valuation of 100% of the issued capital in ADG has been determined regardless of the acquirer.

11.1 Valuation methodology

RG 111 indicates that it is appropriate for an independent expert to consider the following valuation methodologies and approaches when valuing the target or subject entity:

- discounted cash flow method (DCF)
- capitalisation of future maintainable earnings or cash flows (Capitalisation of earnings)
- the amount that would be distributed to shareholders in an orderly realisation of assets (Net assets)
- the quoted price for listed securities
- the most recent genuine offers received by the business.

Each methodology or approach is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the business being valued and the availability of appropriate information.

Having reviewed the methodologies and approaches set out above, we consider the most appropriate methodology to be adopted in assessing the value of ADG is the Capitalisation of earnings.

This methodology is preferred as:

- ADG is a mature company in a mature business and accordingly has reasonable stability in its earnings
- robust information from comparable listed companies is available.

11.2 Final dividends

On 29 July 2010, ADG announced its unaudited results for FY10, which included a final fully franked dividend of 15 cents per share payable on 8 October 2010. ADG confirmed this dividend in its Preliminary Financial Report released on 26 August 2010. The Bidder's Statement was lodged after the close of trade on the ASX on 15 September 2010, the day following the record date for the ADG Final

Dividend, being 14 September 2010, accordingly ADG shareholders are not able to accept the Offer on a cum dividend basis and we have therefore undertaken our calculations and assessment of the underlying value of an ADG share on an ex dividend basis.

11.3 Summary of ADG earnings

We have adopted EBITDA less the cost of bailment finance (Adjusted EBITDA) as the earnings base for our primary methodology after considering a number of factors specific to the operations of businesses within the automotive retailing industry, including:

- participants in the automotive retailing industry typically use bailment (floorplan) financing to fund purchases of vehicle inventory. Bailment financing is short term financing used to fund working capital, and is usually repayable within 48 hours of the sale of a vehicle. Accordingly we do not consider bailment financing to be part of an automotive retailer's core underlying debt. Further we consider the interest associated with bailment financing to represent an operating cost associated with holding vehicle inventory, rather than an interest cost associated with long term debt funding

- participants have different levels of dealership property ownership and therefore will have different capital expenditure requirements and related depreciation charges, depending on a company's particular strategy

- whilst industry participants generally have minimal gearing, with the exception of interest bearing liabilities associated with bailment financing, cash balances may vary. Therefore interest revenue incurred as a result of the decision of each participant regarding levels of cash held should be excluded to maintain comparability.

It is common to have regard to a maintainable level of earnings in applying the Capitalisation of earnings methodology, which is the level of earnings considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream is unlikely to fall. The level of maintainable earnings is influenced by a number of factors, including the trend and consistency of historical performance, the stage of development of the business and the extent to which one-off or non-recurring transactions are reflected in the financial statements.

We set out below a summary of ADG's financial performance over this period.

Table 25: Summary of historical and estimated forecast performance

	FY08 $M	FY09 $M	FY10 $M	FY11 $M
EBITDA	25.2	16.1	19.5	21.0
Add: Costs associated with Gosford closure	-	0.3	-	-
Add: Write down of property	-	-	0.5	-
Less: GST Holdback refund	(2.5)	(0.1)	-	-
Less: HIH distribution	(0.1)	(0.1)	(0.2)	-
Less: Gain/loss from the sale of non-current assets	-	0.1	(0.1)	-
Normalised EBITDA	**22.5**	**16.3**	**19.8**	**21.0**
Less: Bailment finance costs	(4.6)	(3.8)	(2.7)	N/A
Normalised Adjusted EBITDA (incl. bailment adjustment)	**18.0**	**12.4**	**17.1**	**N/A**
Normalised EBITDA margin	*3.0%*	*2.4%*	*2.8%*	*2.9%*
Normalised Adjusted EBITDA margin	*2.4%*	*1.8%*	*2.4%*	*N/A*
Add: Depreciation and Amortisation	(2.3)	(2.3)	(1.1)	*N/A*
Normalised Adjusted EBIT (incl. bailment finance adjustment)	**15.6**	**10.1**	**16.0**	**N/A**

Source: ADG management, financial reports, various broker reports

In relation to the above, it is noted that:

- earnings declined in FY09 due to factors discussed in Section 8.5 but largely relating to the general industry decline as a result of the global financial crisis
- normalised EBITDA has declined by 12% over FY08 to FY10, however normalised Adjusted EBITDA has declined by 5%, reflecting better inventory management reducing costs associated with bailment financing
- normalised EBITDA margins reached 3% in FY08, which was the best year of performance for ADG over the period set out above, and declined to 2.4% in FY09, reflecting the trading difficulties of this period. We consider trading conditions of FY10 to be most comparable to FY11, for the period set out above, however we note that FY10 included the benefits associated with the government's economic stimulus package discussed in section 8.5
- estimated FY11 earnings of $21 million are based upon available broker forecasts and the ADG FY11 budget, having regard to historical performance and margins and also ADG's history of performance to budget based on discussions with management. We have not disclosed the ADG budget due to commercial sensitivities.

Having regard to the above we are of the opinion that FY10 Adjusted EBITDA provides a reasonable estimate of the maintainable Adjusted EBITDA of ADG. In this regard we note that neither ADG nor any of the comparable companies disclose FY11 estimates of bailment financing costs.

11.4 Capitalisation multiple

The multiple applied in a capitalisation of earnings methodology should reflect the return expected by an investor in the business. Therefore the multiple should reflect amongst other things:

- the diversity of the business divisions within the company

- the operational risks of the business
- the growth profile of the business
- the size of the company
- the nature of the environment in which the business operates.

In selecting the multiple, consideration is given to data from listed companies and transactions in a comparable sector (refer to Appendix 4), with appropriate adjustment for the specific characteristics of the business being valued.

In making our assessment as to the appropriate multiples, the following specific factors relating to ADG and the industry were considered:

- ADG typically derives approximately 50% of its earnings from its Trucks Division (we note that ADG's Truck Division contributed 36.7% of profit before tax, excluding corporate, in FY10)
- the outlook for truck retailing is less buoyant than for car retailing, due to availability of truck models and underutilised truck fleets following the impact of the global financial crisis
- the size of ADG in relation to the comparable listed companies and those involved in comparable transactions, both within Australia and internationally
- ADG does not own of the majority of the property associated with its dealerships and accordingly its rental expense is higher than comparable companies that own a larger proportion of dealership properties
- with the exception of FY09, results have been relatively consistent
- potential operating synergies available to a hypothetical purchaser
- the operating margins achieved by ADG
- on 4 August 2010, being the date of the announcement of the Offer, ADG was trading on a cum dividend basis.

Comparable companies

A summary of Adjusted EBITDA trading multiples for the LTM for companies considered to be most comparable to ADG are summarised in the below table.

Table 26: ADG comparable company Adjusted EBITDA trading multiples

	Country	Market cap $M	LTM Adjusted EBITDA multiple times
ADG[1]	*Australia*	*89.4*	*5.6 x*
Trading multiples			
APE[2]	Australia	374.5	7.0 x
Automotive Holdings Group Limited[3]	Australia	537.2	5.8 x
Total Mean			**6.4 x**
Total Median			**6.4 x**

Notes:
1 ADG's historical Adjusted EBITDA multiple has been calculated based on the normalised Adjusted EBITDA for FY10, market capitalisation as at 4 August 2010 and current net debt (excluding bailment finance) as set out in section 11.5
2 APE's historical Adjusted EBITDA multiple has been calculated based on APE's normalised EBITDA (including profit from associates) for the 12 months to 30 June 2010 less estimated bailment interest costs, market capitalisation as at 4 August 2010 and reported net debt (excluding bailment finance and leaseback liabilities)
3 Automotive Holdings Group Limited's (AHG's) Adjusted EBITDA multiple has been calculated based on AHG's FY10 EBITDA (pre significant items) less bailment interest costs, market capitalisation and reported net debt (excluding bailment finance) as summarised in AHG's announcement to the ASX on 20 August 2010

Source: Capital IQ, various broker reports, company data

In relation to the above comparable company LTM Adjusted EBITDA trading multiples, it is noted:

- trading multiples of publicly listed companies reflect the investment expectations of portfolio investors. That is, they represent trading in parcels of shares to which no premium for control attaches

- LTM Adjusted EBITDA multiples have been calculated based on the most recently released 12 months of EBITDA reduced by estimated or actual bailment interest costs over the same period for the respective companies. The market capitalisations are at the latest closing price prior to the announcement of the Offer

- we have not considered the next 12 months (NTM) Adjusted EBITDA multiples given a lack of publicly available information in regard to future bailment interest costs

- ADG was trading cum dividend on 4 August 2010, accordingly the multiple set out above is on a cum dividend basis, in comparison to AHG and APE, which were both ex dividend

- in the case of ADG we note:

  - APE made an investment of 15% on 1 May 2007 lifting its stake to 19.6%

  - APE has been utilising the 'creep' provisions of the takeovers law to acquire up to an additional 3% of ADG's issued capital each six months

  - it is likely that some degree of takeover speculation or premium for control was built into ADG's share price prior to the announcement of the Offer

- the mean and median LTM Adjusted EBITDA multiple for the comparable companies is 6.4 times.

Selection of multiple range

Based on the specific characteristics of ADG and comparable information detailed in Appendix 4 and summarised above, we consider the following Adjusted EBITDA multiples to be appropriate in assessing the value of 100% of ADG.

Table 27: Selected Adjusted EBITDA multiples

	Multiple	
	Low	**High**
Adjusted EBITDA multiple	6.0	7.0

Source: KPMG analysis

In relation to the multiple range selected, we note:

- in selecting the appropriate multiple to apply, a valuer is required to exercise their skill and judgement, and therefore the multiple selected will ultimately be subjective in nature
- trading multiples reflect the investment expectations of portfolio investors. That is, they represent trading in parcels of shares to which no premium for control attaches. Pursuant to RG111, the valuation should be completed assuming 100% ownership of the target, accordingly we would expect the appropriate multiple to include a premium for control. In this regard, the selected multiple range set out above reflects in part, our assessment of the possible synergies that would be available to an acquirer of ADG
- the selected multiple is on a cum dividend basis and we have adjusted for the ADG Final Dividend in our assessment of net debt (refer to section 11.5) in order to provide a value of ADG per share on an ex dividend basis
- the midpoint of our multiple range reflects a premium of 1.6% to the average LTM Adjusted EBITDA multiple of 6.4 times (which as noted above, may already incorporate a premium relating to takeover speculation). In this regard we note the midpoint of our selected multiple range:
  - is 12.1% higher than the LTM Adjusted EBITDA trading multiple of AHG. Whilst AHG is more diversified geographically and operationally than ADG, is significantly larger than ADG and had a higher Adjusted EBITDA margin for the LTM, the AHG multiple excludes a premium for control and is on an ex-dividend basis. On balance having regard to the factors discussed, we do not consider this premium to be unreasonable
  - is lower than the LTM Adjusted EBITDA trading multiple of APE. Despite the APE multiple excluding a premium for control, we consider this reasonable given APE was trading on an ex-dividend basis and has historically typically traded at higher multiples than its peers. It has a higher Adjusted EBITDA margin than its peers, in a very low margin industry and is more than twice the size of ADG. Further, APE is not involved in truck retailing, which has more recently been depressed in relation to the car retailing market

- we do not consider there to be significant operational synergies likely to be available to a hypothetical purchaser and accordingly any control premium may be lower than if significant potential synergies could be identified.

11.5 Current net debt position

Adjusted net debt

The application of an Adjusted EBITDA multiple results in an enterprise value for ADG which treats any bailment finance as an operational expense. To determine the equity value of ADG, the level of net debt, excluding bailment finance (Adjusted net debt) must be deducted from the enterprise value.

The level of Adjusted net debt of ADG varies significantly during the year due to seasonality of sales and inventory purchases. We have considered the average historical Adjusted net debt levels of ADG for periods over FY08 to FY10, based on half and full year balances as set out below.

Table 28: Average historical Adjusted net debt by financial year

Financial year	31-Dec $M	30-Jun $M	Average $M
FY10	6,756	(1,039)	2,859
FY09	13,837	(9,847)	1,995
FY08	11,136	(1,301)	4,918
Average	**10,576**	**(4,062)**	**3,257**

Source: ADG 2010, 2009, 2008 Annual Reports, ADG 2010, 2009, 2008 Half Year Reports

We have also considered the following in assessing an appropriate level of Adjusted net debt for the purposes of undertaking our analysis of the assessed equity value of ADG:

- Adjusted net cash of $1 million as at 30 June 2010
- the payment of $3.78 million required for the ADG Final Dividend in October 2010
- average Adjusted net debt level for FY10 on a monthly basis, which we note is higher than the simple average of half year and full year, set out above
- the total termination or retention payment of $519,122 relating to qualifying ADG Directors pursuant to Bid Implementation Agreement (BIA) between APE and ADG dated 9 September 2010
- guidance provided by management but not disclosed in this report due to commercial sensitivity.

Having had regard to the factors discussed above we have selected an Adjusted net debt balance of $9.3 million for the purposes of our analysis (calculated as our assessed underlying Adjusted net debt balance of $5 million less the payment to ADG retiring Directors and the ADG Final Dividend).

11.6 Surplus assets and non-operating investments

Surplus assets represent those assets or investments that are not required in order for ADG to continue to realise its principal source of earnings. To determine the equity value, surplus assets must be added back to the enterprise value.

After reviewing the balance sheet of ADG and from discussions with ADG management, we are of the opinion that ADG has approximately $3 million of surplus assets, relating to properties held for sale. The values have been determined by independent valuations.

11.7 Issued capital

As at 4 August 2010, ADG had 25.2 million ordinary shares on issue. As discussed in section 8.13, ADG also has 2.4 million rights on issued pursuant to the SAR plan. These rights will not vest as the SAR performance hurdles will not be met and accordingly we have not considered these rights in our analysis.

11.8 Contingent liabilities

Following a review of current litigation and proceedings, ADG has not recognised a contingent liability provision and accordingly we have made no adjustment in this regard.

11.9 Summary of value of ADG

Based on ADG's FY10 Adjusted EBITDA, selected multiple range and current Adjusted net debt position detailed above, our Capitalisation of earnings based valuation of ADG is summarised below.

Table 29: Capitalisation of earnings valuation summary

	Reference	Low	High
		$M	$M
Adjusted historical EBITDA	Table 25	17.1	17.1
Selected Adjusted EBITDA multiple	Table 27	6.0	7.0
Enterprise Value (excluding surplus assets)		**102.3**	**119.4**
Add: Surplus assets	Section 11.6	3.0	3.0
Less: Adjusted net debt (normalised)	Section 11.5	(9.3)	(9.3)
Equity Value		**96.0**	**113.1**
Number of shares on issue	Section 11.7	25.2	25.2
Diluted number of shares on issue		**25.2**	**25.2**
Price per share (ex dividend) ($)		**3.81**	**4.49**

** The above many not add due to rounding*
Source: ADG, KPMG analysis

11.10 Valuation cross check

To assess the reasonableness of our valuation of ADG, we have considered the following:

- the LTM and NTM EBITDA multiples implied by our assessed value compared to LTM and NTM EBITDA trading multiples of comparable companies and to multiples implied in comparable transactions
- the price per share of the sale of 15% in ADG by Graeme Bignell Nominees to APE on 1 May 2007.

Implied EBITDA multiples

We have calculated the (unadjusted) LTM and NTM EBITDA multiples implied by our assessment of total enterprise value as detailed in the table below (discussion on the associated net debt levels follows).

Table 30: Calculation of implied EBITDA multiples

	EBITDA multiples	
	Low	High
	$M	$M
Enterprise value (inclusive of bailment financing)	**172.3**	**189.4**
LTM (FY10) EBITDA	19.8	19.8
Implied LTM EBITDA multiple	**8.7 x**	**9.6 x**
NTM (Estimated FY11) EBITDA	21.0	21.0
Implied NTM EBITDA multiple	**8.2 x**	**9.0 x**

Source: KPMG analysis, ADG and broker consensus estimates

Net debt

Given the level of net debt of ADG also varies significantly during the year for the abovementioned reasons, we have considered the average historical net debt levels of ADG for periods over FY08 to FY10, based on half and full year balances as set out below.

Table 31: Average historical net debt by financial year

	31-Dec	30-Jun	Average
Financial year	$M	$M	$M
FY10	71,921	79,006	75,464
FY09	88,841	72,682	80,762
FY08	114,456	103,241	108,849
Average	**91,739**	**84,976**	**88,358**

Source: ADG 2010, 2009, 2008 Annual Reports, ADG 2010, 2009, 2008 Half Year Reports

We have also considered the following in assessing an appropriate level of net debt for the purposes of undertaking our analysis of the assessed equity value of ADG:

- average net debt of $75.5 million for the 12 months to 30 June 2010, on a half yearly basis
- the payment of $3.78 million required for the ADG Final Dividend on 8 October 2010
- the total termination or retention payment of $519,122 relating to qualifying ADG Directors pursuant to BIA between APE and ADG dated 9 September 2010
- average net debt level for FY10 on a monthly basis, which we note is higher than the simple average of half year and full year results set out above
- tighter inventory management controls have been implemented over the period set out above evidenced in declining levels of bailment financing
- guidance provided by management but not disclosed in this report due to commercial sensitivity.

Having had regard to the factors discussed above we have incorporated an average net debt balance of $76.3 million for the purposes of our valuation cross check.

Comparable company trading multiples

For the purposes of assessing the reasonableness of the multiples implied by our assessed enterprise value (inclusive of bailment financing) we have considered listed comparable companies, which are set out in Appendix 4 and summarised below. Whilst the comparable companies have operations similar in nature to ADG, we note none of the comparable companies' operations match exactly those of ADG, and therefore are not directly comparable. We set out below a summary of the EBITDA multiples of comparable companies:

Table 32: Summary of comparable companies' trading multiples

Comparable company	LTM EBITDA multiple times	NTM EBITDA multiple times
APE	9.2x	8.6x
AHG	7.9x	7.5x
Colonial Motor Co. Ltd.	7.6 x	7.5x
Average	**8.3x**	**7.9x**

Source: Capital IQ, various broker reports, company financial statements

In relation to the above we note the following:

- the multiples reflect market capitalisation as at 4 August 2010 (being the last day of trading prior to the announcement of the Offer) and publicly available information regarding forecast earnings for each company
- the LTM and NTM multiples of companies relate to the 12 months ended and ending 30 June 2010 and 2011, respectively. This is consistent with the financial years for AHG and Colonial Motor Co. Ltd, consistent with earnings used in our valuation and valuation cross checks of ADG
- the multiples reflect trading of portfolio interests in the companies, and therefore exclude any premium for control, whereas the multiples implied in our assessment include a premium for control
- the multiples are not on a cum dividend basis, we would expect cum dividend multiples to be higher to reflect the value of the dividend to be paid.

Comparable company transactions

Details of these comparable company transactions are set out in Appendix 4 and summarised below.

Table 33: Summary of comparable transaction multiples

Date	Target	Acquirer	Shares acquired. %	Historical EBITDA multiple times
Australian transactions				
Dec-07	Bill Buckle Autos Pty Ltd.	APE	100.0	n/a
Aug-07	Adtrans Hino	ADG	100.0	n/a
May-07	ADG	APE	15.0	10.3x
International transactions				
Jan-10	Dunfermline Autocentre Limited	Bristol Street First Investments Limited	100.0	4.3x
Jan-09	Lookers plc	Trefick Limited	21.3	14.2x
Sep-08	Sai Service Station Ltd.	Sai Service Agency (Bombay) Pvt Ltd.	14.0	2.6x
Jun-07	Grantham Motor Co Ltd	Vertu Motors PLC	100.0	4.8x

Source: MergerMarkets, various broker reports, SDC Thomson, company financial statements

In considering the above comparable transactions we note:

- whilst the targets in comparable transactions have operations similar in nature to that of ADG, we note none of the targets (with the exception of APE’s acquisition of its initial stake in ADG) match exactly those of ADG
- transaction multiples are based on most recent full year results, which may not necessarily relate to the LTM
- transactions involving a transfer of control to the acquiring entity include a premium for control. Transactions involving a transfer of less than a controlling interest may include also include a premium for control, at least in part. A premium for control often reflects the synergistic benefits of the transaction to the acquirer, as well as the payment of a simple control premium. There is insufficient publicly available information to determine the extent to which implied multiples relate to operating synergies as opposed to a simple premium for control
- the control premium paid is not explicitly determined, rather it is an outcome of the transaction being completed at a price that is acceptable to the acquirer. Therefore, depending on the nature of the transaction, the circumstances of the acquirer and the business being acquired, the control premium paid in each case is likely to vary over a wide range.

Prior acquisition of APE’s 15% stake in ADG

As discussed in section 8.11 APE acquired a parcel of 3.6 million shares, or a 15% interest, in ADG on 1 May 2007 from Graeme Bignell Nominees for a total payment of $14.4 million comprising $3.6 million in cash and 939,131 shares (at $11.50 per share) in APE. This purchase increased APE’s stake in ADG to 19.6% and equates to a price of $4.00 per ADG share and a historical EBITDA multiple of 10.3 times based on the last full financial year of FY06 or 9.4 times[17] on a LTM basis. The purchase equates to an implied historical Adjusted EBITDA multiple of 7.5 times, based on the last full financial year of FY06, or 7.6 times on an LTM basis.

We note the following in regard to APE's prior purchase of 15% in ADG:

- the acquisition was not for a controlling stake, however it was for 3.6 million shares, which is a large parcel of ADG shares (15% of issued capital) which would be difficult to secure on market, particularly having regard to the total volume of shares traded annually in ADG (less than 1.6 million shares in the 12 months prior to 4 August 2010). Accordingly it is likely that some premium for control was implied in this purchase as it was undertaken at an 10.5% premium to the closing ADG share price on 19 April 2007, being the day prior to the announcement of the intended purchase

- the implied multiple of 10.3 times is based on the last full financial year, being FY06. The comparable multiple on a LTM basis is 9.4 times, which is 3.3% higher than the midpoint of the LTM EBITDA multiple range implied by our assessed value of 100% of ADG

- the implied Adjusted EBITDA multiples on an LTM basis of 7.6 times is 17% higher than the midpoint of our selected LTM EBITDA multiple range

- the purchase was made prior to both the record year in car sales in Australia during FY08 and also to the onset of the global financial crisis. On the day prior to the announcement of the purchase, the All Ordinaries Index was at 6,148.3 points, 34.8% higher than on the 4 August 2010, being the last day of trading prior to the announcement of the Offer

- our assessed value of an ADG share is between 4.8% lower and 12.3% higher than the price paid for APE's initial purchase. We note that the closing price of ADG's shares prior to the announcement of the Offer of $3.55 compares to a closing price of $3.62 prior to the announcement of APE's initial purchase.

On balance having regard to the above, we consider our assessed value range of an ADG share of between $3.81 to $4.49, to be reasonable.

[17] Calculated using the implied 100% equity value based on APE's purchase at $4.00 per ADG share and shares on issue at 1 May 2007, net debt and outside equity interest as at 31 December 2006, and ADG's earnings for the 12 months to 31 December 2006

Cross check conclusion

We set out below the EBITDA multiples implied by our assessed valuation range of 100% of ADG, in comparison to comparable trading and transaction EBITDA multiples.

Table 34: Summary of multiples

	Low times	High times	Average times
Implied EBITDA multiple - LTM	8.7 x	9.6 x	**9.1 x**
Implied EBITDA multiple - NTM	8.2 x	9.0 x	**8.6 x**
Comparable company EBITDA multiple - LTM	7.6 x	9.2 x	**8.3 x**
Comparable company EBITDA multiple - NTM	7.5 x	8.6 x	**7.9 x**
Comparable transaction EBITDA multiple - Australia	10.3 x	10.3 x	**10.3 x**
Comparable transaction EBITDA multiple - Total	2.6 x	14.2 x	**7.2 x**

Source: Capital IQ, various broker reports, company financial statements MergerMarket , SDC Thomson

The implied range of LTM EBITDA multiples of 8.7 times to 9.6 times and NTM EBITDA multiples of 8.2 times to 9 times, which include a premium for control, do not appear unreasonable having regard, inter alia to the following:

- the midpoints of the implied multiple ranges are 9.6% and 8.9% higher than the average LTM and NTM EBITDA trading multiples, which exclude a premium for control and are ex dividend. The midpoints of the implied ranges set out above are also higher than APE’s trading multiples, which as discussed above tend to be at a premium to peers’ due in part to a higher EBITDA margin

- the midpoint of the implied LTM EBITDA multiple range is 97.8% higher than the average historical EBITDA multiple of 4.6 times for the two comparable transactions involving a change of control, the more recent transaction announced in January 2010. We note both of these transactions were undertaken in the United Kingdom (UK) and accordingly are influenced by the economic conditions of the UK, which differ considerably to Australia

- the midpoint of the implied LTM EBITDA multiple range is 3.2% lower than the LTM EBITDA multiple of 9.4 times implied by APE’s prior purchase of 15% of ADG. In this regard we note, the All Ordinaries Index declined by 25.8% over the period from 19 April 2007, being the day prior to the announcement of APE’s 15% purchase to 4 August 2010, being the last day of trading prior to the announcement of the Offer and as mentioned above, it is possible that some premium for control was implied in this purchase.

Having regard to the various cross checks performed and set out above, on balance, we do not consider our assessed enterprise value of $102.3 million to $119.4 million, and assessed value per ADG share on $3.81 to $4.49 on an ex dividend basis, to be unreasonable.

12 Evaluation of the Offer

In Section 11.9 of this report, we valued the whole of ADG in the range of $102.3 million to $119.4 million, or $3.81 to $4.49 per share. In order for the Cash and Scrip Alternative to be considered fair given the exchange ratio offered by APE, the minimum value of an APE share would need to be $11.31, calculated as follows.

Table 35: Calculation of minimum required value of a APE share

	Reference	Low	High
Value of an ADG share	A	3.81	4.49
Less: Cash component of consideration	B	2.00	2.00
Required value of share based consideration	**C = A - B**	**1.81**	**2.49**
Number of APE shares as consideration per ADG share	D	0.16	0.16
Minimum required value of an APE share	**C / D**	**11.31**	**15.56**

Source: KPMG Analysis

In determining whether the value of an APE share is at or above the lower end of the range detailed above, we have had regard to:

- the consistency of the implied trading multiples of APE to its comparable companies
- brokers' pricing forecasts pre bid
- the trading performance of APE shares.

12.1 Implied trading multiples of APE and comparables

To determine the reasonableness, or otherwise, of the trading value of APE shares, we have considered the implied Adjusted EBITDA multiple of APE in the context of its peers and the required minimum value range determined above.

In undertaking this assessment, we have focussed on whether there are any factors which would tend to indicate that APE was being over valued such that the underlying value of APE may in fact not exceed the lower end of the minimum required APE price range.

The implied Adjusted EBITDA multiple based on the required minimum value of APE shares determined above is detailed in the table below.

Table 36: Calculation of APE's minimum required Adjusted EBITDA multiple

	$M
Minimum required value of APE share ($)	11.31
Number of shares	29.8
Implied market capitalisation	**337.5**
Net debt (excluding leaseback liabilities and bailment finance)	113.0
Enterprise value	**486.7**
Estimated LTM Adjusted EBITDA	70.0
Implied Adjusted EBITDA multiple (times)	**6.4 x**

Source: KPMG Analysis

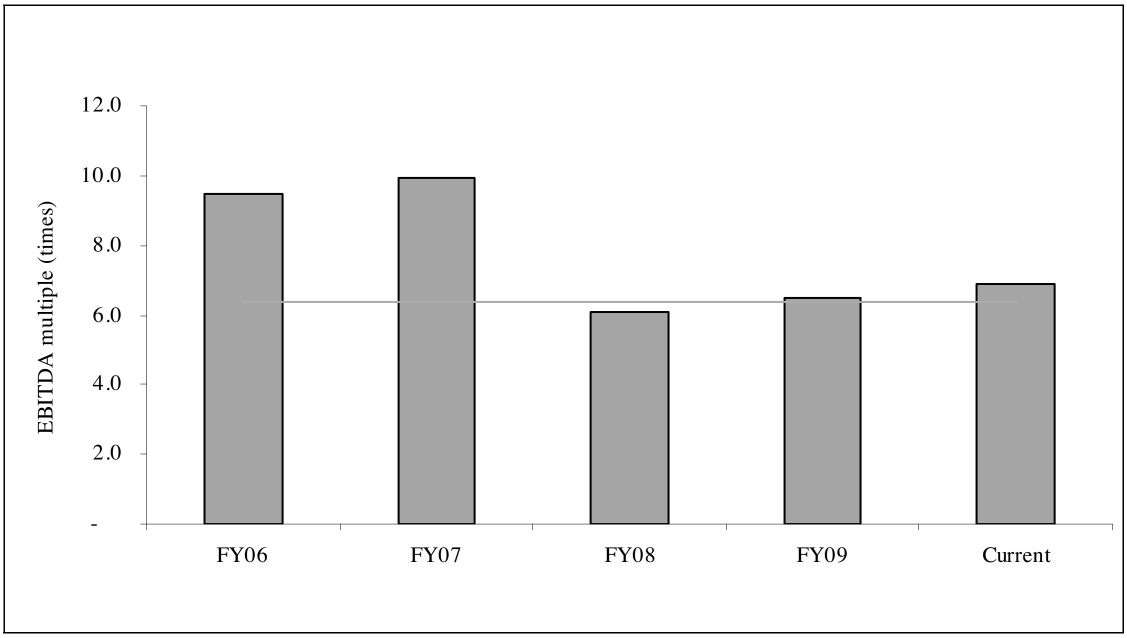
In considering the implied Adjusted EBITDA multiple calculated above, we have considered:

- the historical APE Adjusted EBITDA multiple
- comparable company multiples as detailed in the table below.

Historical APE Adjusted EBITDA multiple

We set out below the historical APE Adjusted EBITDA multiple in comparison to the 'minimum required Adjusted EBITDA multiple' of 6.4 times.

Figure 8: APE's historical Adjusted EBITDA multiple



Source: Bloomberg

Other than for FY08, which was impacted by the global financial crisis, APE shares have closed trading at an implicit Adjusted EBITDA multiple in excess of 6.4 times.

Comparable companies

The LTM Adjusted EBITDA multiples for companies comparable to APE are set out below:

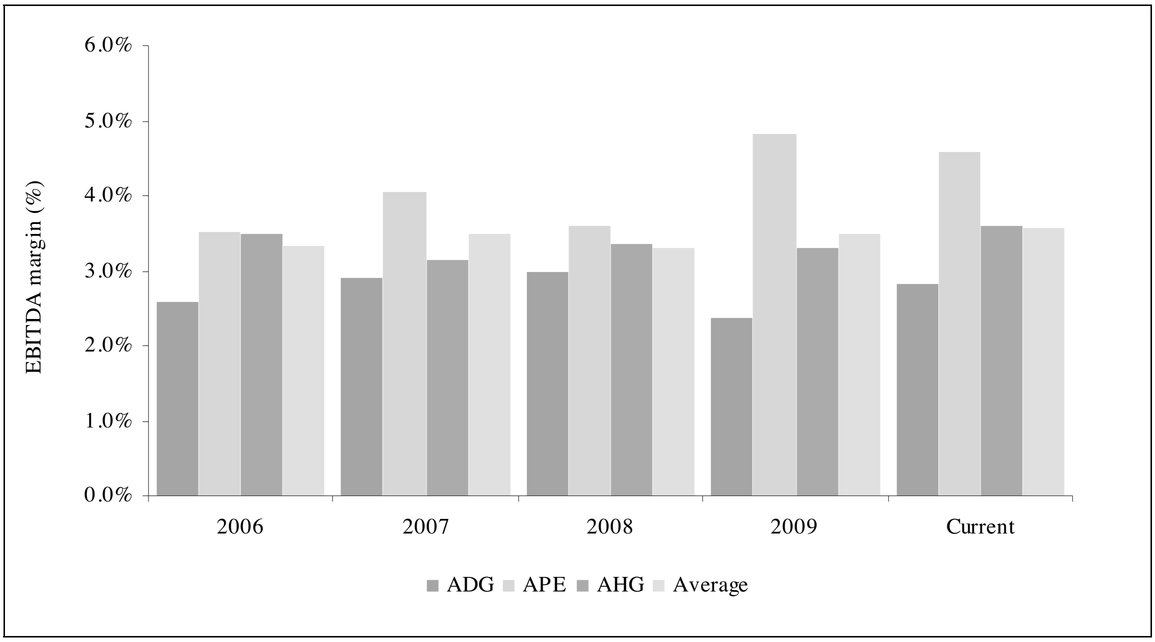
Table 37: Comparable company analysis

Comparable company	LTM Adjusted EBITDA multiple times
ADG	5.6 x
AHG	5.8 x
Average	**5.7 x**

Source: Bloomberg, KPMG Analysis

Based on the above, we do not consider the 'minimum required Adjusted EBITDA multiple' to be unreasonable after considering APE has historically generated a higher EBITDA margin than its peers, in a very low margin industry as set out below.

Figure 9: Summary of EBITDA margins of APE and its peers



Source: Bloomberg, Capital IQ, ADG Annual Reports, APE Annual Reports

Pre-bid brokers' notes

APE has a limited level of following in the broking community, with two broking houses releasing briefing papers in the six months prior to the announcement of the Offer. A summary of the brokers most recent papers published in respect of APE is set out below.

Table 38: Comparison of brokers' stock recommendations for APE

Broker	Date of report	Share price (day prior to report) $	Price target $	Stock recommendation
Broker 1	8 March 2010	12.50	14.26	Buy
Broker 2	26 February 2010	12.50	16.22	Buy

Source: Various brokers' reports on APE

We note that the share price prior to the date of the respective reports reflects the APE purchases made at $12.50 pursuant to its on-market share buy back.

In considering the above table we note that, on 26 February 2010, APE released its preliminary final report for the year ended 31 December 2009 which, disclosing a record underlying net profit before tax of $50.1 million and a record final dividend of 40 cents per share, did not impact upon Broker 2's target prices or ratings, as APE had issued profit guidance for its full year results on 14 October 2009, 11 December 2009 and 27 January 2010. Broker 1 increased their target price for APE to $14.68 on 31 August 2010, following the release of APE's Half Yearly Report and Accounts on 27 August 2010.

12.2 Trading prices

Historical trading prices

Over the 12 month period prior to and on the date of the announcement of the Offer, APE shares traded at a VWAP of $10.72 before increasing to $12.57 in the week prior to the announcement of the Offer as shown in the table below. The closing share price for an APE share on the last trading day prior to the announcement of the Offer was $12.51.

Table 39: Volume of trading in APE shares prior to the Initial Announcement Date

Period before the Initial Announcement Date	VWAP of period $	Lowest traded price during period $	Highest traded price during period $	Cumulative volume of shares traded during period '000	Volume of shares traded as a % of issued capital %	Volume of shares traded as a % of free float %
1 week	12.57	12.51	12.70	7	0.0	0.0
1 month	12.51	12.50	12.70	42	0.1	0.3
3 months	12.51	12.49	12.75	212	0.7	1.3
6 months	12.55	12.49	13.55	310	1.0	1.9
12 months	10.72	8.71	13.55	873	2.9	5.3

Source: Bloomberg

As noted in section 9.11 of this report, trading in APE's shares is considered to be thin, due to two substantial shareholders who together hold 44.8[18]% of total issued capital and who have not traded over the last 12 months. Notwithstanding the limited liquidity in APE shares, we have still had consideration to the price at which APE's shares trade on the ASX as it is likely to be indicative at least, of the price that a portfolio shareholder could have realised for their investment during that period. Further we note that over the period set out above, APE has been undertaking an on-market share buy back program, purchasing approximately 589,551 shares over the 12 months prior to the Initial Announcement Date, comprising 67.5% of turnover during this period.

[18] Based on APE's current shares outstanding of 29.8 million

Post bid trading prices

APE shares closed at $12.50 on the first day of trading following the announcement of the Offer, largely consistent with the closing price of $12.51 on the last trading day immediately prior to the announcement of the Offer. We note that the price of consumer discretionary stocks rose in general on the day the Offer was announced, with the Consumer Discretionary Index rising by approximately 1% on that day.

In the period since the announcement of the Offer to the last trading day prior to the date of this report, APE shares have closed in the range of $12.50 to $12.65 on ASX. The VWAP between the announcement of the Offer and the Formal Announcement Date was $12.52, and following the Formal Announcement Date was $12.51, consistent with the closing share price of $12.51 on the last trading day immediately prior to the announcement of the Offer. We note that over the period from the Initial Announcement Date to the Latest Analysis Date, the All Ordinaries Index increased by 2.8% percent, while the Consumer Discretionary Index increased by 3.5%.

As at close of trade on the ASX on 17 September 2010, APE has made one price-sensitive announcement (unrelated to the Offer) which may have impacted upon APE's trading price since the announcement of the Offer. On 27 August 2010 APE released its financial report for the half year ended 30 June 2010, announcing a profit before tax of $22.8 million, consistent with the previous corresponding period and revenue from operations increasing by 3.7% compared to the previous corresponding period.

Having regard to each of the above factors, we do not believe there is any reason to expect that the value of an APE share on a portfolio basis is less than $11.31.

Appendix 1 – KPMG disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG are Don Manifold and Ian Jedlin.

Don Manifold is a Partner in the KPMG Partnership and is an Executive Director of KPMG. He holds a Bachelor of Economics (Accounting) with honours, a Master of Business Administration from the Australian Graduate School of Management and is a Member of the Institute of Chartered Accountants in Australia. Don has over 10 years experience in the provision of merger and acquisition advice and considerable experience in the preparation of independent expert reports and the valuation of shares and businesses.

Ian Jedlin is a Partner in the KPMG Partnership and is an Executive Director in KPMG. Ian holds a Master of Commerce from the University of New South Wales, is a Fellow of the Financial Services Institute of Australasia and an Associate of the Institute of Chartered Accountants in Australia. Ian has had in excess of 20 years experience in the preparation of independent reports on the valuation of shares and businesses.

Messrs Manifold and Jedlin were assisted in the preparation of this report by other KPMG staff.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG's opinion as to whether the Offer is in the best interests of ADG shareholders. KPMG expressly disclaims any liability to any ADG shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG nor the KPMG Partnership has been involved in the preparation of the Target's Statement or any other document prepared in respect of the Offer. Accordingly, we take no responsibility for the content of the Target's Statement as a whole or other documents prepared in respect of the Offer.

Independence

KPMG is entitled to receive a fee of between $120,000 and $140,000, excluding GST, for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Further, non-management employees of KPMG, the KPMG Partnership and its affiliated entities may hold securities in ADG. However, no individual involved in the preparation of this report holds a direct interest in the securities of ADG.

During the course of this engagement, KPMG provided draft copies of this report to management of ADG for comment as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG alone.

Consent

KPMG consents to the inclusion of this report in the form and context in which it is included with the Target's Statement to be issued to the shareholders of ADG. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG as to the form and context in which it appears.

Indemnity

ADG has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by you of your obligations.

The Company has also agreed that KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by you or any of your representatives, which is false, misleading or incomplete. The Company has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities we may have to you or any third party as a result of reliance by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by you or any of your representatives, which is false, misleading or incomplete.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following main sources of information:

Public information – Sources of information

Company and transaction information

- Bidder's Statement dated 15 September 2010 in relation to the Offer
- copy of the executed Bid Implementation Agreement dated 9 September 2010 in relation to the Offer
- latest draft copy of the Target's Statement dated 16 September 2010 in relation to the Offer
- various ADG annual and half year reports up to the year ended 30 June 2010
- various APE annual and half year reports up to the year ended 30 December 2009 and the six months to 30 June 2010
- various brokers, comparable companies, independent expert and analyst reports and company websites
- financial information from Bloomberg and IRESS
- financial information and reports from DatAnalysis and Connect4
- various ASX and company announcements for ADG and APE
- various press releases, public announcements, media and analyst presentation material and other public filings by ADG and APE
- various comparable company and transaction information from Zephyr, SDC Thomson, MergerMarket and Capital IQ
- various discussions and email correspondences with management and legal advisers to ADG.

Industry information

- various data series and publications from the Australian Bureau of Statistics
- various data series and publications from the Federal Chamber of Automotive Industries
- various data series and publications from Datamonitor
- various reports published by IBISWorld Pty Lrd

Non public information

- management accounts for ADG for the past three financial years and FY11 year to date
- budget for ADG for FY11
- ADG's shareholder register
- other confidential documents, board papers, presentations and working papers of ADG.

Appendix 3 – Overview of the Australian automotive retailing industry

ADG and APE are both principally focused on the automotive retailing industry. Whilst the operations of ADG and APE and the broad market forces and risks faced by each company are similar in terms of their exposure to car retailing, ADG is also involved in truck retailing, and the particular dynamics of the truck retailing industry. Accordingly, overviews of both the car and truck retailing industries are provided below.

General

The Australian automotive retailing industry is a significant contributor to the Australian economy. As at 31 March 2009 there were 15.7 million motor vehicles registered in Australia, representing average annual growth of 3% since 2004[19]. The industry has recently faced numerous challenges brought about by the onset of the global financial crisis and the resulting declines in consumer confidence, employments levels and, consequently, vehicle sales. It is heavy regulated by both state and federal governments.

Participants in the industry are primarily engaged in the sale and distribution of new and used cars and trucks, along with servicing and spare parts distribution. The Australian automotive retailing industry is mature, with the industry having recently seen increased levels of consolidation amongst participants, serving to strengthen the market position of major industry players.

In addition to APE and ADG, key players in the sale of new and used vehicles and parts includes; Automotive Holdings Group, Suttons Motors Group, Inchcape Australia, Patterson Cheney, CMV and WFM Motors. Other companies involved in servicing include Kmart Tyre & Auto Service and Ultra Tune as well as various companies previously mentioned.

We discuss in turn the following segments of the Australian automotive industry:

- Car retailing. The sale of new and used cars through dealerships
- Truck retailing. The sale of new and used trucks (including vans and light commercial which could also be considered to form part of the car retailing industry by participants)
- Parts and servicing. The supply and distribution of vehicle parts and provision of vehicle servicing.

Car retailing

The Australian car retailing segment consists of retailers that sell new and used cars via dealerships but excludes private sales of used vehicles. Retailers have franchise agreements with local and international vehicle manufacturers for the sale of new vehicles. Used cars can be sold without an agreement and are typically sourced from trade-ins or from the general used car market. The car retailing industry was estimated to have revenue of $58.5 billion in FY10 and employ more than 62,000 people[20].

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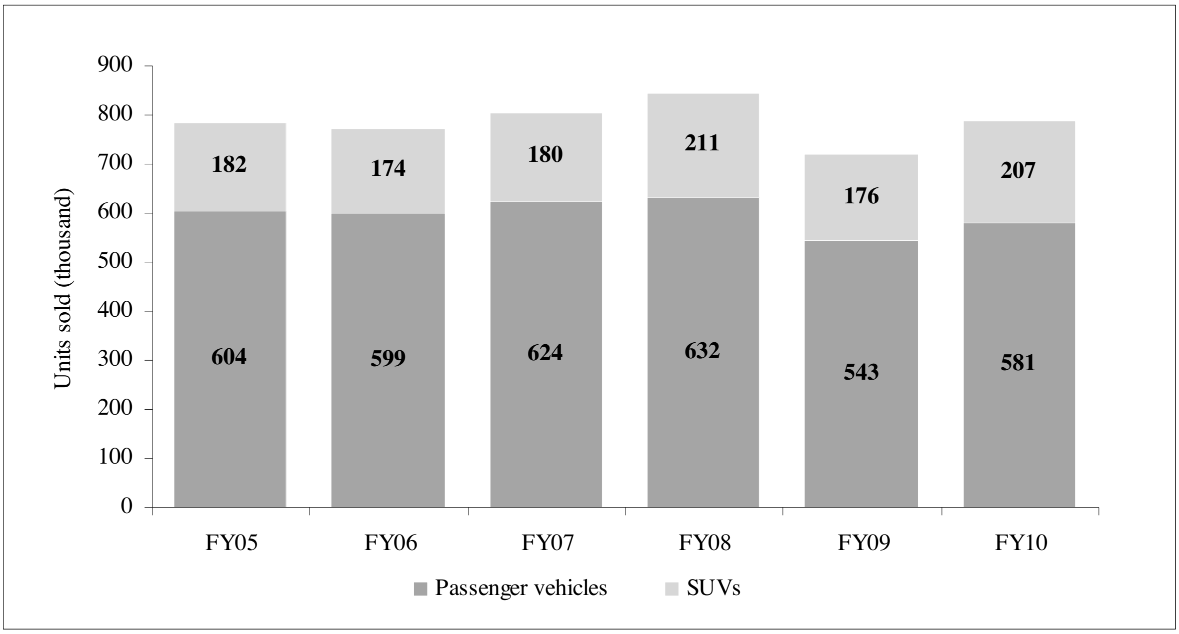
[19] ABS, Motor Vehicle Census, 31 March 2009
[20] IBISWorld, Car Retailing in Australia, July 2010

Market size

It is estimated that 90% of Australian households own a motor vehicle, almost 35% own two vehicles and 15% have three or more vehicles[21]. New car sales can be segmented by buyer type with the estimated FY10 split being 55% private buyers, 39% corporate and 6% government and other buyers.

New car sales averaged 785,440 units annually over the six years to 2010, however during this time there has been some volatility. The global financial crisis had a significant impact on car sales in FY09, where sales declined by 14.7% as illustrated below. Sales were assisted during the first half of FY10 due to the Government's economic stimulus package which enabled qualifying businesses to claim a tax rebate of up to 50% the purchase of a new vehicle.

Figure 10: New car sales by type

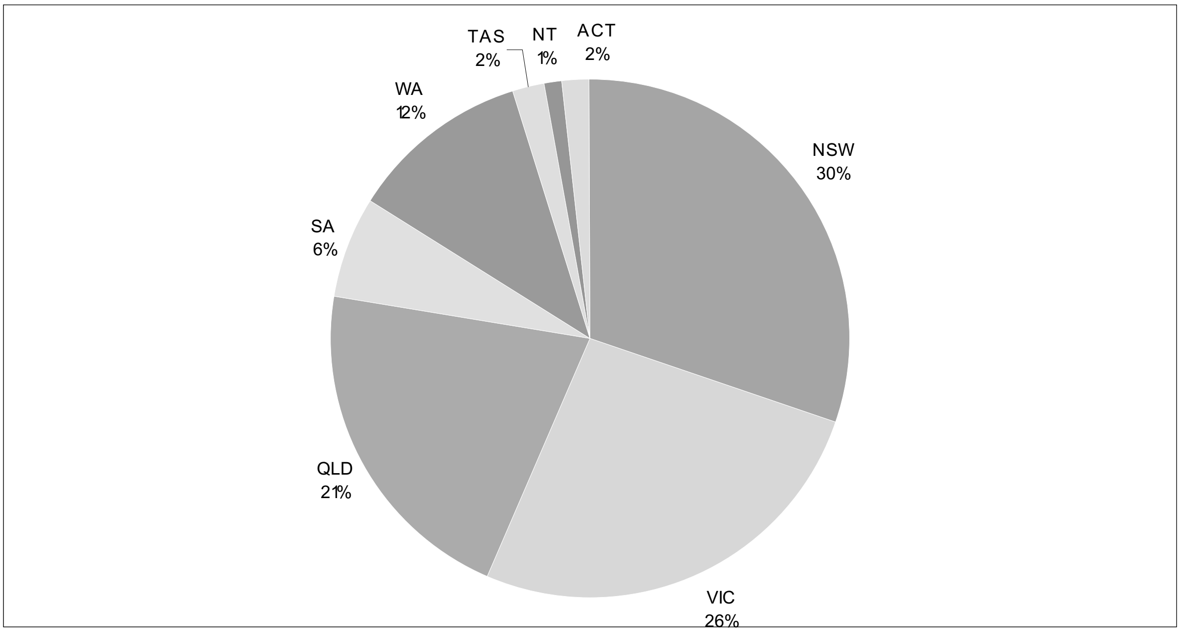


Source: IBISWorld

New car sales in Australia by state (and the associated retailer network) is highly correlated to population distribution. NSW and VIC had a combined market share of new car sales of more than 56% in FY09, with SA comprising just over 6% of the market as set out below.

[21] IBISWorld, Car Retailing in Australia, July 2010

Figure 11: New car sales by state in FY09



Source: IBISWorld

ADG operates in SA and APE operates in QLD, NSW and the NT.

The top five selling brands of car, by unit, for the 2008 and 2009 calendar years are set out below.

Table 40: Car unit sales by brand

Brand	2008	2009
Toyota	238,983	200,911
Holden	130,338	119,568
Ford	104,751	96,501
Mazda	79,826	77,739
Hyundai	45,409	63,207
Mitsubishi	60,692	56,998

Note: The fifth top selling brand is not consistent between 2008 and 2009.
Source: Federal Chamber of Automotive Industries, VFACTS National Report New Vehicle Sales, December 2009

Of these brands, ADG has franchise agreements with Toyota, Ford and Hyundai. APE has franchise agreements with all of the abovementioned brands.

Participants

Australia's car retailing industry is highly fragmented, consisting of an estimated 4,894 businesses with the three largest participants in the industry holding an estimated market share of less than 10% as set out below.

Table 41: Market share of major players (car retailing in Australia)

Company	Market Share
Automotive Holdings Group Limited	5.1%
APE	3.1%
Suttons Motors Pty Ltd	1.6%
ADG	<1%
Inchcape Australia Limited	<1%
Patterson Chaney Holdings Pty Ltd	<1%
Peter Warren Automotive Pty Ltd	<1%

Source: IBISworld

There is a medium level of barriers to entry to the market including having a franchise agreement for new car sales, which is at the discretion of manufacturers, and high cost of entry, which can be up to $6 million to establish a new vehicle franchise[22]. Barriers to establishing a used car dealership are not as high, despite the costs associated with obtaining an appropriate location.

The car retailing industry is highly competitive. Dealers compete for car sales on the basis of product, price and location. They also compete in the used car market with private sellers who are not required to charge GST on sales. External competition to the market includes substitutes such as motor cycles and bicycles.

Key demand determinants

The performance of this segment is strongly influenced by the state of the Australian economy. The key determinants that impact on the car retailing market include:

- **Consumer sentiment** drives purchases of large items, such as cars
- **Real household disposable income** largely depends on employment levels and interest rates and accordingly impacts big ticket purchases such as cars
- **World price of crude oil.** Increased fuel prices leads both to reduced car sales and also a shift in consumer preference to smaller, more fuel efficient cars
- **Import tariffs on motor vehicles** affect a vehicle's price to the extent the tariff is passed on to the consumer, or a retailer's profit to the extent it is not
- **Motor vehicle pricing** depends on costs of manufacture, market forces, exchange rates, dealer costs and tariffs on imported vehicles. Vehicle costs have decreased due to the global expansion of car production to low cost labour countries (China, Korea, Thailand) and intensified competition
- **Other factors.** Demand in the automotive retailing industry is also affected by ownership and running costs of vehicles (in addition to fuel costs) including the costs of maintenance, registration and insurance.

[22] IBISWorld, Car Retailing in Australia, July 2010

Trends and outlook

There are many factors shaping the Australian car retailing industry presently, key trends expected for the industry include:

- **Increased demand determinants.** Following the stabilisation of the economy and market confidence following the global financial crisis, incomes are expected to rise and unemployment is not expected to worsen. Accordingly demand is likely to moderately increase for cars, following lower sales during the financial downturn which may have resulted in delayed purchases and some pent up demand. Lower tariffs will also assist in increasing demand through lower prices and increased sources of imported cars

- **Increased profits from dealer exit.** As a result of the exit in 2008 of key industry financiers, GE Money and GMAC, many dealers who were financially struggling were unable to secure new finance deals and have accordingly been forced to exit the industry. This is expected to result in increased margins as remaining operators, who are typically better managed and financially sound can take advantage of gaps in the market and create a more efficient industry

- **New entrants.** Manufacturers from emerging markets in Asia may look to enter the Australian market and accordingly franchises may be awarded to new dealers. Further new manufacturer entries are likely to offer consumers lower price alternatives

- **Larger dealers.** Merger and acquisition activity is expected to continue and larger dealer groups emerge in response to increasing costs and requirements from some manufacturers seeking efficiencies associated with having fewer dealer operations. Tight profit margins and higher costs may force smaller operators out of the industry who are not able to compete effectively with larger operations able to enjoy economies of scale

- **Continued shift towards cheaper, smaller more fuel efficient vehicles.** Consumers preferences are shifting from larger vehicles to smaller vehicles, driven in part by the expectation that fuel prices will remain at high levels. This trend is expected to continue and will have a negative impact on total industry revenue given small cars are typically priced at lower price points. Turnover may increase though with appropriate stock management. This trend may be offset by increased demand for SUVs

- **Online vehicle enquiry:** Increasingly consumers are using the internet to make purchases. The car retailing industry is seeing an increased number of enquiries being initiated from internet car sales sites such as carsales.com, which recently reported a 28% increase in automotive enquiry volumes over FY10[23]

- **Availability of hybrid electric vehicles.** With fuel prices expected to continue to rise, consumers may seek alternative fuel sources for cars. Hybrid electric cars are an emerging product that is expected to increase in availability, choice of model and general market acceptance

- **Increased stock of used cars.** Record car sales over FY07 and FY08 have contributed to an increased number of registered vehicles in Australia and accordingly higher levels of used cars that will enter the secondary market, pressuring prices and margins in this market.

[23] Carsales.com Ltd ASX announcement dated 18 August 2010

The outlook is positive for car retailers over the next five years, with industry revenue estimated to rise by 2.2% annually over the five years to FY15 to $65.17 billion[24].

Truck Retailing

In addition to car retailing, ADG is also involved in the sale of new and used trucks and buses via dealerships. Retailers have franchise agreements with local and international manufacturers for the sale of new vehicles.

Market size

It is estimated that the Australian commercial vehicle market shrank by 24.1% in FY09 to $3.3 billion, down from $4.3 billion in FY08[25].

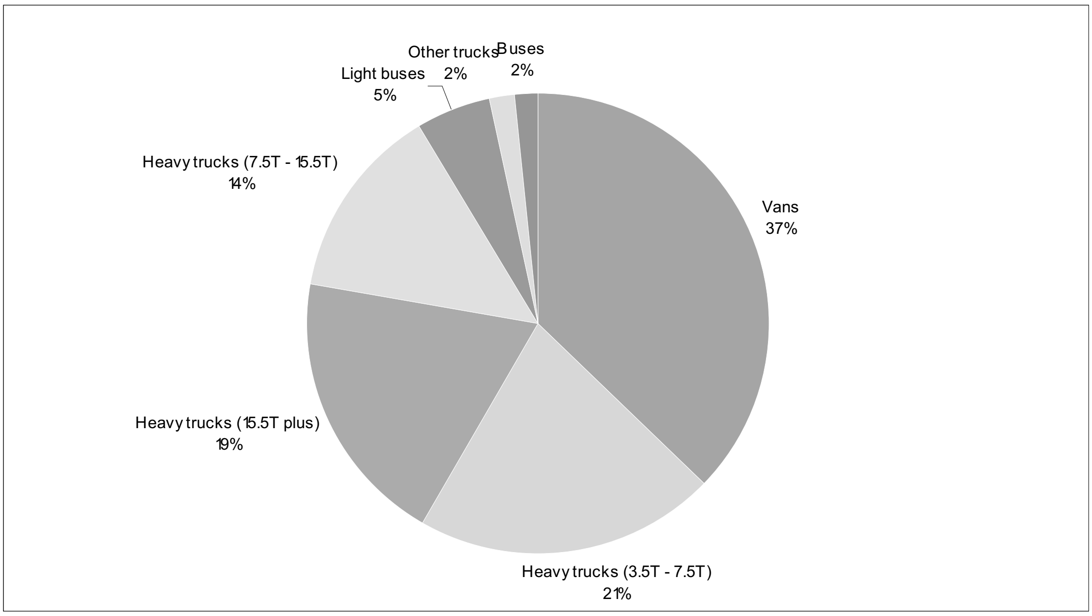
Commercial vehicles consist of the follow segments and purpose of vehicle:

- **Buses:** Primarily used to carry goods and passengers
- **Light commercial vehicles (vans and light trucks)[26]:** Used for short trip and local delivery of goods
- **Heavy trucks (comprising three different weight categories):** Used for long distance freight.

Based on revenue figures for FY09, over half of industry revenue is comprised of heavy truck sales, the highest selling weight category being 3.5 -7.5 tonne trucks. Vans also comprise over a third of industry revenue, with the remaining revenue from buses and other trucks.

[24] IBISWorld, Car Retailing in Australia, June 2010
[25] Datamonitor, Trucks in Australia, December 2009
[26] This segment of the market is alternatively considered to form part of the car retailing industry, however for the purposes of our report, based on available industry information, we have considered this segment to form part of the Truck Retailing market

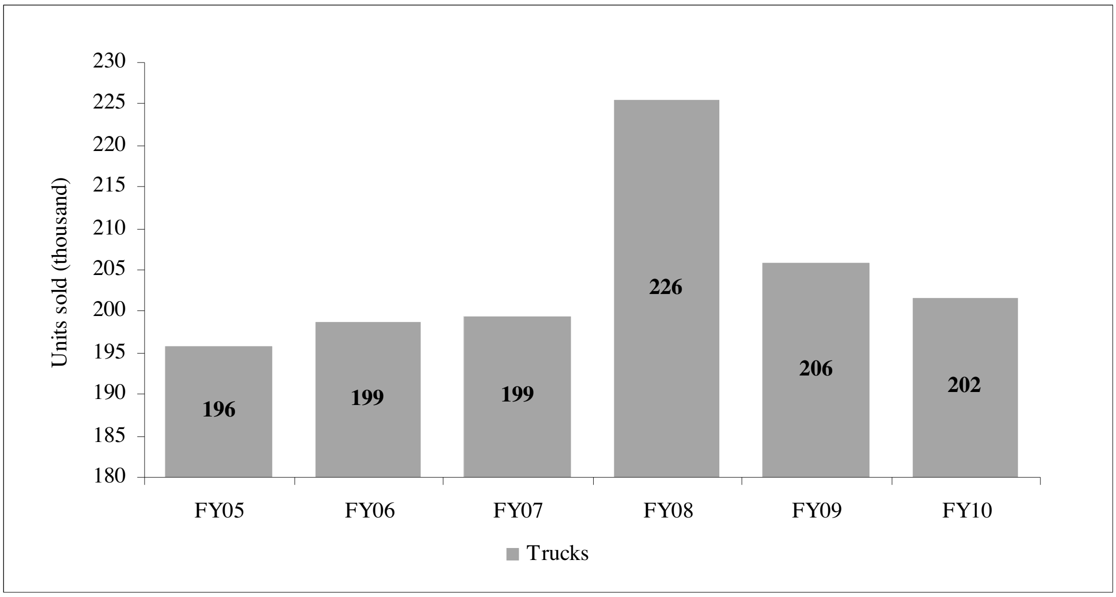
Figure 12: Commercial vehicle product segmentation (FY09)



Source: IBISWorld

Commercial vehicle sales averaged 204,504 units annually over the six years to 2010. Sales have been volatile from FY08 when sales were driven up by high levels of consumer expenditure and the mining boom. During FY08, high fuel prices encouraged fleet operators to replace their fleet with more fuel efficient vehicles, further driving sales. During the last half of 2008, the global financial crisis hit and purchases were delayed. Furthermore, freight volume, which depends on household income, fell resulting in lower levels of demand.

Figure 13: Annual commercial vehicle sales



Note: FY10 is an estimate
Source: IBISWorld

The top five selling brands of truck, by unit, for the 2008 and 2009 calendar years are set out below.

Table 42: Truck unit sales by brand

Brand	2008	2009
Isuzu	9,222	7,480
Hino	5,673	4,259
Fuso	4,484	3,836
Kenworth	2,661	1,537
Iveco	2,039	1,210

Source: Federal Chamber of Automotive Industries, VFACTS National Report New Vehicle Sales, December 2009

Of these brands, ADG has franchise agreements with Hino, Fuso and Iveco.

Participants

Of all new commercial vehicle sales in FY09, retailers were responsible for only 38.5%, with 54.3% of manufacturer sales made directly to freight operators and a further 7.2% made directly to public transport operators[27]. Accordingly truck retailers do not just compete amongst themselves, but also with manufacturers. Typically larger fleets will deal directly with manufacturers, whilst small to medium fleets and single operators tend to buy through truck retailers. Retailers compete largely on brands, availability, price, customer service, level of technical knowledge and after sales support.

Key demand determinants

Restrained economic conditions have adversely impacted the truck retailing industry. The following are key drivers of commercial vehicle sales:

- **Downstream demand.** Heavy trucks comprise the majority of the commercial sales market (54%) and are largely used by freight operators. High fuel prices and restrained economic conditions have seen declining volumes of freight volume in recent times, down to 166.9 billion tonne kilometres in FY10 from 177.8 billion tonne kilometres in FY07[28]. Volumes of freight are also influenced by the underlying performance of industries which utilise road freight, such as agriculture, mining, manufacturing, wholesale and retail sales and construction. and therefore is inherently tied to economic factors including interest rate levels, the level of employment, consumer confidence, economic growth and the level of inflation

- **Business confidence** impacts capital expenditure decisions, particularly on investments in large items such as trucks and buses

- **Fuel** is the transport industry’s single largest cost and higher fuel prices put significant pressure on the profits of the transport industry. Higher fuel prices can reduce demand for road freight services and accordingly the rate of fleet replacement required. Lower profits also reduce operators ability to fund fleet replacements.

[27] IBISWorld, Commercial Vehicle Wholesaling in Australia, December 2009
[28] IBISWorld, Commercial Vehicle Wholesaling in Australia, December 2009

Key trends

- **Emissions standards.** The Euro 5 Emissions Standard will be introduced in Australia on 1 January 2011 requiring any trucks plated after this date to be compliant with the standard. This is likely to pull sales forward and cause a lull of sales afterwards as operators attempt to avoid higher prices of compliant trucks. It is also likely that further emission standards will be introduced in the future changing the timing of sales around the point of introduction

- **Government investment.** The Government has committed significant resources to road infrastructure over recent years and this is set to continue, which should assist the commercial vehicle industry as roadways become more efficient. AusLink 2 is a Government initiative running from FY10 to FY14 aimed at supporting road infrastructure development. The Government may also consider expanding the area of operation for B-triples on the road (which are currently only permitted to operate in remote regions)

- **Pent up consumer demand.** Consumers have been restrained during the economic downturn, however following the anticipated return of disposable income, they may be keen to resume former spending habits. Should this happen, the demand for road freight is likely to rise. Initially this will result in idle trucks returning to use, however eventually new vehicle sales are expected to increase as operators look for more fuel efficient replacement vehicles to counter higher fuel prices

- **Offshore sourcing.** Emerging economies are entering the commercial vehicle manufacturing market. ADG has a franchise agreement with Chinese bus manufacturer, BCI. It is likely due to the competitive pricing offshore manufacturers typically provide that more franchises will be available from China and other emerging markets.

Outlook

In FY10, conditions are only expected to be marginally better despite a stabilising economy due in part to difficulties for retailers in sourcing stock from some manufacturers. Growth should return in FY11 as stock beomes available and pent-up consumer spending, in particular spending on larger ticket items, occurs and discretionary spending returns. Manufacturers, wholesalers and retailers all ran down inventories in FY09 in response to the economic conditions. As the economy recovers, inventories will need to be rebuilt boosting demand for road freight services. The long-term outlook for the industry is positive with the total demand for freight movements in Australia set to increase over the five years to FY15[29].

Parts and Servicing

ADG and APE are both involved in parts and servicing of vehicles. Consistent with sales operations, ADG's involvement extends to trucks, whereas APE only deals in car parts and servicing.

Parts and servicing are much lower revenue businesses than new and used vehicle sales, however for vehicle retailers they can provide significant contributions to profit. The estimated size of each of the new and used parts industries in Australia was $11.5 billion[30] (FY10) and $970.2 million[31] (FY09),

[29] IBISWorld, Road Freight Transport in Australia, July 2010
[30] IBISWorld, Motor Vehicle New Part Dealing in Australia, July 10
[31] IBISWorld, Motor Vehicle Dismantling and Used Part Dealing in Australia, December 09

respectively. Combined, the parts industries employee more than 37,000 people. The servicing industry had estimated revenues of $12.5 billion in FY10 and employed more than 100,000 people[32].

Parts are primarily sold to manufacturers, parts retailers and mechanics. ADG and APE do not supply manufacturers, rather they are involved in the after market sales segment of this industry. The parts and servicing industries are both downstream industries to car and truck retailing.

Key participants include other car and truck retailers discussed above.

Key demand determinants

Key drivers of the market, specifically those that influence the performance of ADG and APE, include:

- **Total number of motor vehicles.** The demand for car parts and servicing is driven directly by the number of cars registered in Australia. As at 31 March 2009, there were 15.7 million registered vehicles in Australia, 15.8% higher than 2004[33]

- **Downstream demand from automotive maintenance and servicing.** Poor economic conditions and lower levels of real household disposable incomes encourages consumers to delay large purchases, such as vehicles and companies or truck operators to buy used trucks or delay new fleet purchases. Accordingly demand for maintenance and repair services increases, as older vehicles tend to require more parts and maintenance than newer vehicles. The average age of Australia's registered vehicles was 9.9 years, down from 10.3 years in 2004, but up significantly from 6.1 years in 1971[34].

Trends and outlook

Key trends emerging for the industry include:

- **Increased offshore sourcing of parts.** Pricing of parts have grown less rapidly than general goods and services, due in part to increased sourcing from cheaper offshore manufacturers, which has been assisted by lower tariffs on imported goods and a strong Australian dollar. Following further tariff reduction from 1 January 2010, imports are expected to increase further. This may provide opportunities for new market entrants and lower costs or sourcing for existing players

- **Shift to used parts.** Lasting effects of the global economic crisis may see consumers looking to fix vehicles in the most cost-effective manner, increasing the demand for used and refurbished parts, rather than new parts

- **Increased demand for new cars.** With rebounding economic conditions expected over the coming years, demand for new vehicles is expected to rebound. With increased numbers of cars on the road the demand for car servicing is also likely to improve

- **Four wheel drive and sports utility vehicles.** Despite a general shift to smaller cars, sales of four wheel drives and SUVs grew strongly in the last decade, creating opportunity for the servicing and parts industry, as these cars are less affordable and accordingly may have a longer used life due to

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[32] IBISWorld, Automotive Maintenance and Serving in Australia, June 2010
[33] ABS, Motor Vehicle Census, 31 March 2009
[34] ABS, Motor Vehicle Census, 31 March 2009

their popularity. As the age of the vehicle increases the requirement for servicing and parts is also likely to increase

- **New vehicle types.** With the expected shift to hybrid and electric cars expected by a higher green awareness and high fuel prices, there will be opportunities to enter the market early for operators in parts and servicing of these vehicles.

The services industry is expected to increase marginally to $13.1 billion by FY15[35].

[35] IBISWorld, Automotive Maintenance and Servicing in Australia, June 2010

Appendix 4 – Comparable company and transaction multiples

Comparable company multiples

We have identified a number of groups and companies (comparable companies) with comparable operations to those of ADG and APE. A synopsis of these companies is included below.

In assessing the comparable companies, it should be noted that:

- Whilst the comparable companies have operations similar in nature to that of ADG and APE, none of the comparable companies' operations match exactly those of ADG and APE, and therefore are not directly comparable.

- The comparable companies are also different in terms of their size and growth profile, as well as the size and characteristics of the market segments in which they operate.

- There are other industry specific factors affecting comparability of companies.

- Trading multiples of publicly listed companies reflect the investment expectations of portfolio investors. That is, they represent trading in parcels of shares to which no premium for control attaches.

The comparable information obtained in our analysis is detailed in the table on the following page.

Table A4-2 Comparable companies

Comparable company	Country	Last reported financials	Market Capitalisation	LTM EBITDA Margin	NTM EBITDA Margin	LTM EBITDA Multiple	NTM EBITDA Multiple
			(1)	(2)	(3)	(4)	(5)
			$m	%	%	times	times
Adjusted basis							
ADG	**AU**	**Jun-10**	**89.41**	**2.5%**	**n/a**	**5.6x**	**n/a**
APE	AU	Jun-10	374.5	4.1%	n/a	7.0x	n/a
AHG	AU	Jun-10	537.2	3.0%	n/a	5.8x	n/a
Average				**3.6%**	**n/a**	**6.4x**	**n/a**
Median				**3.6%**	**n/a**	**6.4x**	**n/a**
Low				**3.0%**	**n/a**	**5.8x**	**0**
High				**4.1%**	**n/a**	**7.0x**	**0**
Unadjusted basis							
ADG	**AU**	**Jun-10**	**89.41**	**2.9%**	**2.9%**	**8.1x**	**7.7 x**
APE.	AU	Jun-10	374.5	4.6%	4.8%	9.2x	8.6x
AHG	AU	Jun-10	537.2	3.6%	3.7%	7.9x	7.5x
Colonial Motor Co. Ltd.	AU	Jun-10	58.5	3.3%	3.3%	7.6x	7.5x
Average				**3.8%**	**3.9%**	**8.3x**	**7.9x**
Median				**3.6%**	**3.7%**	**7.9x**	**7.5x**
Low				**3.3%**	**3.3%**	**7.6x**	**7.5x**
High				**4.6%**	**4.8%**	**9.2x**	**8.6x**

Notes:
1. Represents market capitalisation as at 4 August 2010 (denominated in millions of Australian dollars)
2. Represents last twelve months EBITDA as a percentage of last twelve months revenue
3. Represents next twelve months EBITDA as a percentage of next twelve months revenue (broker consensus)
4. Represents enterprise value divided by last twelve months EBITDA
5. Represents enterprise value divided by next twelve months EBITDA (broker consensus)
6. Represents enterprise value divided by last twelve months revenue
7. Represents enterprise value divided by next twelve months revenue (broker consensus)
"n/a" data not available/not applicable
*Source: Bloomberg downloaded on **5** August 2010, various broker reports and company reports*

Table A4-3: Description of comparable companies*

Comparable Companies	
Australia	
Automotive Holdings Group Limited	Automotive Holdings Group Limited is a holding company for a large group of automotive dealers in Australia and New Zealand.
New Zealand	
The Colonial Motor Company Limited	The Colonial Motor Company Limited distributes Ford Motor vehicles to car dealerships in New Zealand. The Company also invests in and develops property which will be used to construct dealerships and other types of car facilities.

Source: Bloomberg

* Descriptions extracted from Bloomberg LLC

Comparable transaction multiples

We have reviewed transactions in the agribusiness industry over the last seven years. Where public information is available, it is summarised on the following page. In considering comparable transaction information, we note:

- The transaction multiples have been calculated based on the target's last full financial year results prior to the transaction.

- It is difficult to find comparable transaction information involving companies directly comparable to ADG due to specific factors including:

  - differences in the various market segments, size, growth profiles and geographical locations in which companies involved in comparable transactions operated in

  - differences in operating and ownership structures

  - differences in crop seasons during which the transactions occurred.

- The transactions typically resulted in the transfer of control to the acquiring entity. As such, the implied multiples include a premium of control. This premium often reflects the synergistic benefits of the transaction to the acquirer, as well as the payment of a simple control premium. There is insufficient publicly available information to determine the extent to which implied multiples relate to operating synergies as opposed to a simple control premium.

- The control premium paid is not explicitly determined, rather it is an outcome of the transaction being completed at a price that is acceptable to the acquirer. Therefore, depending on the nature of the transaction, the circumstances of the acquirer and the business being acquired, the control premium paid in each case is likely to vary over a wide range.

Table A4-4 Comparable transactions

Date	Target	Target Country	Acquirer	% Acquired	Enterprise Value (A$mil)	Historical EBITDA multiple times
Australian transactions						
Dec-07	Bill Buckle Autos Pty Ltd.	Australia	APE	100.0	31.5	n/a
Aug-07	Adtrans Hino	Australia	ADG	100.0	4.8	n/a
May-07	ADG	Australia	APE	15	169.0	10.3x
Average						**10.3 x**
Median						**10.3 x**
Low						**10.3 x**
High						**10.3 x**
International transactions						
Jan-10	Dunfermline Autocentre Limited	United Kingdom	Bristol Street First Investments Limited	100.0	4.8	4.3x
Jan-09	Lookers plc	United Kingdom	Trefick Limited	21.3	423.4	14.2x
Sep-08	Sai Service Station Ltd.	India	Sai Service Agency (Bombay) Pvt Ltd.	14.0	19.6	2.6x
Jun-07	Grantham Motor Co Ltd	United Kingdom	Vertu Motors PLC	100.0	13.8	4.8x
Average						**7.0x**
Median						**4.6x**
Low						**2.6x**
High						**14.2x**

Notes:
"n/a" data not available/not applicable
Source: Zephyr, Thompson SDC, Capital IQ

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15 September 2010

The Directors
Adtrans Group Limited
PO Box 55
GOODWOOD SA 5034

CowellClarke
Commercial Lawyers

Dear Sirs

TAKEOVER OFFER BY AP EAGERS LIMITED ("APE") – TAXATION CONSIDERATIONS

You have instructed us to provide our opinion regarding taxation considerations that may arise for Adtrans Shareholders on the transfer of their Adtrans Shares to APE pursuant to the Offer made by APE.

This letter is to be included in Adtrans' Target's Statement.

Capitalised terms that are not defined in this letter have the same meaning as in the Target's Statement.

The "**1997 Act**" means the *Income Tax Assessment Act 1997*. The "**1936 Act**" means the *Income Tax Assessment Act 1936*.

For the purpose of this tax opinion, we have assumed all Adtrans Shares were acquired by Adtrans Shareholders after 19 September 1985.

Australian Taxation Implications

1. TERMS OF THE OFFER

Pursuant to the Offer, the Offer Price to be paid in respect of each Adtrans Share is stated to be $4.00 cash, or $2.00 cash and 0.16 APE shares for each Adtrans Share, less any Special Dividend paid.

If APE obtains a Relevant Interest in 90% or more of Adtrans Shares during the Offer Period and the other conditions of the Offer set out in the Bidder's Statement are fulfilled or waived, Adtrans may with APE's prior approval in writing, declare a Special Dividend. In the event that APE becomes entitled to compulsorily acquire any outstanding Adtrans Shares, Adtrans may or may not declare a Special Dividend.

If Adtrans declares a Special Dividend, it will be paid to each Adtrans Shareholder at the relevant record date regardless of whether an Adtrans Shareholder has accepted the Offer or not. However, the Special Dividend will not be paid unless APE becomes entitled to compulsorily acquire any Adtrans Shares not accepted into the Offer. APE has advised that it will exercise compulsory acquisition rights if it obtains a Relevant Interest in 90% or more of Adtrans Shares. The practical effect is that if an Adtrans Shareholder receives the Special Dividend, its Adtrans Shares will be acquired by APE, either as a result of acceptance of the Offer or as a result of compulsory acquisition.

If a Special Dividend is paid, the Offer Price that will be payable by APE for each Adtrans Share it acquires will be \$3.50 (representing \$4.00 cash less the Special Dividend of \$0.50), or \$1.50 (representing \$2.00 cash less the Special Dividend of \$0.50) and 0.16 APE shares for each Adtrans Share.

2. RECEIPT OF SPECIAL DIVIDEND

If a Special Dividend is paid, it will constitute a 'dividend' as defined in the 1936 Act. The Special Dividend will be fully franked.

2.1 Tax resident Adtrans Shareholders

2.1.1 *Assessability of the Special Dividend*

Adtrans Shareholders who receive the Special Dividend are required to include the Special Dividend as assessable income in their tax return.

Further, subject to being a 'qualified person,' Adtrans Shareholders will need to 'gross-up' the value of the dividend included in their assessable income by the amount of the imputation credit attached to the Special Dividend.

2.1.2 *Entitlement to franking tax offset*

For an Adtrans Shareholder to be entitled to a tax offset for the franking credits or a refund of excess franking credits (generally this only applies to individuals, complying superannuation funds and some companies), the Adtrans Shareholder must be a 'qualified person' in relation to the dividend.

Generally, a qualified person is a taxpayer who holds shares on which a dividend is paid if:

- where neither the taxpayer nor an associate of the taxpayer has made, is under an obligation to make, or is likely to make, a 'related payment' in respect of the dividend – the taxpayer held the shares for a continuous period of 45 days during the primary qualification period in relation to the dividend; or

- where the taxpayer or an associate of a taxpayer has made, is under an obligation to make, or is likely to make, a 'related payment' in respect of the dividend – the taxpayer held the shares for a continuous period of 45 days during the secondary qualification period in relation to the dividend.

The primary qualification period provides a longer opportunity within which to satisfy the relevant holding period test than the secondary qualification period.

In particular, the primary qualification period commences the day after the taxpayer acquired the relevant shares and ends on the 45th day after the day on which the shares became ex dividend.

By comparison, the secondary qualification period means the period beginning on the 45th day before, and ending on the 45th day after, the day on which the shares became ex dividend.

Whether an Adtrans Shareholder is a qualified person for the Special Dividend therefore requires examination of whether the Special Dividend is considered a 'related payment.'

2.1.2.1 Related Payment

In order to determine the relevant qualification period, it is necessary to determine whether, under the Offer, the Adtrans Shareholders are considered to be under an obligation to make a related payment.

A taxpayer or associate is taken to have made, or be under an obligation to make, or be likely to make, a related payment in respect of the dividend or distribution if, under an arrangement, the taxpayer or associate has done, is under an obligation to do, or may reasonably be expected to do, as the case may be, anything having the effect of passing the benefit of the dividend or distribution to one or more other person(s).

The following is a non-exhaustive list of what a taxpayer may do to have the effect of passing the benefit of a dividend to one or more person(s):

- causing a payment(s) to be made to, or in accordance with the directions of, the other person(s);
- causing an amount(s) to be credited to, or applied for the benefit of, the other person(s); or
- causing an amount to be set off against, or otherwise applied in reduction of, a debt owed by the other person(s).

If the amount credited or set off may reasonably be expected to equal the amount of the dividend, then for tax purposes this will amount to a 'related payment' as the benefit of the dividend passes to one or more other persons.

The payment of the Special Dividend, if paid by Adtrans, will be conditional upon:

- APE acquiring at a Relevant Interest in at least 90% of Adtrans Shares, and
- APE's prior approval to the Special Dividend.

The Special Dividend becomes conditional upon the Offer proceeding, tying the payment of the Special Dividend to the disposal of Adtrans Shares by participating Adtrans Shareholders.

The circumstances surrounding the payment of the Special Dividend we believe for tax purposes constitute an act that passes the benefit of the dividend to another (i.e. APE).

In our opinion, an Adtrans Shareholder will be taken to have made a 'related payment' in respect of the Special Dividend. We acknowledge this is not entirely certain, as the 'related payment' provision is so broad. Our opinion is based upon the wording of the tax law and upon current Class Rulings issued by the Australian Taxation Office in similar fact scenarios (eg. CR 2010/32).

2.1.2.2 *Holding period*

On the basis that the Special Dividend is a 'related payment', an Adtrans Shareholder is required to hold their Adtrans Shares 'at risk' for a continuous period of no less than 45 days (not counting the day of acquisition nor disposal). This holding period:

- commences on the 45th day before ("**Day –45**"), and
- concludes on the 45th day after ("**Day +45**"),

the day after Adtrans Shareholders are entitled to receive the Special Dividend ("**Day Zero**", i.e. Day Zero is the first day the shares become ex dividend). Therefore, an Adtrans Shareholder will be entitled to the franking tax offset if they hold Adtrans Shares on Day –45 and dispose of their Adtrans Shares after Day Zero.

A taxpayer that acquires Adtrans Shares after Day -45 may still be eligible for the franking tax offset on the basis these shares are held 'at risk' for a continuous period of 45 days. This would require the Adtrans Shares to be held 'at risk' after Day Zero. In turn, this will depend on when the Adtrans Shares are deemed to be acquired by APE under the Offer and therefore no longer held 'at risk'.

The holding period also applies to trusts and partners of partnerships. If you are a trustee of a trust or partner in a partnership, the trust and the partnership must satisfy the two abovementioned rules to be eligible for the franking tax offset or refund of excess franking credits.

2.1.2.3 "*At risk*"

Generally, a taxpayer holds shares 'at risk' on a day if they are susceptible to market fluctuations. A taxpayer does not hold shares 'at risk' on a day in which they have a materially diminished risk of loss or opportunities for gain in respect to those shares.

Adtrans Shareholders who accept the Offer will no longer be considered to hold their Adtrans Shares 'at risk' upon the close of the Offer Period **and** all necessary conditions having been satisfied or waived.

Adtrans Shareholders who do not accept the Offer but have their shares compulsorily acquired pursuant to the Corporations Act will no longer be considered to hold their Adtrans Shares 'at risk' when the shares are compulsorily acquired by APE.

2.1.2.4 *Other Imputation Issues*

Where shares are held by trusts or partnerships, the benefit of the franking credits may also pass through to:

- beneficiaries who are presently entitled to a part of the trust income that is attributable to franked dividend income; and
- partners of a partnership that have received franked dividend income.

3. DISPOSAL OF ADRTRANS SHARES

If the Offer is successfully completed, APE will acquire Adtrans Shares in exchange for either cash, or cash and shares in APE.

The Australian income tax implications for Australian resident Adtrans Shareholders in relation to the disposal of their Adtrans Shares under the Offer are discussed below.

3.1 Shares held on capital account - Capital Gains Tax (“CGT”)

3.1.1 *CGT Event A1*

The disposal of Adtrans Shares by Adtrans Shareholders will constitute a CGT event. Specifically CGT event A1 will, in our opinion, be triggered when they accept the Offer and the Offer Period closes with all necessary conditions having been satisfied or waived, thereby entering into a contract with APE to dispose of their Adtrans Shares.

Where an Adtrans Shareholder’s Shares are acquired as part of compulsory acquisition, generally, CGT event A1 will occur upon the Adtrans Shares changing ownership.

A capital gain will arise for an Adtrans Shareholder on disposal of their Adtrans Shares to the extent the Offer Price exceeds the cost base of their Adtrans Shares.

3.1.2 *Capital Proceeds*

The capital proceeds received by an Adtrans Shareholder pursuant to CGT event A1 (i.e. the disposal of Adtrans Shares) will be the Offer Price.

As such, the value of the capital proceeds will consist of cash and the market value of any property received in the form of APE shares, where applicable.

Based on the terms of the Offer, Taxation Ruling TR 2010/4 and case law, in our opinion the Special Dividend will not be considered part of the capital proceeds for CGT purposes. Broadly, this is because the Adtrans

Shareholders cannot refuse to transfer their Shares if the Special Dividend is not paid and nor is the Offer conditional on payment of the Special Dividend.

3.1.3 ***Cost Base***

The cost base and reduced cost base of an Adtrans Share will generally be the cost of acquiring the Adtrans Share plus any incidental costs associated with both the acquisition and disposal of the share.

The cost base of each Adtrans Share will depend on the individual circumstances of each Adtrans Shareholder.

3.1.4 ***CGT Discount***

Adtrans Shareholders that are individuals, trusts or complying superannuation funds may be entitled to reduce any capital gain derived on the disposal of their Adtrans Shares if they have held their Adtrans Shares for at least 12 months prior to the CGT event being triggered.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain. The discount rate for individuals and trusts is 50% and for complying superannuation funds it is 33 1/3%. The CGT discount is not available to shareholders that are companies holding the beneficial interest in the Adtrans Shares.

Due to the complexities surrounding discount capital gains for trusts, we recommend trustees seek their own taxation advice on how the provisions will apply to them and the beneficiaries.

3.1.5 ***Roll-over relief***

If the Offer Price includes the 0.16 APE Shares per Adtrans Share, then Adtrans Shareholders who would otherwise make a capital gain on the disposal of their Adtrans Shares under the Offer may choose to access the scrip-for-scrip roll-over relief. This assumes APE acquires at least 80% of Adtrans Shares.

3.1.5.1 Eligible for roll-over relief

Scrip-for-scrip roll-over relief may be accessed only to the extent that the capital gain made on the disposal of an Adtrans Share is attributable to the receipt of an APE share. The cash component of the Offer Price is not eligible for CGT roll-over relief.

Scrip-for-scrip roll-over relief allows an eligible Adtrans Shareholder to disregard all or part of any capital gain made under the Offer (to the extent an APE share is received in exchange for an Adtrans Share).

A capital gain cannot be disregarded to the extent that cash is received for an Adtrans Share.

3.1.5.1.1 Capital gain

In calculating the capital gain attributable to the cash, the cost base of an Adtrans Share must be apportioned to determine the cost base reasonably attributable to the cash received relative to the total capital proceeds received (i.e. cash and shares).

3.1.5.1.2 Cost base of APE shares

The first element of the cost base of APE shares acquired will be determined by reasonably attributing to the APE shares the cost base of the Adtrans Shares which were exchanged.

3.1.5.1.3 Acquisition date for CGT discount purposes

For CGT discount purposes, Adtrans Shareholders that choose the scrip-for-scrip roll-over will be deemed to have acquired the APE shares at the same time they acquired their original Adtrans Shares.

For completeness, to the extent roll-over relief is not available, the acquisition date of the APE shares will be the date APE shares are issued to Adtrans Shareholders.

3.1.5.2 Not eligible for roll-over relief

Adtrans Shareholders ineligible to access scrip-for-scrip roll-over, or who choose not to apply it, will be assessable on any capital gain derived on the disposal of their Adtrans Shares.

3.1.6 ***Anti-overlap provisions***

In our opinion the Special Dividend is not part of the capital proceeds on disposal of Adtrans Shares. Therefore, the Special Dividend is assessable as discussed in section 2 above rather than within the CGT rules. As such, there is no application of anti-overlap provisions which are relevant if the capital proceeds included an amount which is otherwise assessable income (eg if the Special Dividend were included in the CGT capital proceeds).

3.2 **Worked Examples**

Outlined below is an example in calculating the capital gain. The facts are fictional and should only be used as a guide. Dollar amounts have been specified for the purpose of the example only. No representations are made. Each Adtrans Shareholder should consider their specific circumstances.

The following example assumes the Special Dividend is declared and paid. It does not however take into consideration the CGT discount provisions.

3.2.1 ***Special Dividend***

An individual owns 100 Adtrans Shares. The individual will receive a Special Dividend of $50.00 (100 Adtrans Shares x $0.50 Special Dividend per Adtrans Share). The individual has held the Adtrans Shares at risk for a continuous 45 day period just prior to being entitled to receive the Special Dividend.

On the basis the Special Dividend is fully franked and Adtrans has a sufficient franking account balance, $21.43 in franking credits will attach to the $50.00 Special Dividend.

The individual will derive gross dividend income of $71.43. The individual shall be eligible for a $21.43 tax offset or potentially a refund of the imputation credits.

3.2.2 ***Consideration for share sale - cash***

The individual's 100 Adtrans Shares have a cost base of $2.50 per Adtrans Share. The individual elects to receive cash only upon accepting the Offer from APE to acquire all of their 100 Adtrans Shares.

The Offer Price accepted is $3.50 cash ($4.00 cash less the Special Dividend of $0.50) for each Adtrans Share.

The individual makes a capital gain of $100 ($350 cash received - $250 Adtrans Shares' cost base):

- Cash received is $350 ($3.50 Offer Price x 100 Adtrans Shares);
- Cost base of Adtrans Shares is $250 (100 Adtrans Shares x $2.50 cost base of Adtrans Share).

In summary, the individual will derive gross dividend income of $71.43, has a $21.43 imputation tax offset, and a $100 gross capital gain (CGT discount not considered).

3.2.3 ***Consideration for share sale - cash and APE shares***

In the alternative, the same individual elects to receive cash and APE shares upon accepting the Offer from APE to acquire all 100 Adtrans Shares (as opposed to cash only). We have assumed the market value of each APE share is $12.50.

The Offer Price is $1.50 cash ($2.00 cash less the Special Dividend of $0.50) and 0.16 share in APE for each Adtrans Share. The individual chooses the roll-over (refer 3.1.5 above) to the extent possible.

The cost base attributable to the cash received is $107.14 ($250 cost base of Adtrans Shares x [$150 cash received / $350 total capital proceeds]), determined as follows:

- Cost base of 100 Adtrans Shares is $250 (as above);

- Cash received is $150 (100 Adtrans Shares x $1.50 cash per Adtrans Share);
- Total capital proceeds is $350 ($150 cash received + $200 market value of 16 APE shares received);
- Market value of APE shares received is $12.50 market value per APE share x 16 APE shares (0.16 APE share x 100 Adtrans Shares).

The individual makes a capital gain of $42.85 ($150 cash received - $107.14 of Adtrans Shares cost base attributable to the cash received).

In summary, the individual (who chooses the roll-over) will derive gross dividend income of $71.43, has a $21.43 imputation tax offset, and a $42.85 gross capital gain (CGT discount not considered).

3.3 Shares held on revenue account or by non-residents

As mentioned at section 5.4 of the Target's Statement, we have not considered the position for Adtrans Shares held in the course of business of trading or dealing in securities or by non-residents.

4. STAMP DUTY

There is no stamp duty payable by Adtrans Shareholders on either the disposal of their Adtrans Shares or on the acquisition of APE shares pursuant to the Offer.

5. GOODS AND SERVICES TAX ("GST")

No GST liability arises to Adtrans Shareholders on either the disposal of their Adtrans Shares or on the acquisition of APE shares under the Offer.

We refer to the important comments in section 5.4 of the Target's Statement. Our opinion is applicable in a general sense to Adtrans Shareholders that are Australian residents and that hold their Adtrans Shares on capital account for income tax purposes. It is based on the law at the date of this letter but it is not a complete or authoritative statement of applicable tax law. Our opinion does not take into account the particular circumstances of any Adtrans Shareholders, nor those that are not Australian residents for income tax purposes, nor Adtrans Shareholders that hold their Adtrans Shares in the course of a business of trading or dealing in securities. Our opinion does not apply to Adtrans Shareholders who acquired their Adtrans Shares as part of an employee share scheme operated by Adtrans.

Adtrans Shareholders should not rely upon our opinion and are advised to seek their own independent taxation advice as to the tax implications to them with regard to receiving the Special Dividend and their disposal of Adtrans Shares.

Yours sincerely

A W SINCLAIR
Partner – Tax and Revenue Group
ASinclair@cowellclarke.com.au

SCHEDULE 3: RECENT ASX ANNOUNCEMENTS

Date	Event
21/09/2010	Change in substantial holding from APE
20/09/2010	Despatch of Bidder's Statement to Adtrans Shareholders
17/09/2010	Annual Report to Shareholders
17/09/2010	Notice of Annual General Meeting/Proxy Form
15/09/2010	Change in Substantial Holding from APE
15/09/2010	APE Bidder's Statement
15/09/2010	APE varies offer for Adtrans shares
26/08/2010	Preliminary Final Report
13/08/2010	Suspension of the Dividend Reinvestment Plan
04/08/2010	Directors' Statement re Takeover
04/08/2010	APE: Bid for Adtrans Group Ltd
02/08/2010	Change of Director's Interest Notice – G. Bignell
29/07/2010	Annual dividend up by 44%
12/07/2010	Another full-year earnings guidance upgrade
20/04/2010	Change of Director's Interest Notice – G. Bignell
23/10/2009	Change of Director's Interest Notice – D. Holst
23/10/2009	Change of Director's Interest Notice – S. Swift
23/10/2009	Appendix 3B – New Issue Announcement
22/10/2009	Results of Meeting
22/10/2009	Chairman's Address to Shareholders
21/10/2009	Appendix 3B – New Issue Announcement
16/09/2009	Proxy Form
16/09/2009	Notice of General Meeting/Proxy Form
16/09/2009	Annual Report to shareholders
02/09/2009	Full Year Statutory Accounts
01/09/2009	Change of Director's Interest Notice – D. Holst
27/08/2009	Adtrans positive profit outlook for 2009-10
27/08/2009	Preliminary Final Report
13/07/2009	Results Guidance - Year Ended 30 June 2009
29/06/2009	Appendix 3B – New Issue Announcement
22/06/2009	Appendix 3B – New Issue Announcement
18/06/2009	Revised full year profit forecast for Adtrans Group
17/06/2009	Final Director's Interest Notice – A. Spagnuolo
17/06/2009	Director Resignation – A. Spagnuolo
28/05/2009	Change of Director's Interest Notice – G. Bignell
27/05/2009	Change of Director's Interest Notice – G. Bignell
26/05/2009	Change of Director's Interest Notice – G. Bignell
21/05/2009	Change of Director's Interest Notice – G. Bignell
19/05/2009	Change of Director's Interest Notice – G. Bignell
07/05/2009	Change of Director's Interest Notice – G. Bignell
27/04/2009	Change of Director's Interest Notice – G. Bignell
23/04/2009	Change of Director's Interest Notice – G. Bignell
14/04/2009	Appendix 3B – New Issue Announcement
03/04/2009	Change of Director's Interest Notice – G. Bignell
30/03/2009	Response to ASX Query
25/03/2009	Change of Director's Interest Notice – G. Bignell
24/03/2009	Change of Director's Interest Notice – G. Bignell
18/03/2009	Change of Director's Interest Notice – G. Bignell
12/03/2009	Change of Director's Interest Notice – G. Bignell
10/03/2009	Change of Director's Interest Notice – G. Bignell
03/03/2009	Change in substantial holding
03/03/2009	Change of Director's Interest Notice – G. Bignell
02/03/2009	Change of Director's Interest Notice – G. Bignell
26/02/2009	Media Release - Adtrans First Half Results
26/02/2009	Half Yearly Report and Chairman's Report

CORPORATE DIRECTORY

REGISTERED OFFICE

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DIRECTORS

Mr. Graeme D. Bignell, Chairman
Mr. Shaun A. Swift, Managing Director
Mr. David L. Holst
Mr. John H. Heard AM, Deputy Chairman (non-executive)
Mr. Raymond G. Grigg (non-executive)
Mr. Chris Stillwell (non-executive)
Mr. Stephen J. Officer (non-executive)
Mr. Martin A. Ward (non-executive)

SECRETARY

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