24 February 2021

Company Announcements Office
ASX Limited

FULL YEAR ACCOUNTS

Attached are the following documents for the year ended 31 December 2020.

1. Appendix 4E Preliminary Final Report
2. Directors' Report
3. Auditor's Declaration of Independence
4. Financial Report
5. Independent Auditor's Report

These documents are given to the ASX under listing rules 4.3A and 4.5.

For more information: Martin Ward
Managing Director
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Authorised for release by the Board.

24 February 2021
Markets Announcements Office
ASX Limited

Appendix 4E
Preliminary Final Report
year ended 31 December 2020
(ASX listing rule 4.3A)

Eagers Automotive delivers profitable FY20 result in challenging market

Financial Highlights	Full Year to December 2020 $ Million	Full Year to December 2019[3] $ Million
Statutory Profit After Tax	156.2	(139.6)
Statutory Profit Before Tax from Continuing Operations	280.1	(63.3)
Statutory Profit After Tax from Continuing Operations	191.5	(80.5)
Underlying Operating Profit Before Tax[1]	209.4	100.4

- Statutory Profit After Tax for the period of $156.2 million including discontinued operations (FY2019: loss of $139.6 million).
- Statutory Profit Before Tax from continuing operations of $280.1 million (FY2019: loss of $63.3 million).
- Underlying Operating Profit Before Tax[1] of $209.4 million (FY2019[2]: $100.4 million).
- Proactive response to market environment with focus on right sizing of operations, preservation of cash and optimising liquidity; strong operating cash inflows with $527.9 million for the full year (FY2019: $170.8 million).
- Increase in available liquidity to $683.2 million (available cash and undrawn commitments) with significantly lower net corporate debt position of $129.3 million (FY2019: $315.8 million) at 31 December 2020.
- Final dividend of 25.0 cps will be paid for FY2020 (FY2019: 11.25 cents) while continuing to balance the Board's prudent approach to managing through the COVID-19 environment. The Board determined to reinstate dividends after no interim dividend was paid for 1H20 and the final dividend for 2019 was reduced by half.

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OPERATIONAL & STRATEGIC HIGHLIGHTS

- 2020 represents the first full year of trading for the enlarged company following the transformative merger with Automotive Holdings Group Limited (AHG).
- Growth in new vehicle market share and stronger truck retailing performance, despite COVID-19 impacted trading, demonstrating the strength of our national footprint.
- Pre-owned vehicle strategy delivering strong year on year growth with last seven months delivering profit together with enhanced customer offering including new click and collect channel and online finance product.
- Vehicle sales rebound strongly from the historical lows experienced during April and May 2020 when Government mandated COVID-19 restrictions were in place nation-wide. Customer orders have continued on their strong trajectory and supply constraints caused by global manufacturer factory closures and reduced production capacity have started to ease as demonstrated by growth in national vehicle deliveries in November and December 2020.
- Significant cost reductions of $100 million in annualised savings and post-AHG merger annualised synergies of $35.8 million achieved, exceeding the targeted $30.0 million and within the targeted timeframe.
- Divestment progress through continued rationalisation of dealership portfolio and completion of sale of the Refrigerated Logistics business. Agreement for sale of Daimler truck operations and an associated property, a key step in ongoing simplification of our automotive retail business.
- Statutory result impacted by non-cash impairments of $90.7 million including leased assets associated with Holden exit, restructuring of our dealership portfolio and downward property revaluations in South Australia and Queensland. Agreement reached with General Motors, with compensation amount being less than the impacts of the Holden related impairment.
- Accelerated property strategy with focus on ownership in key strategic locations, providing greater flexibility to implement omni-channel retail approach. Agreements to acquire $211.5 million of property executed since September 2020, with acquisitions of $105 million completing prior to 31 December 2020.

(1) Underlying operating results refers to continuing operations, adjusted for significant items outlined and reconciled to statutory results on slides 21 (FY2020) and 32 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to audit by the Company's external auditors.
(2) Comparative underlying financial information in the appendix 4E commentary has been adjusted to remove the contribution of Kloster Motor Group, divested in October 2019.
(3) The comparative information has been restated as a result of finalisation of a business combination.

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

"Our FY20 financial performance reflects the first full year reporting as an enlarged group following our transformative merger with AHG. Despite the extremely challenging conditions caused by COVID-19, the Group rebounded from historic trading lows in April and May to deliver a strong full year performance supported by the resurgence in new car sales and the effectiveness of our omni-channel strategy in pre-owned vehicles in the second half."

"Approximately 6,500 of our employees were grateful recipients of JobKeeper wage subsidy payments, representing around 14% or the equivalent of six weeks of our annual payroll, which mirrored the duration of the Government-mandated restrictions on trading. Importantly, the stimulus enabled us to save over a quarter of our workforce and keep employees connected to the business facilitating a faster recovery, as was intended by the scheme. As recent government-imposed lockdowns in Western Australia, greater Brisbane and Victoria demonstrate, we are not out of the woods yet. Although our access to JobKeeper ended in September, we have continued to support and pay our employees who have not been able to work during lockdowns."

"Despite the COVID-19 disruptions during the period, we made substantial progress on a number of key strategic initiatives including further simplification of our business through divestments and unlocking value in our property portfolio. Eagers Automotive maintains a strong balance sheet and has the scale, geographic diversity and right

team in place to withstand further challenges and accelerate our Next100 strategy to extend our leadership position in automotive retail."

Eagers Automotive Limited (ASX: APE) ("Eagers Automotive" or "the Company"), Australia's leading automotive retail group, today announced its results for the twelve months ended 31 December 2020 (FY20). The result is the first full year of trading for the enlarged company following the transformative merger with AHG. On a continuing basis, the Company delivered Underlying Operating Profit Before Tax[1] of $209.4 million, up 108.6% on the prior corresponding period (pcp).

Like many sectors, the impact of the COVID-19 pandemic has been significant on the automotive retail industry, both on the demand and supply chain side. According to Federal Chamber of Automotive Industry statistics, Australia's new motor vehicle sales decreased by 13.7% for the year ended to 31 December 2020. The Company's response to the pandemic was swift, and in many circumstances, pre-emptive, to right size operations, preserve cash and optimise liquidity.

Statutory Net Profit After Tax (including discontinued operations) for 2020 was $156.2 million as compared to a loss of $139.6 million in 2019. On a statutory basis (excluding discontinued operations), the Company recorded a Statutory Net Profit Before Tax from continuing operations of $280.1 million for 2020 compared to a Net Loss Before Tax of $63.3 million in 2019, which included significant items totalling $163.7 million before tax, primarily non-cash impairments to goodwill and assets – the result of acquisition accounting. The 2020 statutory result included significant items totalling $70.7 million net income before tax, predominately COVID-19 government wage subsidies and rent waivers totalling $143.3 million offset by non-cash impairments of $90.7 million.

Key Financial Highlights

	Full Year to December 2020 $ Million	**Full Year to December 2019[3] $ Million**
Statutory Results – Continuing Operations		
Revenue	8,749.7	5,817.0
EBITDAI[4]	625.5	342.4
Statutory Profit Before Tax	280.1	(63.3)
Statutory Profit After Tax – Continuing Operations	191.5	(80.5)
Total Dividend per Share – cents	25.0	25.3
Statutory Results – Including Discontinued Operations		
Statutory Profit After Tax – Including Discontinued Operations	156.2	(139.6)
Underlying Operating Results[1]		
Revenue[1]	8,749.7	5,478.4
EBITDAI [1,4]	284.2	163.2
Underlying Profit Before Tax[1]	209.4	100.4
Underlying Profit After Tax[1]	140.4	69.2

(4) EBITDAI means earnings before interest, tax, depreciation, amortisation and impairment.

Dividend

The Board has determined to reinstate the dividend policy, suspended at 30 June 2020, and pay a final dividend of 25.0 cps fully franked for the full year (2019: 11.25 cps). The final dividend has been approved for payment on 20 April 2021 to shareholders who are registered on 1 April 2021 (Record Date).

The final dividend reflects a payout ratio of 43% on the full year Statutory Net Profit After Tax (including discontinued operations) and 49% on the Underlying Operating Profit After Tax[1]. The payout is lower than our historic ratio, reflecting the Board's desire to ensure the company has the capacity and flexibility to invest in restructuring and growth initiatives balanced with its prudent approach to managing through the uncertainty of the COVID-19 environment, including potential for future Government enforced lockdowns.

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

External Environment

The impact of the COVID-19 pandemic has been significant on the automotive retail industry new vehicle sale market, both on the demand and supply chain side.

According to Federal Chamber of Automotive Industry statistics, during the peak impact of COVID-19 restrictions, new vehicle sales were down 48.5% in April, a record fall, and 35.3% in May, compounding a sustained period of challenging market conditions for the industry. Those challenging months were followed by a rebound in June, supported by an opening of the economy and confidence in the Government stimulus measures, with new vehicles sales marginally down 6.4%. The extended lockdown in Victoria impacted national new vehicle sales during the 3-months ended October 2020.

Importantly, in November the market recorded its first month of growth on pcp, up 12.4%, ending 31 months of consecutive decline on pcp. The momentum continued into December, recording growth of 13.5% on pcp. Supply issues from the shutdown and reduced production capacity of global manufacturing operations during the pandemic understated the strength in the market in the second half of 2020.

Despite the recovery, Australia's new motor vehicle sales decreased by 13.7% for the full year to 31 December 2020, with new vehicle sales of 916,968 versus 1,062,867 in 2019.

The full year decline in new vehicle unit sales was reflected across the Australian industry, with every state recording a decline on pcp. The larger markets of Queensland, New South Wales and Victoria, recorded sale declines on the pcp of 8.9%, 11.1% and 25.6% respectively, with Victoria heavily impacted by the 3-month lockdown. Other markets also recording a decline on the pcp included: South Australia down 10.6%, Western Australia down 2.7%, Tasmania down 22.0%, and the Northern Territory down 10.2%. The Australian Capital Territory was the only market to record growth on the pcp, up 22.6%.

The decrease in new motor vehicles sales on pcp was experienced across all buyer types, with private sales down 6.1%, business sales down 15.7%, Government sales down 15.7% and rental sales down 53.0%. Luxury vehicle segment increased from 10.9% to 11.9% of total market share, finishing 6.0% down, with mixed performance across the brands. While the role of plug-in hybrid and electric vehicles grew 17.1% it was from a very low base with traditional fuel vehicles accounting for 99% of all new vehicle sales.

Nationally, the Heavy Commercial segment contracted 9.0%, with decreases in light/medium duty trucks and heavy-duty sales of 16.6% and 5.1% respectively.

Strategic Developments

Notwithstanding the external environment, the Company remains firmly focused on its Next100 strategy which is aimed at delivering a superior customer experience from a more sustainable and productive cost base.

The optimisation of our business has accelerated out of necessity due to the impacts of COVID-19 with significant permanent cost reductions of approximately $100 million per annum achieved within the period.

Despite the disruptions of COVID-19 during the period, the Company made substantial progress in a number of key areas including:

- Completion of the sale of the AHG Refrigerated Logistics business on 29 June 2020 and execution of a binding agreement for sale the Daimler truck operations and an associated property, allowing the Company to focus on and simplify its core automotive retailing business.
- Exceeding the original post-AHG merger synergy savings of $30 million ahead of schedule, with further business-wide efficiency gains to be realised as part of the group's ongoing optimisation efforts.
- Migration of legacy AHG dealerships into the Eagers Automotive Financial Services operating model and ongoing rollout of our toolbox of finance solutions
- Ongoing rebalance of the property portfolio post the merger with AHG including the exit of a number of leased locations and the acquisition of a number of strategic sites, which were leased, during and subsequent to the period.
- Progressing our omni-channel strategy through the launch integrated technology solutions, including online financing solutions, delivering enhanced customer experience on a lower cost base

Financial Performance

Statutory revenue from continuing operations increased to $8,749.7 million. This reflects the first full year of trading for the enlarged company following the merger with AHG.

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDAI) from continuing operations increased to $625.5 million in 2020 (2019: $342.4 million). Underlying[1] EBITDAI increased to $284.2 million in 2020 (2019[2]: $163.2 million). Profit margins increased as indicated by the underlying[1] operating EBITDAI/Revenue ratio of 3.2% (2019[2]: 3.0%), and an increase in underlying[1] operating NPBT/Sales ratio to 2.4% (2019[2]: 1.8%). The increase in margins was driven by our cost-out program in response to COVID-19 and the impact of the pandemic on supply chain dynamics in the second half of 2020.

Statutory borrowing costs from continuing operations increased to $88.4 million. Underlying[1] borrowing costs decreased by 2.7% to $35.1 million for 2020 (2019[2]: $36.2 million). The decrease was predominately driven by the Company's bailment charges which have benefited from a reduction in inventory and associated bailment levels and underlying interest rates compared to the pcp. This was partially offset by the first full year contribution from AHG.

Included within statutory borrowing costs is interest expense recognised in accordance with AASB 16 *Leases* of $53.3 million, up from $27.5 million in the pcp predominantly due to AHG's full year contribution.

Statutory depreciation and amortisation charges from continuing operations were $166.3 million for 2020 (2019: $95.2 million). Underlying[1] depreciation and amortisation charges were $39.8 million for 2020 (2019[2]: $26.6 million). The increase is predominantly from the first full year contribution from AHG. Included within the statutory depreciation expense is an additional $126.5 million of depreciation expense recorded in accordance with AASB 16 (up from $67.9 million in the pcp).

<u>Segments</u>

The Car Retail Segment delivered an Underlying[1] Operating Profit before tax of $199.4 million, an increase of $105.7 million compared to $93.7 million in 2019[2]. The improved profit performance reflects the first full year contribution from AHG and strong trading performance for the second half of 2020, benefitting from favourable margins from supply chain dynamics and significant permanent cost reductions in response to COVID-19. The increase is reflected across all regions in Australia and New Zealand, except for Victoria which was impacted by an additional three-month government imposed lockdown beyond the initial nationwide restrictions.

Statutory profit before tax from continuing operations for the Car Retail Segment was $272.7 million compared to a loss of $114.1 million in 2019.

The statutory profit before tax was impacted by a number of significant items. The first being government wage subsidies totalling $123.7 million recognised for the period relating to approximately 7,000 eligible employees across Australia and New Zealand (representing approximately 82% of our workforce). The Company also recorded $31.8 million in income as a result of the agreement reached with General Motors for compensation from their exit of Holden vehicles sales in Australia and New Zealand by the end of 2020. Eagers Automotive Holden dealerships will continue to operate service outlets to support existing Holden customers with warranty claims, spare parts, servicing and recalls for five years. This was partially offset by impairment charges totalling $80.7 million primarily relating to new car showroom leased assets associated with Holden dealership operations.

Car Retailing statutory and underlying[1] revenue from continuing operations was $7,776.5 million. The increase is due to AHG's contribution.

Although our EasyAuto123 business generated an overall loss for 2020 as a result of losses sustained during the April and May peak impact of COVID-19, the performance was improved on 2019. Importantly, the business generated consecutive profit for the final 7 months of 2020, driven by growth in all key metrics, on a more efficient cost base and the benefits from post-merger scale and integration into the wider business.

The Truck Segment delivered an Underlying[1] Operating Profit before tax was $19.8 million, an increase compared to $7.8 million in 2019, reflecting AHG's contribution, second half trading performance and cost reductions. Statutory profit before tax from continuing operations was $23.5 million compared to a loss of $9.9 million in 2019. The statutory profit before tax was impacted by Government wage subsidies totalling $6.9 million recognised for the period.

The value of the property portfolio increased to $356.5 million as at 31 December 2020 compared with $260.0 million at 30 June 2020 and $252.7 million as at 31 December 2019. The increase is due to the ongoing rebalance of the property portfolio post the merger with AHG including the acquisition of a number of strategic sites, which were leased, offset by the $10.0 million revaluation decrement in our property portfolio, with the impairment attributable to strategically vacated non-core property.

The Property segment recorded a statutory loss before tax of $4.1 million for 2020 compared to a profit of $23.3 million in the pcp. The movement was driven by revaluation of properties and partially offset by gains on sale of non-core property. Underlying[1] Operating Profit Before Tax was $4.0 million (excluding impairment and gains on sale), down $4.9 million on the pcp driven by reduction on internal rental income from a number of properties divested during the first half of 2019.

Financial Position

Eagers Automotive is in a strong financial position underpinned by a substantial property portfolio and asset base, together with $683.2 million of available liquidity as at 31 December 2020. This liquidity position includes available cash and undrawn commitments under our Corporate Debt Facilities and Captive Financier Working Capital support.

Corporate debt (Term and Capital Loan Facility) net of cash on hand decreased to $129.3 million at 31 December 2020, down from $315.8 million at 31 December 2019. The Group repaid all COVID-19 deferred payments at 31 December 2020 ($95.1 million reported at 30 June 2020), with the exception of $2m of rent deferrals repaid in February 2021. Corporate debt was reduced in 2020 by $71.5 million.

Total debt including vehicle bailment and lease liabilities[5], net of cash on hand, is $2,261.0 million as compared to $2,790.3 million as at 31 December 2019.

The Group's leverage metrics are in a strong position, with the gearing ratio at 0.29 times (2019: 1.19) and the capitalisation ratio at 9.7% (2019: 25.4%), excluding discontinued operations, vehicle bailment and lease liabilities.

Total inventory levels decreased to $1,025.8 million at 31 December 2020, down from $1,458.9 million at 31 December 2019. The decrease in inventory and associated floorplan is due to a combination of global manufacturing shutdowns impacting supply and management's initiatives in response to COVID-19. Eagers Automotive continues to maintain a significant equity ownership in pre-owned vehicles.

The Company continued to focus on cash management, with a strong cash position of $209.1 million at 31 December 2020 driven by operating cash flows of $527.9 million for the twelve months to December 2020. The operating cash flows were up $357.1 million on pcp (2019: $170.8 million) as a result of converting underlying earnings to cash, and effective working capital management, supported by management's initiatives to fortify cash in response to COVID-19, including but not limited to the benefit of a reduced cost base and inventory levels. Operating cash flows also include the benefit from COVID-19 wage and rent subsidies, totalling $143.3 million. All COVID-19 deferred payments on the balance sheet at 30 June 2020 have been repaid in the second half of the year, with the exception of $2m of rent deferrals repaid in February 2021.

The Company also secured additional working capital facilities from Captive Financiers totalling $122.0 million during the period, with $100.0 million undrawn at 31 December 2020, and the voluntary termination of a $22.0 million facility during period. The remaining undrawn facilities will terminate in March 2021.

This strong cash position and undrawn debt has provided the Company with a significant liquidity buffer to ensure the Company is well positioned to withstand any further short term and isolated impacts of COVID-19 and enable flexibility to pursue new opportunities in accelerating Next100 strategy.

The balance sheet reflects a net current liability position of $102.8 million, impacted by the application of the new lease standard which results in the recognition of a $152.2 million net current lease liability as at 31 December 2020 (2019: $171.7 million), reflecting property rental charges for the next 12 months. This commitment was previously recorded off balance sheet under the previous accounting standard.

Removing the impact of the new lease standard results in a net current asset position for the Group. The Group expects to continue to generate significant cash inflows from operating activities to fund its obligations and also has available debt capacity.

(5) Lease liabilities include liabilities associated with asset financing leases and property leases disclosed in accordance with AASB16.

Outlook

Eagers Automotive has the scale and geographic diversity to ensure it is well positioned to withstand short-term and isolated challenges associated with the impacts of COVID-19. The simplification of our business, through the divestment of non-core operations, ensures the Company is focused on core automotive retail operations, both franchised automotive and fixed price pre-owned vehicles, and strongly positioned to capitalise on favourable market dynamics.

Despite the ongoing uncertainty surrounding COVID-19, the Company's strong balance sheet and fortified liquidity position provides an optimal platform to pursue further growth opportunities as it accelerates execution of its Next100 Strategy.

In the short to medium term, Eagers Automotive is focused on delivering improved operational performance and driving EPS growth through the following priorities:

- Continuing to rebalance our property portfolio through the increased utilisation of owned property relative to leased premises, enabling the delivery of an enhanced customer experience on a substantially lower cost base;

- Continuing to drive a greater customer experience and increases in productivity through the redesign of our workforce;
- Driving growth in our fixed price pre-owned vehicle business by delivering an enhanced customer experience, productivity improvements and cost rationalisation, all of which are underpinned by the development of our omni-channel offering;
- Delivering optimised vehicle finance solutions through our unique and industry leading financial services toolkit which will enable the Company to capitalise on expected tailwinds in 2021, providing the momentum to materially improve penetration levels; and
- Focusing on portfolio management and long-term organic growth opportunities while remaining disciplined with complementary reinvestment opportunities.

Martin Ward
Managing Director

24 February 2021

For more information:

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Managing Director
(07) 3608 7110

Jon Snowball
Domestique Consulting
0477 946 068

www.apeagers.com.au

Eagers Automotive Full Year 2020 Analyst and Investor Call – 10:30am AEDT Wednesday 24 February 2021

Participants can register to receive dial-in details for the call using the following link:

https://s1.c-conf.com/DiamondPass/10011920-85oki7.html

Participants may also wish to join a webcast of the results briefing using this link:

https://services.choruscall.com.au/webcast/eagers-210224.html

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

The Directors of Eagers Automotive Limited ABN 87 009 680 013 (the Company or Eagers) present their report together with the consolidated financial report of the Company and its controlled entities (the Group), for the year ended 31 December 2020 and the auditor's report thereon.

Directors

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

Timothy Boyd Crommelin BCom, FSIA, FSLE
Chairman of Board
Member of Remuneration & Nomination Committee
Member of Audit & Risk Committee (until August 2020)

Independent, non-executive Director since February 2011. Chairman of Morgans Holdings (Australia) Limited. Director of Senex Energy Ltd (2010 to present) and Australian Cancer Research Foundation. Member of University of Queensland Senate. Broad knowledge of corporate finance, risk management and acquisitions and over 40 years' experience in the stockbroking and property industry.

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

Joined the Company in July 2005. Appointed Chief Executive Officer in January 2006. Appointed Managing Director in March 2006. Motor vehicle dealer. Director of Australian Automotive Dealer Association Limited (2014 to present). Former Chief Executive Officer of Ford Motor Company's Sydney Retail Joint Venture.

Nicholas George Politis BCom
Director

Non-executive Director since May 2000. Motor vehicle dealer. Executive Chairman of WFM Motors Pty Ltd, Eagers Automotive Limited's largest shareholder. Vast automotive retail industry experience and Director of a substantial number of proprietary limited companies.

Daniel Thomas Ryan BEc, MBus, FAICD
Director
Member of Remuneration & Nomination Committee

Non-executive Director since January 2010. Director and Chief Executive Officer of WFM Motors Pty Ltd, Eagers Automotive Limited's largest shareholder. Director of a substantial number of proprietary limited companies. Significant management experience in automotive, transport, manufacturing and retail industries.

David Arthur Cowper BCom, FCA
Director
Chairman of Audit & Risk Committee

Independent, non-executive Director since July 2012. Chartered accountant, with more than 35 years in the profession. Former partner of Horwath Chartered Accountants and Deloitte Touche Tohmatsu. Former Chairman of Horwath's motor industry specialisation unit for six years. Area of professional specialisation while at Horwath and Deloitte was in providing audit, financial and taxation services to public and large private companies in the motor industry.

Marcus John Birrell
Director
Member of Audit & Risk Committee

Independent, non-executive Director since July 2016. Former Director of Australian Automotive Dealer Association Limited (2014 to 2017). Distinguished career in the automotive industry, including 38 years at manufacturer, financier and retail level and 21 years as Executive Chairman of Birrell Motors Group.

Sophie Alexandra Moore BBus, CA, FFin
Director
Chief Financial Officer

Joined the Company as Chief Financial Officer in August 2015. Appointed as a Director in March 2017. Executive responsibility for accounting, taxation, internal audit, payroll and treasury functions. Previous senior finance roles with PricewaterhouseCoopers and Flight Centre Travel Group Limited. Admitted as a chartered accountant in 1997.

Gregory James Duncan OAM, BEc, FCA
Director
Chairman of Remuneration & Nomination Committee
Member of Audit & Risk Committee (since August 2020)

Independent, non-executive Director since December 2019. Chairman of Cox Automotive Australia Board of Management (2016 to present). Director of advisory and investment firm JWT Bespoke Pty Ltd (2013 to present). Former owner and Executive Chairman of Trivett Automotive Group, Australia's largest prestige automotive business. Former Director of Automotive Holdings Group Ltd (2015 to 2019)

David Scott Blackhall BCom, MBA, FAICD
Director

Independent, non-executive Director since December 2019. Over half a century of automotive industry experience with manufacturers, including at Managing Director level, as dealer principal and owner of various automotive franchises, and as Chief Executive of Australian Automotive Dealer Association (2016 to 2019). Managing Director of corporate advisory firm Raglan Ridge Advisors. Former Director of Automotive Holdings Group Ltd (2019).

Michelle Victoria Prater BBus, CPA, ACIS, AICD
Director

Non-executive Director since February 2020. Executive Chairman of APPL Group (2004 to present), a property development and investment group with an extensive automotive property portfolio including significant properties leased to Eagers Automotive dealerships. Former executive roles at corporate and operational levels with Automotive Holdings Group Ltd (1993 to 2004) including as an executive Director (2002 to 2004).

Company Secretary

Denis Gerard Stark LLB, BEc
General Counsel & Company Secretary

Commenced with the Company in January 2008. Responsible for overseeing the company secretarial, legal, investor relations and property administration functions. Previous company secretarial and senior executive experience with public companies. Admitted as a solicitor in Queensland in 1994 and Victoria in 1997

Directors' Meetings

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

Name	Board Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
T B Crommelin (1) (2)	16	16	3	3	5	5
N G Politis	14	16	-	-	-	-
M A Ward	16	16	-	-	-	-
D T Ryan (2)	16	16	-	-	5	5
D A Cowper (1)	16	16	4	4	-	-
M J Birrell (1)	16	16	4	4	-	-
S A Moore	14	16	-	-	-	-
G J Duncan (1) (2)	16	16	1	1	5	5
D S Blackhall	16	16	-	-	-	-
M V Prater (3)	13	15	-	-	-	-

(1) *Audit & Risk Committee members*
(2) *Remuneration & Nomination Committee members*
(3) *Appointed as a Director on 3 February 2020*

Principal Activities

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

Financial & Operational Review

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Key Financial Highlights

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Underlying Profit After Tax[1]	140.4	69.2

1 Underlying operating results refers to continuing operations, adjusted for significant items outlined and reconciled to statutory results on slides 21 (FY2020) and 32 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to audit by the Company's external auditors.
2 The comparative information has been restated as a result of finalisation of a business combination.
3 EBITDAI means earnings before interest, tax, depreciation, amortisation and impairment.

Dividend

A fully franked final dividend of 25 cents per share (2019: 11.25 cents) has been approved for payment on 20 April 2021 to shareholders who are registered on 1 April 2021 (Record Date). As there was no interim dividend during the year under review, the total dividend based on 2020 earnings is 25 cents per share (2019: 25.25 cents) fully franked.

The final dividend reflects a payout ratio of 43% on the full year Statutory Net Profit After Tax (including discontinued operations) and 49% on the Underlying Operating Profit After Tax[1]. The payout is lower than our historic ratio, reflecting the Board's desire to ensure the company has the capacity and flexibility to invest in restructuring and growth initiatives balanced with its prudent approach to managing through the uncertainty of the COVID-19 environment, including potential for future Government enforced lockdowns.

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

Dividends paid to members during the year under review were as follows:

Year ended 31 December	2020 $'000	2019 $'000
Final ordinary dividend for the year ended 31 December 2019 of 11.25 cents (2018: 22.5 cents) per share paid on 20 April 2020	28,905	43,045
Interim ordinary dividend for 2020 of nil cents (2019: 14.0 cents) per share	-	35,035
	28,905	78,080

External Environment

The impact of the COVID-19 pandemic has been significant on the automotive retail industry new vehicle sale market, both on the demand and supply chain side.

According to Federal Chamber of Automotive Industry statistics, during the peak impact of COVID-19 restrictions, new vehicle sales were down 48.5% in April, a record fall, and 35.3% in May, compounding a sustained period of challenging market conditions for the industry. Those challenging months were followed by a rebound in June, supported by an opening of the economy and confidence in the Government stimulus measures, with new vehicles sales marginally down 6.4%. The extended lockdown in Victoria impacted national new vehicle sales during the 3-months ended October 2020.

Importantly, in November the market recorded its first month of growth on pcp, up 12.4%, ending 31 months of consecutive decline on pcp. The momentum continued into December, recording growth of 13.5% on pcp. Supply issues from the shutdown and reduced production capacity of global manufacturing operations during the pandemic understated the strength in the market in the second half of 2020.

Despite the recovery, Australia's new motor vehicle sales decreased by 13.7% for the full year to 31 December 2020, with new vehicle sales of 916,968 versus 1,062,867 in 2019.

The full year decline in new vehicle unit sales was reflected across the Australian industry, with every state recording a decline on pcp. The larger markets of Queensland, New South Wales and Victoria, recorded sale declines on the pcp of 8.9%, 11.1% and 25.6% respectively, with Victoria heavily impacted by the 3-month lockdown. Other markets also recording a decline on the pcp included: South Australia down 10.6%, Western Australia down 2.7%, Tasmania down 22.0%, and the Northern Territory down 10.2%. The Australian Capital Territory was the only market to record growth on the pcp, up 22.6%.

The decrease in new motor vehicles sales on pcp was experienced across all buyer types, with private sales down 6.1%, business sales down 15.7%, Government sales down 15.7% and rental sales down 53.0%. Luxury vehicle segment increased from 10.9% to 11.9% of total market share, finishing 6.0% down, with mixed performance across the brands. While the role of plug-in hybrid and electric vehicles grew 17.1% it was from a very low base with traditional fuel vehicles accounting for 99% of all new vehicle sales.

Nationally, the Heavy Commercial segment contracted 9.0%, with decreases in light/medium duty trucks and heavy-duty sales of 16.6% and 5.1% respectively.

Strategic Developments

Notwithstanding the external environment, the Company remains firmly focused on its Next100 strategy which is aimed at delivering a superior customer experience from a more sustainable and productive cost base.

The optimisation of our business has accelerated out of necessity due to the impacts of COVID-19 with significant permanent cost reductions of approximately $100 million per annum achieved within the period.

Despite the disruptions of COVID-19 during the period, the Company made substantial progress in a number of key areas including:

- Completion of the sale of the AHG Refrigerated Logistics business on 29 June 2020 and execution of a binding agreement for sale the Daimler truck operations and an associated property, allowing the Company to focus on and simplify its core automotive retailing business.
- Exceeding the original post-AHG merger synergy savings of $30 million ahead of schedule, with further business-wide efficiency gains to be realised as part of the group's ongoing optimisation efforts.
- Migration of legacy AHG dealerships into the Eagers Automotive Financial Services operating model and ongoing rollout of our toolbox of finance solutions
- Ongoing rebalance of the property portfolio post the merger with AHG including the exit of a number of leased locations and the acquisition of a number of strategic sites, which were leased, during and subsequent to the period.
- Progressing our omni-channel strategy through the launch integrated technology solutions, including online financing solutions, delivering enhanced customer experience on a lower cost base

Financial Performance

Statutory revenue from continuing operations increased to $8,749.7 million. This reflects the first full year of trading for the enlarged company following the merger with AHG.

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDAI[3]) from continuing operations increased to $625.5 million in 2020 (2019: $342.4 million). Underlying[1] EBITDAI[3] increased to $284.2 million in 2020 (2019[4]: $163.2 million). Profit margins increased as indicated by the underlying[1] operating EBITDAI/Revenue ratio of 3.2% (2019[2]: 3.0%), and an increase in underlying[1] operating NPBT/Sales ratio to 2.4% (2019[2]: 1.8%). The increase in margins was driven by our cost-out program in response to COVID-19 and the impact of the pandemic on supply chain dynamics in the second half of 2020.

Statutory borrowing costs from continuing operations increased to $88.4 million. Underlying[1] borrowing costs decreased by 2.7% to $35.1 million for 2020 (2019[4]: $36.2 million). The decrease was predominately driven by the Company's bailment charges which have benefited from a reduction in inventory and associated bailment levels and underlying interest rates compared to the pcp. This was partially offset by the first full year contribution from AHG.

Included within statutory borrowing costs is interest expense recognised in accordance with AASB 16 *Leases* of $53.3 million, up from $27.5 million in the pcp predominantly due to AHG's full year contribution.

Statutory depreciation and amortisation charges from continuing operations were $166.3 million for 2020 (2019: $95.2 million). Underlying[1] depreciation and amortisation charges were $39.8 million for 2020 (2019[4]: $26.6 million). The increase is predominantly from the first full year contribution from AHG. Included within the statutory depreciation expense is an additional $126.5 million of depreciation expense recorded in accordance with AASB 16 (up from $67.9 million in the pcp).

4 Comparative underlying financial information in the appendix 4E commentary has been adjusted to remove the contribution of Kloster Motor Group, divested in October 2019.

<u>Segments</u>

The Car Retail Segment delivered an Underlying[1] Operating Profit before tax of $199.4 million, an increase of $105.7 million compared to $93.7 million in 2019[4]. The improved profit performance reflects the first full year contribution from AHG and strong trading performance for the second half of 2020, benefitting from favourable margins from supply chain dynamics and significant permanent cost reductions in response to COVID-19. The increase is reflected across all regions in Australia and New Zealand, except for Victoria which was impacted by an additional three-month government imposed lockdown beyond the initial nationwide restrictions.

Statutory profit before tax from continuing operations for the Car Retail Segment was $272.7 million compared to a loss of $114.1 million in 2019.

The statutory profit before tax was impacted by a number of significant items. The first being government wage subsidies totalling $123.7 million recognised for the period relating to approximately 7,000 eligible employees across Australia and New Zealand (representing approximately 82% of our workforce). The Company also recorded $31.8 million in income as a result of the agreement reached with General Motors for compensation from their exit of Holden vehicles sales in Australia and New Zealand by the end of 2020. Eagers Automotive Holden dealerships will continue to operate service outlets to support existing Holden customers with warranty claims, spare parts, servicing and recalls for five years. This was partially offset by impairment charges totalling $80.7 million primarily relating to new car showroom leased assets associated with Holden dealership operations.

Car Retailing statutory and underlying[1] revenue from continuing operations was $7,776.5 million. The increase is due to AHG's contribution.

Although our EasyAuto123 business generated an overall loss for 2020 as a result of losses sustained during the April and May peak impact of COVID-19, the performance was improved on 2019. Importantly, the business generated consecutive profit for the final 7 months of 2020, driven by growth in all key metrics, on a more efficient cost base and the benefits from post-merger scale and integration into the wider business.

The Truck Segment delivered an Underlying[1] Operating Profit before tax was $19.8 million, an increase compared to $7.8 million in 2019, reflecting AHG's contribution, second half trading performance and cost reductions. Statutory profit before tax from continuing operations was $23.5 million compared to a loss of $9.9 million in 2019. The statutory profit before tax was impacted by Government wage subsidies totalling $6.9 million recognised for the period.

The value of the property portfolio increased to $356.5 million as at 31 December 2020 compared with $260.0 million at 30 June 2020 and $252.7 million as at 31 December 2019. The increase is due to the ongoing rebalance of the property portfolio post the merger with AHG including the acquisition of a number of strategic sites, which were leased, offset by the $10.0 million revaluation decrement in our property portfolio, with the impairment attributable to strategically vacated non-core property.

The Property segment recorded a statutory loss before tax of $4.1 million for 2020 compared to a profit of $23.3 million in the pcp. The movement was driven by revaluation of properties and partially offset by gains on sale of non-core property. Underlying[1] Operating Profit Before Tax was $4.0 million (excluding impairment and gains on sale), down $4.9 million on the pcp driven by reduction on internal rental income from a number of properties divested during the first half of 2019.

Financial Position

Eagers Automotive is in a strong financial position underpinned by a substantial property portfolio and asset base, together with $683.2 million of available liquidity as at 31 December 2020. This liquidity position includes available cash and undrawn commitments under our Corporate Debt Facilities and Captive Financier Working Capital support.

Corporate debt (Term and Capital Loan Facility) net of cash on hand decreased to $129.3 million at 31 December 2020, down from $315.8 million at 31 December 2019. The Group repaid all COVID-19 deferred payments at 31 December 2020 ($95.1 million reported at 30 June 2020), with the exception of $2m of rent deferrals repaid in February 2021. Corporate debt was reduced in 2020 by $71.5 million.

Total debt including vehicle bailment and lease liabilities[5], net of cash on hand, is $2,261.0 million as compared to $2,790.3 million as at 31 December 2019.

The Group's leverage metrics are in a strong position, with the gearing ratio at 0.29 times (2019: 1.19) and the capitalisation ratio at 9.7% (2019: 25.4%), excluding discontinued operations, vehicle bailment and lease liabilities.

Total inventory levels decreased to $1,025.8 million at 31 December 2020, down from $1,458.9 million at 31 December 2019. The decrease in inventory and associated floorplan is due to a combination of global manufacturing shutdowns impacting supply and management's initiatives in response to COVID-19. Eagers Automotive continues to maintain a significant equity ownership in pre-owned vehicles.

The Company continued to focus on cash management, with a strong cash position of $209.1 million at 31 December 2020 driven by operating cash flows of $527.9 million for the twelve months to December 2020. The operating cash flows were up $357.1 million on pcp (2019: $170.8 million) as a result of converting underlying earnings to cash, and effective working capital management, supported by management's initiatives to fortify cash in response to COVID-19, including but not limited to the benefit of a reduced cost base and inventory levels. Operating cash flows also include the benefit from COVID-19 wage and rent subsidies, totalling $143.3 million. All COVID-19 deferred payments on the balance sheet at 30 June 2020 have been repaid in the second half of the year, with the exception of $2m of rent deferrals repaid in February 2021.

The Company also secured additional working capital facilities from Captive Financiers totalling $122.0 million during the period, with $100.0 million undrawn at 31 December 2020, and the voluntary termination of a $22.0 million facility during period. The remaining undrawn facilities will terminate in March 2021.

This strong cash position and undrawn debt has provided the Company with a significant liquidity buffer to ensure the Company is well positioned to withstand any further short term and isolated impacts of COVID-19 and enable flexibility to pursue new opportunities in accelerating Next100 strategy.

The balance sheet reflects a net current liability position of $102.8 million, impacted by the application of the new lease standard which results in the recognition of a $152.2 million net current lease liability as at 31 December 2020 (2019: $171.7 million), reflecting property rental charges for the next 12 months. This commitment was previously recorded off balance sheet under the previous accounting standard.

Removing the impact of the new lease standard results in a net current asset position for the Group. The Group expects to continue to generate significant cash inflows from operating activities to fund its obligations and also has available debt capacity.

5 Lease liabilities include liabilities associated with asset financing leases and property leases disclosed in accordance with AASB16.

Outlook

Eagers Automotive has the scale and geographic diversity to ensure it is well positioned to withstand short-term and isolated challenges associated with the impacts of COVID-19. The simplification of our business, through the divestment of non-core operations, ensures the Company is focused on core automotive retail operations, both franchised automotive and fixed price pre-owned vehicles, and strongly positioned to capitalise on favourable market dynamics.

Despite the ongoing uncertainty surrounding COVID-19, the Company's strong balance sheet and fortified liquidity position provides an optimal platform to pursue further growth opportunities as it accelerates execution of its Next100 Strategy.

In the short to medium term, Eagers Automotive is focused on delivering improved operational performance and driving EPS growth through the following priorities:

- Continuing to rebalance our property portfolio through the increased utilisation of owned property relative to leased premises, enabling the delivery of an enhanced customer experience on a substantially lower cost base;
- Continuing to drive a greater customer experience and increases in productivity through the redesign of our workforce;
- Driving growth in our fixed price pre-owned vehicle business by delivering an enhanced customer experience, productivity improvements and cost rationalisation, all of which are underpinned by the development of our omni-channel offering;
- Delivering optimised vehicle finance solutions through our unique and industry leading financial services toolkit which will enable the Company to capitalise on expected tailwinds in 2021, providing the momentum to materially improve penetration levels; and
- Focusing on portfolio management and long-term organic growth opportunities while remaining disciplined with complementary reinvestment opportunities.

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

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Environmental Regulation

The Group's property development and service centre operations are subject to various environmental regulations. Environmental licences are held for particular underground petroleum storage tanks.

Planning approvals are required for property developments undertaken by the Group in relevant circumstances. Authorities are provided with appropriate details and to the Directors' knowledge developments during the year were undertaken in compliance with planning requirements in all material respects.

Management works with regulatory authorities, where appropriate, to assist compliance with regulatory requirements. There were no material adverse environmental issues during the year to the Directors' knowledge.

Remuneration Report

Dear Shareholders

On behalf of the Directors of Eagers Automotive Limited, I am pleased to present the Remuneration Report for the year ended 31 December 2020.

The past financial year presented many challenges for Eagers and we are extremely proud of the way our people and suppliers responded to the impact of COVID-19. The global health and economic crisis initially resulted in drastically reduced demand for vehicles in Australia and New Zealand, with Eagers experiencing historically low sales figures. In response to the immediate impact of COVID-19 on Eagers' business, we took decisive action to implement cost reduction initiatives including:

- *all executive Key Management Personnel (**KMP**) voluntarily reducing their fixed remuneration by 50% for two months*
- *all Non-executive Directors (**NEDs**) waiving 100% of their fees for six months*
- *no Long-Term Incentive performance awards being granted in FY20*

As a result, overall remuneration for Directors and KMPs during 2020 was down 23% on the prior year.

Eagers also took the difficult but necessary action to reduce its workforce at the start of the pandemic, however access to the Federal Government's JobKeeper scheme and the New Zealand wage subsidy scheme prevented further significant redundancies including during the lockdown periods. As restrictions eased and vehicle demand rebounded, the retention of our skilled and experienced employees enabled the Company to deliver exceptional shareholder and financial performance during the remainder of 2020.

FY20 company performance and variable remuneration outcomes

Despite the initial challenges during the lockdown periods, Eagers delivered strong results for calendar year 2020, against our key company objectives. We successfully completed our integration of Automotive Holdings Group, divested our refrigerated logistics business, restructured our property portfolio and finance facilities, and achieved group underlying operating profit before tax of $209 million (after the exclusion of JobKeeper payments received) compared to $100 million in the prior year.

Although Eagers produced a year of exceptional operational, financial and share price performance, no LTI performance awards were granted or vested to any KMP since our previous Remuneration Report and no STI awards were paid to any KMP (other than the contractual STI bonuses that were paid to the CFO and Company Secretary as disclosed in section 6(b) of this report).

Our response to the FY19 Annual General Meeting (AGM) strike and a new remuneration framework for FY21

At the 2020 AGM, Eagers received a 'first strike' against its Remuneration Report. In response to the strike and acknowledging that there is now greater expectation on us as an ASX200 company to have a remuneration framework more closely aligned to market practice, we have undertaken a comprehensive review of our remuneration framework.

As a result, we will implement a new remuneration framework in FY21, more closely aligned to the market and addressing concerns that gave rise to the strike. Section 7 of this Remuneration Report *provides an overview of our response to the concerns including prospective disclosure of our new 2021 remuneration framework. We have consulted with key stakeholders, including investors and proxy advisors, on this new framework and will provide a more detailed disclosure in our 2021 Remuneration Report.*

During FY20, we also undertook a review of the structure and style of our Remuneration Report to improve overall disclosure and readability. We believe this will improve transparency and better showcase links between our performance during the year and remuneration outcomes.

We look forward to welcoming your feedback at our AGM.

Yours sincerely,
Gregory Duncan
Chair of the Remuneration & Nomination Committee

CONTENTS OF REMUNERATION REPORT

1. INTRODUCTION AND KEY MANAGEMENT PERSONNEL

This report outlines the remuneration arrangements for the Company's KMP, which include Directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The information provided in this report has been prepared in accordance with the requirements under the *Corporations Act 2001* and Accounting Standards. This report forms part of the Directors' Report and unless otherwise indicated the following sections have been audited in accordance with section 308 (3c) of the *Corporations Act 2001*.

The KMP for FY20 were:

Name	Position	Term as KMP in FY20
Non-executive Directors (NEDs)		
Tim Crommelin	Chair	Full year
Nick Politis	Director	Full year
David Cowper	Director	Full year
Daniel Ryan	Director	Full year
Marcus Birrell	Director	Full year
Gregory Duncan	Director	Full year
David Blackhall	Director	Full year
Michelle Prater	Director	Part year – 3 February 2020 to 31 December 2020
Executive Directors & Executive KMP		
Martin Ward	Managing Director & Chief Executive Officer	Full year
Sophie Moore	Executive Director & Chief Financial Officer	Full year
Other Executive KMP		
Keith Thornton	Chief Operating Officer – Cars	Full year
Denis Stark	General Counsel & Company Secretary	Full year

There have been no changes to KMP since the reporting date.

2. REMUNERATION STRATEGY AND PRINCIPLES

The Company's remuneration strategy and principles, which guide our remuneration framework, are outlined below.

Our Remuneration Principles

Aligned to the Next100 strategy	Drive equity ownership	Simplicity	Flexibility
Linked to the achievement of long-term financial and non-financial objectives	Linked to long-term value creation for shareholders	Easily explained to and understood by internal and external stakeholders	Enables the Board to apply appropriate judgement where in the interests of the Company to do so, with the rationale to be disclosed transparently where discretion is used

Our Remuneration Strategy

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

3. REMUNERATION GOVERNANCE

The Company's remuneration governance structure provides oversight of the Company's remuneration practices and policies.

The following diagram illustrates the remuneration governance framework.

Board

The Board is responsible for approving the remuneration arrangements for executive KMP and NEDs, based on recommendations of the Remuneration & Nomination Committee.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee reviews and makes recommendations to the Board regarding remuneration arrangements for executive KMP and NEDs. These reviews take place at least annually, taking into account relevant market conditions.

Management

The CEO, in consultation with the Chair of the Remuneration & Nomination Committee, reviews the performance of executive KMPs on an ongoing basis and ensures the appropriateness of their reward framework.

Remuneration advisors

External advisors may be engaged directly by the Board or by the Remuneration & Nomination Committee to provide advice or information relating to KMP that is free from the influence of management.

In FY20, KPMG was engaged as the Company's remuneration advisor to assist with the remuneration review and changes to the executive remuneration framework and to conduct benchmarking.

This did not involve providing any remuneration recommendations as defined by the *Corporations Act 2001*.

4. FY20 BUSINESS PERFORMANCE

During FY20, despite a challenging external environment, the Company achieved strong growth in respect of key financial and non-financial metrics, which has been reflected in our strong financial results and share price performance.

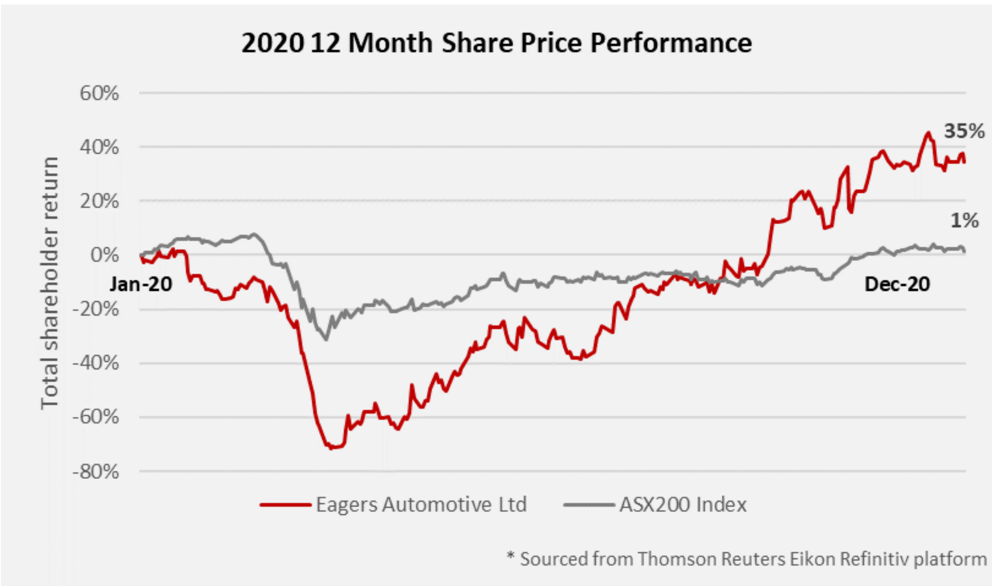
Statutory NPAT
$156.2 million

Earnings Per Share
57.6 cents

Dividends Per Share
25.0 cents

12-month total shareholder return
34%

The below graph showcases the creation of shareholder wealth over 2020, with the Company's total shareholder return (**TSR**) significantly outperforming the ASX200.



The table below details Eagers' performance against key financial and operational metrics for the five-year period ended 31 December 2020.

Name	2020	2019 [2]	2018	2017	2016
Statutory net profit after tax (NPAT) ($ million)	156.2	(139.6)	97.5	98.2	105.5
Statutory Earnings per share (EPS) – basic (cents)	57.6	(67.4)	50.1	50.3	55.4
Dividend per share (cents)	25.0	25.3	36.5	36.0	35.0
Share Price at year end ($)	13.29	10.24	6.00	7.97	9.22

5. EXECUTIVE REMUNERATION FRAMEWORK FOR FY20

Total Fixed Remuneration (TFR)	Short-Term Incentives (STI)	Long-Term Incentives (LTI)
• Each executive KMP received a competitive base pay (plus superannuation) to reflect the market for a comparable role. • Base pay is reviewed annually and on promotion to ensure it remains competitive with the market. • Benefits may include use of motor vehicles, health insurance, health and fitness programs.	• CEO did not participate in any STI plan for FY20. • CFO and Company Secretary were eligible for STI payments of up to 30% of their TFR (**STI Plan**). These payments were determined by reference to both Company and individual achievements and performance over the financial year. • COO participated in a commission structure which entitled him to a percentage of net profit before tax of relevant business units. This has a direct link to the Company's financial performance and is commonly used for senior management in the automotive industry.	• Prior to FY20, executive KMP participated in the Company's Executive Incentive Plan (**EIP**) which operated as an LTI and was delivered in a mix of performance rights and options (**LTI Plan**). This plan focussed on creation of shareholder value by rewarding the achievement of compound growth in diluted Earnings Per Share (**EPS**). • **The LTI Plan ended at the end of FY19 and was not renewed for FY20.** • **The LTI Plan did not operate for any KMP in FY20.** • **A new LTI Plan is being introduced for FY21.**

6. REMUNERATION STRUCTURE AND OUTCOMES FOR FY20

As reported in the business performance section of this Directors' Report, the Company delivered strong and consistent results against key financial and non-financial metrics for FY20. The following are details of the FY20 remuneration structures and outcomes awarded to executive KMP based on both Company and individual performance.

a) Total Fixed Remuneration (TFR) for FY20

TFR for KMP decreased in FY20 due to temporary pay reductions, which have since been removed.

During the peak of government-enforced COVID-19 restrictions across the Company's business, our executive KMP voluntarily offered to reduce their TFR by 50% commencing on 1 April 2020. This arrangement ceased on 1 June 2020, with their TFR reverting to contractual amounts as it became clear that the Company had responded to meet the unprecedented challenges caused by the COVID-19 pandemic and economic crisis.

b) STI Plan and performance outcomes for FY20

The STI Plan for FY20 is outlined below. A new STI framework is being introduced for FY21.

Design feature	Further detail
Eligibility	CFO and GC&CS only.
Instrument	Cash.
Performance period	1 year (1 January 2020 to 31 December 2020).
Maximum opportunity	30% of TFR.
Performance measures	STI payments were approved by the Board, through the Remuneration & Nomination Committee, based on recommendations from the CEO, with reference to the Company's financial and non-financial performance, including strategic objectives, and also with reference to individual performance. • Financial performance is determined with reference to the Company's NPAT, EPS and share price performance over the financial year. • Non-financial performance is determined with reference to the achievement of strategic objectives and individual performance, engagement and customer measures.
Discretion	The Board retained absolute discretion regarding the operation of the STI Plan, informed by recommendations from the CEO and the Remuneration & Nomination Committee.

The CFO and GC&CS received 100% of their STI Plan awards for FY20 following assessment by the CEO and the Board, through the Remuneration & Nomination Committee. Whilst the exercise of downwards discretion by the Board was considered due to COVID-19, ultimately, no reduction to payments was applied based on a holistic review of the Company's financial and non-financial performance and also the individual's performance during the year. The Company's performance included the successful merger and integration with AHG, completion of the divestment of the refrigerated logistics business, conditional sale of the Daimler Truck Division, successful restructuring of the Company's property portfolio and finance facilities, urgent proactive and successful response to the numerous issues arising from the global economic and health crisis. The individual performance in these areas was also considered, as were the individual's contributions to ensuring the Company's long-term success post-COVID-19. In these circumstances, payment of the full STI awards was determined to be appropriate, particularly in light of the Company's record 2020 operational and financial performance (even after excluding the JobKeeper payments received).

It is also noted that the STI Plan awards account for only 28% of total KMP remuneration for FY20. Significantly, total KMP remuneration decreased by 23% for FY20, even though record statutory profit, record underlying profit and record EPS were delivered for shareholders, with management successfully responding to the many challenges arising from the global pandemic and economic crisis during a period of great uncertainty.

	% of Maximum STI awarded	STI paid
CFO	100%	$150,000
GC&CS	100%	$105,000

c) Commission structure and performance outcomes for FY20

The COO's commission structure for FY20 is outlined below. A new plan is being implemented for 2021.

Design feature	Further detail
Eligibility	COO only.
Instrument	Cash.
Performance period	1 year (1 January 2020 to 31 December 2020).
Opportunity	The commission amount was set as a percentage of net profit before tax of the relevant business units. This award, whilst uncapped, had a direct link to Company financial performance and is a structure commonly found for senior operations executives in the automotive industry, where fixed remuneration is set relatively low and variable remuneration forms a larger proportion of the remuneration mix.

Name	Percentage of NPBT	Total Commission ($)
COO	A percentage of the national cars division total net profit before tax	$1,082,316

d) LTI Plan for FY20

FY19 was the final year of the operation of the LTI Plan. The LTI Plan did not operate for FY20. No LTI awards vested for FY20 and no new LTI grants were made in FY20. A new remuneration framework, including a new LTI plan, is being introduced for FY21, with detailed disclosure to be provided in the 2021 Remuneration Report. This will reflect an approach more aligned with ASX200 market practice, as referred to in section 5 of this report.

e) Retention Grant in FY20

As reported in last year's Remuneration Report, this one-off equity retention grant was awarded in early 2020 to recognise the CFO's importance to the ongoing success of the Company, particularly given her role in the acquisition and ongoing integration of AHG. Whilst no performance conditions were applicable to the retention grant, the Board had sought to balance the expectations of external stakeholders and the need to retain key talent in the longer term by ensuring the grant was delivered wholly in equity and subject to continued employment and a disposal restriction. More detail on the grant is provided in the following table. **No further equity retention grants were made in FY20**.

Design feature	Further detail
Eligibility	CFO only.
Instrument	Restricted Shares.
Vesting period	• 30% vested immediately on grant. • 35% vested on 31 December 2020. • 35% will vest on 31 December 2021.
Restriction period	All vested shares are subject to a disposal restriction until April 2025 or cessation of employment.
Opportunity	$1,019,664.
Allocation methodology	Face value.
Vesting conditions	Continued employment until the vesting date.

7. RESPONSE TO 'FIRST STRIKE' AND REMUNERATION FRAMEWORK CHANGES

A comprehensive review of the executive remuneration framework has been undertaken in response to the 'first strike' received at our 2020 Annual General Meeting. The Board has engaged with shareholders, proxy advisors and other stakeholders to better understand their concerns and has also obtained independent external advice on our remuneration framework. As a result, many changes have been made to the remuneration framework, as detailed below, to better align it with ASX200 market practice, while maintaining a strong pay-for-performance culture.

Changes to Remuneration Framework	
STI	• Greater disclosure in relation to the achievement of STI Plan performance measures is included in this Remuneration Report. • The Board did not award any one-off bonuses for FY20 above contractual arrangements. • A new remuneration framework is being implemented for FY21. • The STI Plan for FY21 will be assessed against both financial and non-financial performance hurdles and will be awarded in a mix of cash and equity. • Additional disclosure on the new STI framework and performance hurdles will be included in the Remuneration Report for FY21.
LTI	• There was no LTI plan for KMP for FY20. • A new LTI plan for FY21 will be introduced with a performance period of 4 years and awarded wholly in equity. • The new LTI plan will include appropriate change-in-control and claw-back provisions in line with market practice • Clear LTI performance hurdles are being set for FY21, assessed wholly against financial measure/s with graduated vesting. • No re-testing of LTI performance hurdles was undertaken for FY20 and there will not be any re-testing under the new remuneration framework for FY21.
OTHER	• This Remuneration Report includes improved transparency and disclosure in relation to the remuneration framework and structures. • No equity retention grants have been made since the one-off grant to the CFO in early FY20 which was disclosed in our previous Remuneration Report for FY19.

8. EXECUTIVE CONTRACTUAL ARRANGEMENTS

Executive KMP are employed under common employment agreements. Any termination benefits would be subject to compliance with the limits set by the *Corporations Act 2001.*
The table below details the contractual terms for executive KMP:

Name	Duration of service agreement	Notice period by employee	Notice period by company	Payments upon termination
Martin Ward (MD & CEO)	Ongoing	6 months	6 months	One times base pay
Sophie Moore (CFO)	Ongoing	3 months	3 months	At the Board's discretion
Keith Thornton (COO)	Ongoing	6 months	6 months	At the Board's discretion
Denis Stark (GC&CS)	Ongoing	3 months	3 months	At the Board's discretion

9. NON-EXECUTIVE DIRECTOR REMUNERATION

The objectives of the Company's policy regarding NED fees are:

- to preserve the independence of NEDs by not providing them with any performance-related remuneration. NEDs do not participate in schemes designed for the remuneration of executives, equity schemes, incentive programmes or retirement allowance programmes, nor do they receive performance-based bonuses.
- to be market competitive with regard to NED fees, which are reviewed annually.

NED fees are limited to a maximum aggregate amount approved by shareholders, with the current limit of $1,000,000 per annum having been approved at the 2020 Annual General Meeting.
NEDs received reduced fees in FY20. As a result of the impact of COVID-19 (as per the Company's ASX announcement in March 2020), all fees for NEDs were forgone for 6 months between April and September 2020. This fee reduction ceased in October 2020.

Without the fee reductions taken, NED fees for FY20 would have been as reflected in the below table (exclusive of superannuation). All NEDs receive a single fee based on their position, without any extra fees payable for sitting on Committees.

Role	Fees
Chair of the Board	$100,000 per annum
Chair of the Audit & Risk Committee	$100,000 per annum
Other NEDs	$85,000 per annum

Given the Remuneration & Nomination Committee was established during FY20, the Chair of this Committee continued to only receive his NED base fee for the full year.

10. STATUTORY DISCLOSURES

Statutory remuneration disclosures are prepared in accordance with the *Corporations Act* 2001 and Australian Accounting Standards and include share-based payments expensed during the financial year, calculated in accordance with AASB 2 Share based payments.

a) Statutory remuneration disclosures of executive KMP in 2020 and 2019

Table 1 – Statutory table of executive KMP remuneration

Executive KMP	Year	Short-term benefits			Post Employment Benefits		Share-based payments	
		Salary & fees ($)	Bonus & commission ($)	Non-monetary & other benefits ($)[1]	Superannuation ($)	Other post-employment benefits ($)	Performance Rights & Options ($) [2]	Total ($)
Martin Ward	2020	1,109,144	-	155,798	25,000	-	-	1,289,942
	2019	1,210,000	-	140,548	25,000	-	849,986	2,225,534
Sophie Moore	2020	458,333	150,000	24,880	21,348	-	407,914	1,062,475
	2019	500,001	150,000	51,892	20,767	-	385,062	1,107,721
Keith Thornton	2020	275,000	1,082,316[3]	119,812	21,348	-	-	1,498,476
	2019	250,005	938,710	82,068	20,767	-	199,997	1,491,546
Denis Stark	2020	320,833	105,000	15,217	21,348	-	-	462,398
	2019	335,547	355,000	36,014	19,319	-	25,000	770,879
Total	**2020**	**2,163,310**	**1,337,316**	**315,707**	**89,044**	**-**	**407,914**	**4,313,291**
	2019	**2,295,553**	**1,443,710**	**310,522**	**85,853**	**-**	**1,460,045**	**5,595,680**

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

2 Performance rights and options granted were valued using market prices, and where these were not available, the binomial tree methodology. A pre-determined value of the portion of the rights and options attributable to the relevant year has been expensed in the income statement for that year in conformity with AASB 2 and reflected in the recipient's remuneration. Vesting of the awards was subject to the achievement of hurdles as previously detailed in this Remuneration Report.

3 Includes commission representing a percentage of net profit before tax of relevant business units which is therefore based on measurable business performance and designed to improve shareholder value. No commission is included for any other key management personnel.

b) Statutory remuneration of NEDs in 2020 and 2019

Table 2 – Statutory table of NED remuneration

NED	Year	Base fees ($)	Other benefits ($)	Superannuation ($)	Total ($)
Tim Crommelin	2020	50,000	519	4,750	55,269
	2019	100,000	628	9,500	110,128
Nick Politis	2020	42,500	519	4,038	47,057
	2019	85,000	628	8,075	93,703
Daniel Ryan	2020	42,500	519	4,038	47,057
	2019	85,000	628	8,075	93,703
David Cowper	2020	50,000	519	4,750	55,269
	2019	100,000	628	9,500	110,128
Marcus Birrell	2020	42,500	519	4,038	47,057
	2019	85,000	628	8,075	93,703
Greg Duncan	2020	42,500	519	4,038	47,057
	2019	6,055	52	575	6,682
David Blackhall	2020	42,500	519	4,038	47,057
	2019	6,055	52	575	6,682
Michelle Prater	2020	35,417	475	3,365	39,257
	2019	-	-	-	-
Total	**2020**	**347,917**	**4,108**	**33,055**	**385,080**
	2019	**467,110**	**3,244**	**44,375**	**514,729**

c) Performance Rights and Options of Key Management Personnel

The following are details of all performance rights and options which were granted to KMP over unissued ordinary shares in the Company in or before the year under review. A performance right is a right to acquire a share at a nil exercise price upon the achievement of performance hurdles. An option is a right to acquire a share upon payment of an exercise price and achievement of performance hurdles.

No rights or options were granted to, lapsed or were exercised by KMP during or after the year under review, except as detailed below.

(1) Movement in the Performance Rights of KMP

Table 3 – Grants and vesting of Performance Rights in 2020 in accordance with the EIP

Name	Opening balance	Performance Rights granted	Performance Rights Vested	Performance Rights lapsed	Closing balance
Martin Ward	99,067	nil	99,067	nil	nil
Sophie Moore	5,167	100,000 (1)	5,167	nil	nil
Keith Thornton	23,310	nil	23,310	nil	nil
Denis Stark	2,913	nil	2,913	nil	nil

(1) These rights converted to ordinary shares in March 2020 and remain subject to a trading restriction as described in section 6(e) of this Remuneration Report.

(2) Movement in the Options of KMP

Table 4 – Grants and exercise of Options in 2020 in accordance with the EIP

Name	Opening balance	Options granted	Options exercised	Options lapsed	Closing balance (1)
Martin Ward	2,153,985	nil	nil	nil	2,153,985
Sophie Moore	117,570	nil	nil	nil	117,570
Keith Thornton	518,583	nil	nil	nil	518,583
Denis Stark	170,380	nil	105,560 (2)	nil	64,820

(1) All options have vested and were exercisable at the end of the reporting period.
(2) These options were granted on 27 March 2013 and had vested by end of 2017. They were exercised on 6 March 2020 at an exercise price of $5.0375 and were valued at $2.8525 per option on the day of exercise.

(3) Performance Rights and Options granted to KMP

Table 5 – Details of share-based payments (Performance Rights and Options) relating to the EIP

Chief Executive Officer

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised (1)	Fair value	No. granted	No. lapsed	No. exercised	Fair value		
1	4 July 2014	91,006	nil	91,006	$4.67	447,368	nil	nil	$0.95	31 Dec 2017	All Performance Rights and 1/3 of Options vested in February 2018. 2/3 of Options vested in February 2020
2	4 July 2014	94,866	nil	94,866	$4.48	420,792	nil	nil	$1.01	31 Dec 2018	All Performance Rights and 1/3 of Options vested in February 2019. 2/3 of Options vested in February 2020
3	4 July 2014	99,067	nil	99,067	$4.29	416,666	nil	nil	$1.02	31 Dec 2019	Vested in February 2020

(1) Performance rights are automatically exercised upon vesting. 99,067 rights that were granted for 2019 were exercised on 27 February 2020 and were valued at $9.01 per right on the day of exercise.

Chief Operating Officer - Cars

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised (1)	Fair value	No. granted	No. lapsed	No. exercised	Fair value		
1	4 July 2014	21,413	nil	21,413	$4.67	105,263	nil	nil	$0.95	31 Dec 2017	All Performance Rights and 1/3 of Options vested in February 2018. 2/3 of Options vested in February 2020
2	4 July 2014	22,321	nil	22,321	$4.48	99,009	nil	nil	$1.01	31 Dec 2018	All Performance Rights and 1/3 of Options vested in February 2019. 2/3 of Options vested in February 2020
3	4 July 2014	23,310	nil	23,310	$4.29	98,039	nil	nil	$1.02	31 Dec 2019	Vested in February 2020

(1) Performance rights are automatically exercised upon vesting. 23,310 rights that were granted for 2019 were exercised on 27 February 2020 and were valued at $9.01 per right on the day of exercise.

General Counsel & Company Secretary

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. exercised (1)	Fair value	No. granted	No. lapsed	No. exercised	Fair value		
1	4 July 2014	2,676	nil	2,676	$4.67	13,157	nil	nil	$0.95	31 Dec 2017	All Performance Rights and 1/3 of Options vested in February 2018. 2/3 of Options vested in February 2020
2	4 July 2014	2,790	nil	2,790	$4.48	12,376	nil	nil	$1.01	31 Dec 2018	All Performance Rights and 1/3 of Options vested in February 2019. 2/3 of Options vested in February 2020
3	4 July 2014	2,913	nil	2,913	$4.29	12,254	nil	nil	$1.02	31 Dec 2019	Vested on 27 February 2020

(1) Performance rights are automatically exercised upon vesting. 2,913 rights that were granted for 2019 were exercised on 27 February 2020 and were valued at $9.01 per right on the day of exercise.

Chief Financial Officer

Tranche No.	Grant Date	Performance Rights				Options				End of 1st performance period	Status
		No. granted	No. lapsed	No. Exercised(1)	Fair value	No. granted	No. lapsed	No. exercised	Fair value		
1	12 June 2015	4,796	nil	4,796	$8.34	26,143	nil	nil	$1.53	31 Dec 2017	All Performance Rights and 1/3 of Options vested in February 2018. 2/3 of Options vested on 27 February 2020
2	12 June 2015	4,975	nil	4,975	$8.04	25,316	nil	nil	$1.58	31 Dec 2018	All Performance Rights and 1/3 of Options vested in February 2019. 2/3 of Options vested in February 2020
3	12 June 2015	5,167	nil	5,167	$7.74	25,000	nil	nil	$1.60	31 Dec 2019	Vested in February 2020
4	17 Feb 2020	30,000(2)	nil	nil	$9.00	nil	nil	nil	n/a	31 Dec 2019	Vested in February 2020
5	17 Feb 2020	35,000(2)	nil	nil	$9.00	nil	nil	nil	n/a	31 Dec 2020	Vested in December 2020
6	17 Feb 2020	35,000(2)	nil	nil	$9.00	nil	nil	nil	n/a	31 Dec 2021	Unvested

(1) Performance rights are automatically exercised upon vesting. 5,167 rights that were granted for 2019 were exercised on 27 February 2020 and were valued at $9.01 per right on the day of exercise.
(2) These rights converted to ordinary shares in March 2020 and remain subject to a trading restriction as described in section 6(e) of this Report.

Further details of the performance rights and options granted under the EIP are specified in notes 38 and 39 to the consolidated financial report.

d) Relevant Interest in the Company's Shares Held by KMP

Table 6 – Shareholdings of KMP

Name	Year	Opening balance as at 1 January	Received from EIP	Purchases	Sales	Closing balance as at 31 December
NEDs						
Tim Crommelin	2020	392,286	nil	46,000	nil	438,286
	2019	392,286	nil	nil	nil	392,286
Nick Politis	2020	69,536,516	nil	368,805	nil	69,905,321
	2019	69,503,581	nil	32,935	nil	69,536,516
Daniel Ryan	2020	1,200	nil	nil	nil	1,200
	2019	nil	nil	1,200	nil	1,200
David Cowper	2020	15,053	nil	nil	nil	15,053
	2019	15,053	nil	nil	nil	15,053
Marcus Birrell	2020	2,000,000	nil	nil	nil	2,000,000
	2019	2,000,000	nil	nil	nil	2,000,000
Greg Duncan	2020	284,442	nil	15,558	nil	300,000
	2019	242,775	nil	41,667	nil	284,442
David Blackhall	2020	23,056	nil	5,000	nil	28,056
	2019	17,500	nil	5,556	nil	23,056
Michelle Prater (1)	2020	2,540,096	nil	nil	nil	2,540,096
	2019	n/a	n/a	n/a	n/a	n/a

(1) Ms Prater was appointed as a non-executive Director on 3 February 2021.

Executive KMP						
Martin Ward	2020	2,484,615	99,067	nil	nil	2,583,682
	2019	2,389,661	94,866	88	nil	2,484,615
Sophie Moore	2020	16,622	105,167	nil	nil	121,789
	2019	11,647	4,975	nil	nil	16,622
Keith Thornton	2020	392,852	23,310	nil	150,000	266,162
	2019	470,531	22,321	nil	100,000	392,852
Denis Stark	2020	173,606	108,473	nil	130,560	151,519
	2019	145,816	27,790	nil	nil	173,606

e) Hedging of shares of unvested equity awards

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

f) KMP transactions

There were no related party transactions with KMP during the reporting period requiring disclosure in this report.

Directors' Interests

The relevant interest of each Director in shares, rights and options issued by the Company as at the date of this report are as follows:

Name	Ordinary Shares	Share Options	Performance Rights
T B Crommelin	438,286	-	-
N G Politis	69,905,321	-	-
M A Ward	2,583,682	2,153,985	-
D T Ryan	1,200	-	-
D A Cowper	15,053	-	-
M J Birrell	2,000,000	-	-
S A Moore	121,789	117,570	-
G J Duncan	300,000	-	-
D S Blackhall	28,056	-	-
M V Prater	2,540,096	-	-

Shares Under Option

No options and 100,000 performance rights were granted by the Company over unissued fully paid ordinary shares during the year under review. No options or rights have been granted since the end of the year under review.

No shares were issued as a result of the exercise of options or performance rights during or since the year under review.

At the date of this report, there are 3,822,816 unissued shares under option and no unvested performance rights.

Indemnification and Insurance

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

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

Auditor

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

Non-Audit Services

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

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

Details of the amounts paid or payable to the auditor for audit and non-audit services provided to the Group during the year are set out in note 36 to the consolidated financial report.

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

Rounding of Amounts to Nearest Thousand Dollars

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

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

Martin Ward
Director

Brisbane, 24 February 2021

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The Board of Directors
Eagers Automotive Limited
5 Edmund Street
Newstead, QLD 4006

24 February 2021

Dear Board Members

Auditor's Independence Declaration to Eagers Automotive Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eagers Automotive.

As lead audit partner for the audit of the financial report of Eagers Automotive for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

Eagers Automotive Limited

ABN 87 009 680 013

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 December 2020

	Notes	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Revenue	4	**8,749,675**	5,816,979
Other gains	5	**48,900**	125,616
Share of net profits of associate	44(b)	**3,758**	407
Raw materials and consumables purchased		**(7,179,720)**	(4,827,210)
Employee benefits expense	6(a)	**(613,158)**	(480,219)
Finance costs	6(a)	**(88,384)**	(65,569)
Depreciation and amortisation expense	6(a)	**(166,257)**	(95,217)
Impairment of non-current assets	6(b)	**(90,700)**	(244,925)
Other expenses		**(384,008)**	(293,166)
Profit/(Loss) before tax		**280,106**	(63,304)
Income tax expense	7	**(88,575)**	(17,176)
Profit/(Loss) from continuing operations		**191,531**	(80,480)
Loss from discontinued operations	33(d)	**(35,320)**	(59,113)
Profit/(Loss) for the year		**156,211**	(139,593)
Attributable to:			
Owners of Eagers Automotive Limited		**147,290**	(142,380)
Non-controlling interests	33(f)	**8,921**	2,787
	31(b)	**156,211**	(139,593)
		Cents	Cents
Earnings/(Loss) per share for profit attributable to the ordinary equity holders of the Company:			
Basic Earnings/(Loss) per share	41(a)	**57.6**	(67.4)
From continuing operations		**71.4**	(39.4)
From discontinued operation		**(13.8)**	(28.0)
Diluted Earnings/(Loss) per share	41(b)	**57.3**	(67.4)
From continuing operations		**71.0**	(39.4)
From discontinued operation		**(13.7)**	(28.0)

The above Statement of Profit or Loss should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of finalisation of a business combination.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2020

	Notes	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Profit/(Loss) for the year		**156,211**	(139,593)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value gain arising from cash flow hedges during the year	31(a)	**-**	36
Income tax expense	31(a)	**-**	(11)
Exchange differences on translation of foreign operations	31(a)	**51**	1,153
		51	1,178
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property	31(a)	**6,459**	13,769
Income tax expense	31(a)	**(1,937)**	(4,131)
Changes in the fair value of financial assets at fair value through other comprehensive income	31(a)	**-**	80,331
Income tax (expense)/benefit	31(a)	**-**	(21,544)
		4,522	68,425
Total other comprehensive income/(loss) for the year		**4,573**	69,603
Total comprehensive Profit/(Loss) for the year		**160,784**	(69,990)
Total comprehensive Profit/(Loss) attributable to:			
Owners of Eagers Automotive Limited		**151,863**	(72,779)
Non-controlling interests		**8,921**	2,789
		160,784	(69,990)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of finalisation of a business combination.

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2020

	Notes	CONSOLIDATED 2020 $'000	Restated 31 December 2019 $'000
Current assets			
Cash and cash equivalents	9	**209,092**	94,172
Trade and other receivables	10	**268,863**	309,523
Inventories	11	**1,025,781**	1,458,927
Prepayments and deposits	12	**31,898**	23,214
Finance lease receivable	17	**27,309**	-
		1,562,943	**1,885,836**
Assets classified as held for sale		**-**	494,978
Total current assets		**1,562,943**	2,380,814
Non-current assets			
Other loans receivable	13	**23,148**	30,893
Financial assets at fair value through other comprehensive income	14	**2,366**	2,366
Investments in associates	15	**1,561**	16,806
Other non-current receivables	13	**2,851**	-
Property, plant and equipment	18	**494,266**	456,058
Intangible assets	19	**785,574**	773,174
Deferred tax assets	20	**162,005**	176,505
Other non-current assets		**9,837**	13,030
Right-of-use assets	16(a)(i)	**801,129**	1,008,500
Finance lease receivable	17	**187,971**	-
Total non-current assets		**2,470,708**	2,477,332
Total assets		**4,033,651**	4,858,146
Current liabilities			
Trade and other payables	21	**436,372**	377,387
Borrowings - bailment and other current loans	22(a)	**878,149**	1,310,153
Current tax liabilities	23	**16,381**	25,224
Provisions	24	**131,372**	126,146
Deferred revenue	25	**23,965**	26,576
Lease liabilities	16(a)(i)	**179,522**	171,675
		1,665,761	**2,037,161**
Liabilities directly associated with assets classified as held for sale		**-**	508,666
Total current liabilities		**1,665,761**	2,545,827
Non-current liabilities			
Borrowings		**304,513**	381,885
Deferred revenue	28	**20,906**	50,113
Provisions	27	**26,497**	37,610
Lease liabilities	16(a)(i)	**1,091,397**	1,020,882
Total non-current liabilities		**1,443,313**	1,490,490
Total liabilities		**3,109,074**	4,036,317
Net assets		**924,577**	821,829
Equity			
Contributed equity	30	**1,173,069**	1,173,069
Reserves	31(a)	**(580,200)**	(560,126)
Retained earnings	31(b)	**317,848**	199,463
		910,717	812,406
Non-controlling interests	33(f)	**13,860**	9,423
Total equity		**924,577**	821,829

The above Statement of Financial Position should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of finalisation of a business combination.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2020

Consolidated entity	Notes	Issued capital $'000	Asset revaluation reserve $'000	Foreign Currency Translation Reserve $'000	Share-based payments reserve $'000	Investment revaluation reserve $'000	Business Combination Reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2020		1,173,069	28,312	1,153	(37,863)	(72,686)	(479,042)	199,463	812,406	9,423	821,829
Profit for the year		-	-	-	-	-	-	147,290	147,290	8,921	156,211
Other comprehensive income		-	4,522	51	-	-	-	-	4,573	-	4,573
Total comprehensive income for the year		**-**	**4,522**	**51**	**-**	**-**	**-**	**147,290**	**151,863**	**8,921**	**160,784**
		-	-	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners:											
Shares acquired by employee share trust	31(a)	-	-	-	(31,497)	-	-	-	(31,497)	-	(31,497)
Share based payments expense	31(a)	-	-	-	408	-	-	-	408	-	408
Payments received from employees for exercised options		-	-	-	8,610	-	-	-	8,610	-	8,610
Income tax on items taken to or transferred directly from equity		-	-	-	(2,168)	-	-	-	(2,168)	-	(2,168)
Dividends provided for or paid	31(b)	-	-	-	-	-	-	(28,905)	(28,905)	(4,484)	(33,389)
		-	-	-	(24,647)	-	-	(28,905)	(53,552)	(4,484)	(58,036)
Balance at 31 December 2020		**1,173,069**	**32,834**	**1,204**	**(62,510)**	**(72,686)**	**(479,042)**	**317,848**	**910,717**	**13,860**	**924,577**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of the finalisation of business combination.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2020

Consolidated entity		Issued capital $'000	Asset revaluation reserve $'000	Foreign Currency Translation Reserve $'000	Hedging reserve $'000	Share-based payments reserve $'000	Investment revaluation reserve $'000	Business Combination Reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Restated balance at 1 January 2019		371,405	56,820	-	(25)	(49,628)	(131,473)	-	380,557	627,656	8,002	635,658
Loss for the year		-	-	-	-	-	-	-	(131,913)	(131,913)	2,789	(129,124)
Adjustment on finalisation of business combination		-	-	-	-	-	-	-	(10,469)	(10,469)	-	(10,469)
Restated profit for the year		-	-	-	-	-	-	-	(142,382)	(142,382)	2,789	(139,593)
Other comprehensive income		-	9,638	1,153	25	-	58,787	-	-	69,603	-	69,603
Total comprehensive income for the year		**-**	**9,638**	**1,153**	**25**	**-**	**58,787**	**-**	**(142,382)**	**(72,779)**	**2,789**	**(69,990)**
Transfer to retained earnings		-	(38,146)	-	-	-	-	-	39,368	1,222	-	1,222
Transactions with owners in their capacity as owners:												
Share based payments expense	31(a)	-	-	-	-	1,906	-	-	-	1,906	-	1,906
Dividends provided for or paid		-	-	-	-	-	-	-	(78,080)	(78,080)	(1,368)	(79,448)
Shares acquired by employee share trust	31(a)	-	-	-	-	(2,598)	-	-	-	(2,598)	-	(2,598)
Payments received from employees for exercised options		-	-	-	-	4,890	-	-	-	4,890	-	4,890
Income tax on items taken to or transferred directly from equity		-	-	-	-	7,567	-	-	-	7,567	-	7,567
Purchase of shares for non-controlling interests		457,155	-	-	-	-	-	(470,729)	-	(13,574)	13,574	-
Issue of ordinary shares as purchase consideration on acquisition		344,509	-	-	-	-	-	-	-	344,509	-	344,509
Recognition of NCI on acquisition		-	-	-	-	-	-	-	-	-	(13,574)	(13,574)
Adjustments on finalisation of business combination		-	-	-	-	-	-	(8,313)	-	(8,313)	-	(8,313)
		801,664	-	-	-	11,765	-	(479,042)	(78,080)	256,307	(1,368)	254,939
Restated balance at 31 December 2019		**1,173,069**	**28,312**	**1,153**	**-**	**(37,863)**	**(72,686)**	**(479,042)**	**199,463**	**812,406**	**9,423**	**821,829**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes. The comparative information has been restated as a result of the finalisation of business combination.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2020

	Notes	CONSOLIDATED 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**9,924,255**	7,166,300
Payments to suppliers and employees (inclusive of GST)		**(9,360,074)**	(6,891,865)
Receipts from Government	3	**133,780**	-
Receipts from insurance claims		**4,276**	5,324
Interest and other costs of finance paid		**(96,723)**	(73,588)
Income taxes paid		**(84,281)**	(36,860)
Dividends received	44(b)	**4,629**	100
Interest received		**2,025**	1,385
Net cash provided by operating activities	42	**527,887**	170,796
Cash flows from investing activities			
Payments for acquisition of businesses - net of cash acquired	33(b)	**(16,741)**	63,903
Payments for property, plant and equipment (1)		**(42,246)**	(72,687)
Proceeds from sale of businesses		**7,747**	64,366
Proceeds from sale of property, plant and equipment		**6,568**	177,673
Proceeds from return of capital		**15,236**	-
Net cash provided by/(used in) investing activities		**(29,436)**	233,255
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	31(a)	**8,610**	4,890
Payments for shares acquired by the trust	31(a)	**(31,497)**	(2,598)
Proceeds from borrowings (1)		**108,699**	65,798
Repayment of borrowings		**(284,483)**	(247,039)
Transactions with non-controlling interests		**-**	734
Dividends paid to members of Eagers Automotive Limited	8	**(28,905)**	(78,080)
Dividends paid to minority shareholders of a subsidiary		**(3,096)**	(288)
Repayment of lease liabilities		**(160,222)**	(64,801)
Net cash used in financing activities		**(390,894)**	(321,384)
Net increase in cash and cash equivalents		**107,557**	82,667
Cash and cash equivalents at the beginning of the financial year		**101,535**	18,868
Cash and cash equivalents at the end of the financial year	9	**209,092**	101,535

(1) During the period Eagers Automotive Limited acquired Land and Buildings of which $104 million was directly funded through Capital Loan facilities obtained by the Group. Refer to Note 18 for Property, plant and equipment and Note 43 for further information on movement in borrowings.

The above Statement of Cash Flows is presented in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*. Refer to Note 33(f) for further information on Refrigerated Logistics.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information and basis of preparation

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

The financial report has been prepared on a going-concern basis, in line with AASB 101 *Presentation of Financial Statements*.

Compliance with IFRS

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

Historical cost convention

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

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 *Share-based Payment* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories* or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

Functional and presentation currency

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

The financial statements were authorised for issue by the Directors on the 24th of February 2021.

Accounting policies

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) General information and basis of preparation (continued)

Going Concern

The financial statements have been prepared on the basis that the Group is a going concern, able to realise assets in the ordinary course of business and settle liabilities as and when they fall due. Like many organisations, the Group operated in a challenging environment during April and May of 2020 as a result of the unfolding COVID-19 pandemic. As outlined in Note 3, the Directors took proactive steps to preserve cash, right size the business and optimise liquidity at the onset of the COVID-19 health crisis in Australia and New Zealand in order to ensure the Group can navigate its duration. These initiatives and strong trading activity since June 2020 alongside the easing of Government restrictions, resulted in the Group generating positive net cash flows from operating activities of $527.9 million (2019: $170.8 million). As a result, at 31 December 2020 the Group is in a strong liquidity position, with corporate debt net of cash at $129.3 million (2019: $315.8 million) and total available liquidity of $683.2 million (cash in bank of $209.1 million and undrawn facilities of $474.2 million) (2019: $190.1 million, comprising $94.2 million cash in bank and undrawn facilities of $95.8 million).

The Group had net current liabilities of $102.8 million at the balance sheet date (2019: $165.0 million) which is predominately due to the recognition of current lease liabilities net of current finance lease receivables of $152.2 million (2019: $171.7 million) reflecting property rental charges for the next 12 months.

The Group has prepared a detailed cash flow forecast for the next 12 months which has been stress tested. The Group notes that it was compliant with all debt covenants as at 31 December 2020, and based on forecasts and stress testing performed, is expected to remain covenant compliant for the foreseeable future.

In the early stages of COVID-19, given the uncertainty at that time, the Group proactively secured Covenant waivers in respect of 30 June 2020 and 31 December 2020 for debt related covenants other than the capitalisation ratio. The Group also elected to defer Australian Tax Office (ATO) related BAS, FBT and income tax payments through to 30 June 2020, as well as payroll tax payments where available within respective states. The total amount deferred at 30 June 2020 was approximately $85 million. Subsequent to 30 June 2020, as a result of the Group's strong trading performance and operating cash flows in the second half of the year, and due to increased visibility over the impact of COVID-19 on the economy and the Government's response, the Group proactively cancelled the covenant waivers with respect to 31 December 2020 and repaid all deferrals.

Based on the strength of the Group's balance sheet and its cashflow modelling the Directors are of the view that the Group will be able to settle all obligations as they fall due for a period of 12 months following this report. The Directors are therefore of the opinion that the preparation of the financial statements as a going concern is appropriate.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Eagers Automotive Limited and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(i) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable accounting standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 (when applicable), the cost on initial recognition of an investment in an associate, or a joint venture.

(ii) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. If the Group holds, directly or indirectly, 20% or more of the voting power of the investee, it is presumed the Group has significant influence, unless it can be clearly demonstrated that this is not the case.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 128 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Investments in associates (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the portion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be classified to profit or loss on the disposal of the related assets or liabilities.

When the Group increases its ownership interest such that an existing associate becomes a subsidiary, the Group remeasures its previously held interest at its acquisition date fair value and recognises the resulting gain or loss in profit or loss. The acquisition of the investment in the subsidiary is recognised in accordance with Note 1(j).

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(c) Operating segments

Operating segments are identified based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Group has four operating segments being (i) Car Retail (ii) Truck Retail (iii) Property (iv) Investments. Currently the segment of "Other" is not required.

(d) Revenue

(i) Sales revenue

Revenue from the sale of motor vehicles and parts is recognised when the performance obligation has been satisfied. The performance obligation is considered to be satisfied at a point in time when the vehicles or parts are invoiced and physically dispatched or collected.

(ii) Service revenue

Service work on customers' vehicles is carried out under instruction from the customer. Service revenue is recognised over time based on when the performance obligation is satisfied, which is when services are rendered. Revenue arising from the sale of parts fitted to customers' vehicles during service is recognised at a point in time upon satisfaction of the performance obligation, which is considered by the Group to be upon delivery of the fitted parts to the customer upon completion of the service.

(iii) Warranties revenue

The Group sells extended warranties beyond those provided by the manufacturer, which further protects the customer for repairs and defects in the vehicle over a specified period. Under AASB 15, warranties are considered to be a distinct service as they are both regularly supplied by the Group to customers on a stand-alone basis and are available to customers from other providers in the market. As a result, where vehicles are being sold with an extended warranty included, a portion of the vehicle sale price is required to be allocated to the warranty based on the stand-alone selling price of those services. Revenue relating to the warranties is recognised over time, while the transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of the service.

(iv) Rental income

Rental income from operating leases is recognised on a straightline basis over the lease term.

(v) Finance and insurance income

The Group acts as an agent in the sale of vehicle finance and insurance products. The revenue (i.e. commission from the sale of these products) is recognised at a point in time when the performance obligation is satisfied, which is upon delivery of the vehicle and the transfer of control to the customer.

(vi) Interest revenue

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

(vii) Property, plant and equipment sales revenue

Income from the sale of property, plant and equipment is recognised when the performance obligation is satisfied, at the transfer of ownership.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue (continued)

(vii) Dividend revenue

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

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

(e) Finance costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts, short and long-term borrowings;
- interest on vehicle bailment arrangements;
- interest on finance lease liabilities; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

(f) Government grants

During the year, Eagers Automotive Limited received the Government wage subsidy for Australia, known as JobKeeper, and New Zealand, known as the Government Wage Subsidy. Eagers Automotive Limited have reported this income as a reduction to the associated employee costs in the Condensed Consolidated Statement of Profit or Loss. Refer to Note 6 for further details.

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions complied with. When the grant relates to an expense item, it is recognised as a reduction of the expense to which it relates.

(g) Taxes

Eagers Automotive Limited and its wholly-owned Australian entities are part of a tax consolidated group in accordance with Part 3-90 of the Income Tax Assessment Act 1997. Automotive Holdings Group Limited and its wholly owned Australian entities became part of the Eagers Automotive Limited tax consolidated group on 24 October 2019. The existence of a tax consolidated group allows for wholly-owned corporate groups to operate as a single entity for income tax purposes.

The head entity, Eagers Automotive Limited, and the wholly-owned entities in the tax consolidated group continue to account for their own income tax expense, current and deferred tax amounts in accordance with the Eagers Automotive Tax Funding Agreement. For completeness we note that Automotive Holdings Group Limited and its wholly-owned Australian entities become parties to the Eagers Automotive Tax Funding Agreement on 24 October 2019. These tax amounts are measured by adopting a notional tax approach which requires each member to calculate their separate tax amounts as if each entity in the tax consolidated group continues to be a standalone taxpayer. Assets or liabilities arising for wholly-owned subsidiaries under the Tax Funding Arrangement are recognised as accounts receivable from or payable to other entities in the Group. In addition to its own income tax expense, current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidated group.

(i) Income tax

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

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Taxes (continued)

(ii) Goods and services tax ("GST")

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

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

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

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

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

(h) Leases

The Group as a lessee

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

(i) Lease liabilities

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

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

The lease liability is presented as a separate line in the consolidated Statement of Financial Position.

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

(ii) Right-of-use assets

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

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

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

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

The right-of-use assets are presented as a separate line in the consolidated Statement of Financial Position.

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

(iii) Short-term leases and leases of low-value assets

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

(iv) Sale and leaseback transactions

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

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

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

(vi) Incremental borrowing rate

The Group has determined its incremental borrowing rate by considering the interest rate on their financing facility and applying, where considered necessary, adjustments to align this with an asset specific rate. The adjustments consider the term of the agreement, security of asset and the funds necessary to obtain the asset of a similar value in a similar economic environment. Significant judgement is required to assess and apply these adjustments.

The application of the incremental borrowing rate impacts the initial valuation of the lease liability and associated interest expense.

The Group as a lessor

Sub-lease arrangements

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. As a result of the sub-leasing arrangements entered into during the period, the Group has recognised a current finance lease receivable of $27.3 million, and a non current finance lease receivable of $188.0 million.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return of the Group's net investment outstanding in respect of the leases.

(i) Buybacks

If the sale of the vehicle is combined with a residual value commitment (i.e. buyback arrangements), and the control has not been transferred (i.e. the repurchase price is not higher than the assessed fair market value), the Group recognises the sales transaction as an operating lease transaction.

The revenue and expense are recognised over the residual value commitment period in the income statement. Assets under operating leases, a residual value provision, and deferred lease income are recognised in the balance sheet. The asset is depreciated over the commitment period and the deferred lease income is recognised as revenue over the same period. The residual value provision amount remains unchanged until the end of the commitment period. If the vehicle is returned at the end of the commitment period, the residual value provision is paid to the customer and the vehicle is reclassified from assets under operating lease to inventory.

(j) Business combinations

The acquisition method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are recognised in profit or loss as incurred. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of acquisition unless, in rare circumstances, it can be demonstrated that the published price at the date of acquisition is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in the profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(s)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss but only after assessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of acquisition. The discount rate used is the Australian Government bond rate that matches the future maturity period.

If the initial accounting for a business acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the consolidated entity reports provisional amounts for the items for which accounting is incomplete. The provisional amounts are adjusted during the measurement period (no longer than 12 months from the initial acquisition) on a retrospective basis by restating the comparative information presented in the financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of long lived assets (excluding goodwill)

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

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(m) Receivables

Trade receivables

Trade receivables are recognised initially at the transaction price, less the expected lifetime credit losses to be recognised from initial recognition of the receivables.

The Group applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

(n) Inventories

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

Used motor vehicles are stated at the lower of cost and net realisable value on a unit by unit basis. Net realisable value has been determined by reference to the likely net realisable value given the age of the vehicles at year end. This is effected through the application of a specific provision percentage against cost of vehicles based on age. Costs are assigned on the basis of specific identification.

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other financial assets

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

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements.

The Group classifies its remaining financial assets in the following measurement categories:

• Those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); and

• Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(i) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Equity instruments

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

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. The Group recognises the payment of dividends in the profit and loss for those equity instruments measured at FVOCI.

(iii) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade receivables and other receivables, finance lease receivables and other loans receivable, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of these financial assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

Derivatives and hedging

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other financial assets (continued)

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

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income/(expenses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

(a) Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the contracts, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.

(b) The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within Finance costs at the same time as the interest expense on hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(p) Property, plant and equipment

Land and buildings are shown at fair value, based on annual assessment by the Directors supported by periodic valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period or immediately prior to the initial classification of assets held for sale. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amounts arising on revaluation of land and buildings are credited to property, plant and equipment revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings	40 years
- Plant & equipment	3 - 10 years
- Leasehold improvements	5 - 30 years

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Property, plant and equipment (continued)

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

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

(q) Customer relationships

Customer relationships acquired in a business combination where management believes there are contracted relationships in place that generate repeat transactions which creates future economic benefits and are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years. Customer relationships are made up of fleet customer arrangements in place for the new vehicle and servicing business.

(r) Trademarks / brand names

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

(s) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets acquired and liabilities assumed of the acquired subsidiary, associate or business at the date of acquisition. Goodwill on acquisition of subsidiaries and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (refer Note 19(a)).

(t) Trade and other payables

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

(u) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(v) New motor vehicle stock and related bailment

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

(w) Provisions

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

(x) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits (continued)

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Contributions are made by the Group to defined contribution employee superannuation funds and are charged as expenses when incurred.

(y) Dividends

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

(z) Earnings per share

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

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Non-current assets held for sale

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Where non-current assets are sold above the lower of their previous carrying amounts and fair value less costs to sell, this gain is recognised in profit or loss when the sale is recognised.

(ab) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ac) New or revised standards and interpretations that are first effective in the current reporting period

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group, but have not had a material impact, are:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) New or revised standards and interpretations that are first effective in the current reporting period (continued)

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material

The following new accounting standard has been applied for the first time for the annual reporting period commencing 1 January 2020:

AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions

In the current year, the Directors have elected to apply AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions before its mandatory application date. AASB 2020-4 amends AASB 16 *Leases* and is effective for annual periods that begin on or after 1 June 2020, and may be applied to periods before that date.

The amendments introduce a practical expedient into AASB 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election does account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

(i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
(iii) There is no substantive change to other terms and conditions of the lease.

Impact on accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in AASB 16.46B. There was no impact on prior period figures which would have required an adjustment to opening retained earnings.

The Group has benefited from a waiver of lease payments on leased land and buildings. The waiver of lease payments of $9.5 million has been accounted for as a negative variable lease payment in profit or loss.

The standards in issue but not yet effective, and do not have a material impact on the Group, are as follows:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates, assumptions and judgements

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

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

(i) Acquisition of Automotive Holdings Group (AHG)

On 19 August 2019, Eagers Automotive Limited acquired 62.53% of Automotive Holdings Group Limited (AHG) for a total consideration of $617.4 million. At 31 December 2019, the fair value of the assets acquired and liabilities assumed were recognised on a provisional basis. During the period, the fair value of assets acquired and the liabilities assumed has been finalised and the impact on the financial statements has been summarised in Note 33(c). The Goodwill of $676.8 million represents the residual value of the purchase price over the fair value of the identifiable assets acquired and liabilities assumed.

(ii) The fair value of assets and liabilities acquired in business combinations other than the acquisition of AHG

Other acquisitions made by the Group have required some judgements and estimates to be made. The Directors have judged that no significant intangible assets have been acquired in the business combinations other than Goodwill. Additionally as part of the acquisition and negotiation process, judgements have been made as to the fair value of vehicle and parts inventory, warranties and other assets and liabilities acquired.

(iii) Recoverability of goodwill and other intangibles with indefinite useful lives

Goodwill and other intangibles with indefinite useful lives of $778.7m (2019: $764.3m) are tested annually for impairment, based on estimates made by Directors. The recoverable amount of the intangibles is based on the greater of 'Value in use' or 'Fair value less costs to dispose'. Value in use is assessed by the Directors through a discounted cash flow analysis which includes significant estimates and assumptions related to growth rates, margins, working capital requirements and discount rates based on the current cost of capital. Fair value less costs of disposal is assessed by the Directors based on their knowledge of the industry and any recent market transactions. The above figures therefore reflect the estimates of the recoverable amounts post any impairment recognised during the year. Further information on the impairment test in respect of goodwill and other assets can be found in Note 19.

(iv) Recoverability of Right-of-use assets and other non-current assets

The Group assessed the recoverability of the Right-of-use assets and other non-current assets associated with Holden sites and restructuring activities related to its leased property portfolio. In applying the standard, the directors have made certain assumptions and judgements in relation to the determination of the recoverable amount for these assets. Further information on impairments recognised in respect to Right-of-use assets and other non-current assets can be found in Note 19(a).

(v) New and demonstrator vehicle write down to net realisable value

In determining the amount of write-downs for new and demonstrator vehicle inventory, management has made judgements based on the expected net realisable value of inventory. Historic experience and current knowledge of the products have been used in determining any write-downs to net realisable value. Refer to Note 11.

(vi) Used vehicle write down to net realisable value

In determining the amount of write-downs required for used vehicle inventory, management has, in consultation with published used vehicle valuations, made judgements based on the expected net realisable value of that inventory. Historic experience, current knowledge of the products and the valuations from an independent used car publication has been used in determining any write-downs to net realisable value. Refer to Note 11.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Critical accounting estimates, assumptions and judgements (continued)

(vii) Leases

The Group adopted AASB 16 Leases from 1 January 2019. On application, the Group has recognised right-of-use assets and lease liabilities in the consolidated Statement of Financial Position and the depreciation of right-of-use assets and interest on lease liabilities in the consolidated Statement of Profit or Loss. Material Right-of-use assets and lease liabilities were recognised on the acquisition of AHG. In applying the standard, the Directors have made certain assumptions and judgements including but not limited to the appropriate discount rate on incremental borrowing rates and likely exercise of the renewal options.

(viii) Sale of Daimler Truck Operations and Property

The Group executed an agreement for the sale of its Daimler truck business to Velocity Vehicle Group ("VVG"), announced on the Australian Stock Exchange on the 14th December 2020. The Group also agreed to commercial terms for the sale of the Milperra property, the location of the Stillwell Trucks operation, to VVG as part of the transaction. Following consideration of the requirements of AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*, the Directors determined that, based on the facts and circumstances of the sale agreement, including the conditions precedent stipulated, the definition of a disposal group held-for-sale has not been met at the reporting date have considered the requirements of AASB 5. Therefore, the associated assets and liabilities have not been reclassified to non-current assets held-for-sale as at 31 December 2020.

(ix) Staff underpayment provision/liability

On 17 December 2019, Eagers Automotive Limited announced on the Australian Stock Exchange that it had self-reported the underpayment of employees to Fair Work. Eagers Automotive Limited engaged independent experts to assess Eagers Automotive Limited's payroll to determine the extent to which past and present employees had been impacted. Following the assessment, Eagers Automotive Limited had determined that approximately 6,200 employees had been impacted over seven years. The total payment shortfall equates to approximately $4.5 million plus interest charges. All remediation payments were processed during the period and Fair Work has finalised its investigation and assessment of this matter.

Eagers Automotive Limited is progressing its review of AHG's payments to employees following its acquisition of the business in August 2019. Eagers Automotive Limited had recorded a provisional contingency on the acquisition of AHG based on preliminary procedures performed and insights gained in assessing its self-reported underpayment at Eagers Automotive Limited and certain findings at AHG. A provisional estimate of the exposure was captured as part of the purchase price allocation process, with a corresponding adjustment against goodwill recognised. Eagers Automotive Limited management had to make a number of judgements and estimates in relation to assessing this exposure.

During the year, Eagers Automotive Limited has engaged independent experts to undertake a similar assessment as outlined above for the legacy AHG's payroll to determine the extent to which past and present employees had been impacted. The assessment to date has resulted in an additional liability of $4.0 million being recorded during the year ended 31 December 2020 over and above the original estimate recorded as part of the acquisition to the Statement of Profit or Loss. The review remains ongoing at the reporting date.

(x) Fair value estimation of land and buildings

Land and buildings with a carrying value of $356.5 million (2019: $252.7 million) are carried at fair value. Fair value inherently involves estimates and judgements to be made. The Directors determine the fair value of land and buildings at least annually and if required in contemplation of sale. The Directors' assessment is supported by formal independent valuations conducted periodically but at least every three years. Further information on the fair value estimation of land and buildings can be found in Note 18.

(xi) Deferred Tax Asset

As set out in Note 20 the Group has recorded a deferred tax asset of $162 million (2019: $176.5 million) at 31 December 2020. Recognition and measurement of deferred tax assets require certain judgements and assumptions to be made, including but not necessarily limited to the expected realisation of certain assets and liabilities and the likelihood and timing of sufficient profits available in the future (refer to Note 20).

3 Coronavirus global pandemic and the related Government mandated restrictions (COVID-19)

The financial position and performance of the Group was particularly affected by the impact of the COVID-19 pandemic during the year and required a multifaceted response by the Group, taking the following actions to manage liquidity and risk:

- Reduced our headcount, which in turn reduced our fixed monthly cost base by approximately $6 million at 30 June 2020, reduced executive and Board salaries and implemented a temporary rostering arrangement in April and May 2020 to reflect activity levels across our dealerships during the peak impact. All staff were reinstated to full pay and rostering alongside the easing of restrictions and outside of subsequent lockdowns.
- Engaged with our landlords to secure rent waivers and deferrals through to 30 June 2020. The total amount deferred and waived at 30 June 2020 was approximately $7.3 million and $9.5 million respectively. The majority of deferred rent was repaid at 31 December 2020, and the balance by February 2021.
- Accessed the Australian and New Zealand Government's wage subsidy program for eligible employees, with total subsidies of $134 million received through to 30 September 2020.
- Secured available tax concessions and deferrals from Federal and State Government authorities, including the deferral of ATO related BAS, FBT and income tax payments through to 30 June 2020, as well as payroll tax payments where available within respective states. The total amount deferred at 30 June 2020 was $87.8 million, all of which has been repaid at 31 December 2020.
- Implemented a number of operational initiatives and other cash management strategies.

The Group also prudently engaged with our OEM captive and syndicated debt financiers to manage any continued impact of COVID-19 on liquidity and risk, at 30 June 2020 securing:

(i) Short term working capital facilities totalling $122 million.
(ii) Financial Covenants waivers (other than the capitalisation ratio) in respect of 30 June 2020 and 31 December 2020 dates.
(iii) Extension of the termination date of a tranche of corporate debt by a further 12 months to December 2021.

Subsequent to 30 June 2020, as a result of the Group’s strong trading performance and operating cash flows in the second half of the year, and due to increased visibility over the impact of COVID-19 on the economy and the Government’s response, the Group proactively terminated a $22 million tranche of OEM captive short term working capital facilities and cancelled the covenant waivers with respect to 31 December 2020 by mutual consent with its lenders.

4 REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Consolidated Revenue for the year ended 31 December 2020 from Continuing Operations				
	Retailing $'000	Property $'000	Investments $'000	Total $'000
Type of goods or service				
New Vehicles	4,973,458	-	-	4,973,458
Used Vehicles	2,078,945	-	-	2,078,945
Parts	1,008,382	-	-	1,008,382
Service	584,035	-	-	584,035
Other	103,052	1,803	-	104,855
Revenue from external customers	**8,747,872**	**1,803**	**-**	**8,749,675**
Timing of revenue recognition				
At a point in time	8,163,837	1,803	-	8,165,640
Over time	584,035	-	-	584,035
Total revenue from external customers	**8,747,872**	**1,803**	**-**	**8,749,675**
Geographical markets				
Australia	8,282,687	1,803	-	8,284,490
New Zealand	465,185	-	-	465,185
Total revenue from external customers	**8,747,872**	**1,803**	**-**	**8,749,675**

Consolidated Revenue for the year ended 31 December 2019 from Continuing Operations				
	Retailing $'000	Property $'000	Investments $'000	Total $'000
Type of goods or service				
New Vehicles	3,533,450	-	-	3,533,450
Used Vehicles	1,148,797	-	-	1,148,797
Parts	682,358	-	-	682,358
Service	417,451	-	-	417,451
Other	33,804	1,054	65	34,923
Revenue from external customers	**5,815,860**	**1,054**	**65**	**5,816,979**
Timing of revenue recognition				
At a point in time	5,398,409	1,054	65	5,399,528
Over time	417,451	-	-	417,451
Total revenue from external customers	**5,815,860**	**1,054**	**65**	**5,816,979**
Geographical markets				
Australia	5,639,298	1,054	65	5,640,417
New Zealand	176,562			176,562
Total revenue from external customers	**5,815,860**	**1,054**	**65**	**5,816,979**

5 OTHER GAINS

	Notes	CONSOLIDATED 2020 $'000	2019 $'000
(Loss)/Gain on disposal of non-financial assets		**(567)**	6,715
Waived rent	3	**9,477**	-
Gain on remeasurement of previously held equity accounting investment in AHG		**-**	65,061
Derecognition of contingent consideration		**-**	19,674
Gains on disposal of properties		**1,962**	14,457
Gain on disposal of businesses	33(d)	**5,417**	19,709
Brand restructure compensation		**31,751**	-
Gain on divestment of associate		**860**	-
		48,900	125,616

6 EXPENSES

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

	Notes	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Depreciation			
Buildings	18	**3,402**	3,344
Plant and equipment	18	**36,563**	22,270
Leasehold improvements	18	**5,087**	1,695
Right-of-use asset depreciation	16(a)(ii)	**119,151**	67,908
Total depreciation		**164,203**	95,217
Amortisation			
Customer contracts	19	**2,054**	-
Total amortisation		**2,054**	-
Total Depreciation and Amortisation		**166,257**	95,217
Finance costs			
Vehicle bailment		**22,219**	24,603
Interest on lease liabilities		**53,324**	27,475
Other		**12,841**	13,491
Total finance expense		**88,384**	65,569
Superannuation		**56,806**	49,100
Provision expenses			
Allowance for expected credit losses		**1,386**	1,285
		1,386	1,285

	2020 $'000	2019 $'000
Employee benefits expense		
Employee benefits expense - gross	**706,129**	480,219
Employee benefits expense recognised in cost of sales - gross	**116,339**	90,247
Government grants offset against employee benefits expense	**(92,971)**	-
Government grants offset against employee benefits expense recognised in cost of sales	**(40,813)**	-
Total employee benefits expense	**688,684**	570,466
Share-based payments	**408**	1,906
Business acquisition and divestment costs	**1,789**	12,520
Business restructuring and integration costs	**1,689**	4,442

6 EXPENSES (continued)

(b) Impairment of non-current assets

	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Impairment of land and buildings	**9,996**	-
Impairment of goodwill	**-**	209,238
Impairment of right-of-use Asset	**73,150**	32,800
Impairment of fixed Assets	**7,554**	2,887
	90,700	244,925
Amount attributable to discontinued operations (refer to note 33(d))	-	44,736

7 INCOME TAX

(a) Income tax expense

	Notes	2020	2019
Current income tax expense		**73,192**	60,551
Deferred income tax expense/(benefit)		**15,383**	(43,375)
		88,575	17,176
Deferred income tax expense/(benefit) included in income tax expense comprises:			
In respect of the current year	20	**15,383**	(43,375)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2020	2019
Profit before income tax expense	**280,106**	(63,304)
Tax at the Australian tax rate of 30.0% (2019 - 30.0%)	**84,032**	(18,991)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non current asset impairment	**-**	62,915
Non-taxable income	**(1,781)**	(25,420)
Non deductible capital expenditure	**-**	(970)
Non-taxable dividends	**(6,503)**	(2,460)
Non allowable expenses	**559**	759
Property (revaluation) / impairment	**2,999**	-
Application of current year capital losses against current year capital gains	**-**	(264)
Sundry items	**9,269**	1,607
Income tax expense	**88,575**	17,176

(c) Tax (expense)/benefit relating to items of other comprehensive income

	2020	2019
Aggregate deferred tax arising in the reporting period and recognised in other comprehensive income	**(1,937)**	(25,686)

8 DIVIDENDS

(a) Ordinary dividends fully franked based on tax paid @ 30%

	CONSOLIDATED	
	2020 $'000	2019 $'000
Final dividend for the year ended 31 December 2019 of 11.25 cents per share (2018: 22.5 cents) paid on 16th April 2020	**28,905**	43,045
Nil interim dividend paid in 2020 (2019: 14.0 cents)	**-**	35,035
Total dividends paid	**28,905**	78,080
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2020 and 2019 were as follows:		
Paid in cash	**28,905**	78,080

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 25 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 20 April 2021 out of the retained profits at 31 December 2020 but not recognised as a liability at year end is:	**64,233**	57,810

(c) Franked dividends

The final dividend recommended after 31 December 2020 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 December 2020.

Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2019: 30.0%)	**388,995**	312,042

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

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

Impact on franking credits of dividends not recognised	**(27,528)**	(24,776)

On 27 February 2020, the Directors recommended the payment of a final dividend of 25 cents per share, to be paid in April 2020. Subsequently, given the uncertainty of the duration and impact of COVID-19 pandemic, the Directors decided to reduce the amount of the dividend announced on 27 February 2020 from 22.5 cents per share to 11.25 cents per share.

9 CURRENT ASSETS – Cash and cash equivalents

	CONSOLIDATED	
	2020	2019
	$'000	$'000
Current assets		
Cash at bank and on hand	**207,334**	94,170
Short term deposits	**1,455**	2
Restricted Cash	**303**	-
	209,092	94,172
Cash flows of discontinued operations	**-**	7,363
Total cash and cash equivalents	**209,092**	101,535

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows.

10 CURRENT ASSETS – Trade and other receivables

	CONSOLIDATED	
		Restated
	2020	2019
	$'000	$'000
Trade and other receivables	**274,502**	314,411
Allowance for expected credit losses	**(5,639)**	(4,888)
	268,863	309,523

(a) The ageing of trade receivables at 31 December 2020 is detailed below:

	CONSOLIDATED			
	2020		2019	
			Restated	Restated
	Gross	**Provision**	Gross	Provision
	$'000	**$'000**	$'000	$'000
Not past due	**252,371**	**4,560**	265,983	3,035
Past due 0-30 days	**15,124**	**378**	30,232	171
Past due 31 days plus	**7,007**	**701**	18,196	1,682
Total	**274,502**	**5,639**	314,411	4,888

Included in the Group's trade receivables balance are debtors with a net carrying amount of $21,052,000 (2019: $46,575,000) which are past due at the reporting date. The Group has applied the expected credit losses methodology to these trade receivables, in line with AASB 9. The average age of these receivables is 63 days (2019: 63 days).

(b) Movement in expected credit losses

Opening balance	**4,888**	2,664
Additional loss allowance	**1,386**	1,285
Addition due to acquisitions	**-**	1,214
Amounts written off during the year	**(635)**	(275)
Closing balance	**5,639**	4,888

The Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit losses experience. In line with this, the Group has provided 10% for all receivables over 90 days and 2.5% of total trade receivables excluding motor vehicle debtors.

11 CURRENT ASSETS – Inventories

	CONSOLIDATED 2020 $'000	Restated 2019 $'000
New and demonstrator motor vehicles & trucks - bailment stock - at cost	**705,824**	1,078,688
Less: Write-down to net realisable value	**(16,748)**	(31,525)
	689,076	1,047,163
Used vehicles & trucks - at cost	**216,472**	285,953
Less: Write-down to net realisable value	**(16,714)**	(21,112)
	199,758	264,841
Parts and other consumables - at cost	**148,094**	157,409
Less: Write-down to net realisable value	**(11,147)**	(10,486)
	136,947	146,923
Total inventories	**1,025,781**	1,458,927

12 CURRENT ASSETS – Other current assets

	2020 $'000	2019 $'000
Prepayments and deposits	**31,898**	23,214

13 NON-CURRENT ASSETS – Receivables

	2020 $'000	2019 $'000
Other loans receivable	**23,148**	30,893
Other non-current receivables	**2,851**	-
	25,999	30,893

14 NON-CURRENT ASSETS – Financial assets at fair value through other comprehensive income

	CONSOLIDATED 2020 $'000	2019 $'000
Financial assets at fair value through other comprehensive income		
Shares in an unlisted company - Dealercell Holdings Pty Limited (1)	**588**	588
Shares in an unlisted company - AHG Property Syndicate No. 1 Unit Trust (2)	**1,778**	1,778
	2,366	2,366

(1) The Directors have assessed the fair value of the investment as at 31 December 2020 is materially consistent with its cost of acquisition. This is a level 3 fair value measurement asset being derived from inputs other than quoted prices that are unobservable from the asset either directly or indirectly.

(2) The Directors have assessed the fair value of the investment as at 31 December 2020 is materially consistent with its cost of acquisition. This is a level 3 fair value measurement asset being derived from inputs other than quoted prices that are unobservable from the asset either directly or indirectly.

Valuation of Financial assets at fair value through other comprehensive income

Details of the Group's assets held at fair value through other comprehensive income and information about the fair value hierarchy as at 31 December 2020 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	**Carrying Amount 31/12/20 $'000**	**Carrying Amount 31/12/19 $'000**	**Valuation Technique**	**Key Input**
Level 3 Financial assets at fair value through other comprehensive income - Unlisted	**2,366**	2,366	Net asset assessment and available bid prices from equity participants	Pre tax operating margin taking into account managements' experience and knowledge of market conditions and financial position. Market information based on available bid prices

There were no transfers between levels in the year.

15 NON-CURRENT ASSETS – Investments in associates

	CONSOLIDATED	
	2020	2019
	$'000	$'000
Shares in associate - Vehicle Parts (WA) Pty Ltd	**1,233**	1,127
Shares in associate - DealerMotive Limited	**-**	15,629
Shares in associate - Mazda Parts	**328**	50
	1,561	16,806

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer Note 44).

Reconciliation of the carrying amount of investment in associate is set out in Note 44(b).

16 Right-of-use assets and lease liabilities

(a) Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	CONSOLIDATED	
		Restated
	2020	2019
	$'000	$'000
Right-of-use assets		
Property	**801,129**	995,691
Equipment	**-**	12,809
	801,129	1,008,500

Consolidated entity	Note	Property $'000	Equipment $'000	Total $'000
Year ended 31 December 2020				
Opening net book amount		**995,691**	12,809	1,008,500
Additions		**11,220**	-	11,220
Disposals		**(68,407)**	(12,751)	(81,158)
Depreciation charge		**(119,093)**	(58)	(119,151)
Impairment loss	6(b)	**(73,150)**	-	(73,150)
Rent Reviews		**48,823**	-	48,823
Adjustments to lease terms		**6,045**	-	6,045
Closing net book amount		801,129	-	801,129

Consolidated entity	Property $'000	Equipment $'000	Total $'000
Year ended 31 December 2019			
Opening net book amount	222,759	-	222,759
Exchange differences	(58)	-	(58)
Additions through business combination (1)	855,566	13,621	869,187
Additions	27,556	-	27,556
Disposals	(13,044)	-	(13,044)
Depreciation charge	(67,096)	(812)	(67,908)
Impairment loss	(32,800)	-	(32,800)
Rent Reviews	2,808	-	2,808
Closing net book amount	995,691	12,809	1,008,500

(1) Additions through business combination have been restated following the finalisation of a business combination. Refer to Note 33(c) for further details.

	CONSOLIDATED	
	2020	2019
	$'000	$'000
Lease liabilities		
Current	**179,522**	171,675
Non-current	**1,091,397**	1,020,882
	1,270,919	1,192,557

(ii) Amounts recognised in the Statement of Profit or Loss

The Statement of Profit or Loss shows the following amounts relating to leases:

Right-of-use assets and lease liabilities (continued)

(a) Leases (continued)

(ii) Amounts recognised in the Statement of Profit or Loss (continued)

	Notes	CONSOLIDATED 2020 $'000	2019 $'000
Depreciation charge of right-of-use assets			
Buildings		**119,093**	67,096
Equipment		**58**	812
	6(a)	**119,151**	67,908

	Notes	2020 $'000	2019 $'000
Interest expense	6(a)	53,324	27,475
Expense relating to short-term leases		2,146	2,064

In addition to the above lease payments is a minimum lease payment of $44.7 million committed to within 2-5 years, under a non-cancellable lease that has not yet commenced. The lease relates to vacant land for future development and is expected to commence in 2021. The lease agreement contains an option to prepay the lease at the end of the first 12 months after commencement instead of regular monthly lease payments. The Directors have not yet made a decision over the rent payment options as outlined in the contract.

(iii) Maturity Analysis of contracted undiscounted cashflows

Maturity Analysis

	2020	2019
Not later than one year	**179,522**	171,675
Later than 1 year and not later than 5 years	**665,413**	627,756
Later than 5 years	**742,344**	674,365
Total undiscounted lease payments	**1,587,279**	1,473,796
Less: Present value adjustment	(316,360)	(281,239)
Present value of lease payments	**1,270,919**	1,192,557

17 Finance lease receivables

Amounts receivable under finance leases

	CONSOLIDATED 2020 $'000	2019 $'000
Year 1	27,309	-
Year 2	27,969	-
Year 3	27,479	-
Year 4	26,060	-
Year 5	21,547	-
Onwards	147,016	-
Total undiscounted lease payments	**277,380**	-
Less: Unearned finance income	(62,100)	-
Present value of lease payments receivable	**215,280**	-
Current	27,309	-
Non-current	187,971	-
Total Finance lease receivable	**215,280**	-

During the year, the finance lease receivables increase was driven by a number of sublease arrangements being entered into associated with the following divestments:

1. Refrigerated Logistics
2. Browns Plains Mazda
3. Browns Plains Group

All subleases are back-to-back arrangements, and as such there is no residual value risk. The Group is not exposed to foreign currency risk as a result of the lease arrangement, as all leases are denominated in Australian Dollars.

The back-to-back subleases have terms between 3 and 15 years. Leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables (see note 26), the expected credit loss associated with the finance lease receivable balance is immaterial. As such, no expected credit loss allowance was recorded in the current year in respect of finance lease receivables.

18 NON-CURRENT ASSETS - Property, plant and equipment

	CONSOLIDATED	
	2020 **$'000**	Restated 2019 $'000
Freehold land and buildings - at fair value		
Directors' valuation		
Land	**202,384**	176,031
Buildings	**154,079**	76,713
Total land and buildings	**356,463**	252,744
Construction in progress - at cost		
Construction in progress	**7,405**	14,453
Leasehold improvements		
At cost	**43,793**	71,467
Accumulated depreciation	**(4,319)**	(10,616)
Total leasehold improvements	**39,474**	60,851
Plant and equipment		
At cost	**141,514**	185,529
Accumulated depreciation	**(50,590)**	(57,519)
Total plant and equipment	**90,924**	128,010
Total property, plant and equipment	**494,266**	456,058

Valuation of land and buildings

The basis of the Directors' valuation of land and buildings is the assessed fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction at balance date, based on current prices in an active market for similar properties in the same location and condition. The assessed fair value is supported by periodic, but at least triennial valuations, by external third party valuers. The 2020 valuations were made by the Directors based on their assessment of prevailing market conditions and supported by fair value information received from independent expert property valuers on certain properties and the Group's own market activities and market knowledge.

18 NON-CURRENTS ASSETS - Property, plant & equipment (continued)

Valuation of land and buildings (continued)

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2020 are as follows:

Unobservable inputs used in determination of fair values										
Class of Assets & Liabilities	**Carrying Amount 31/12/20 $'000**	**Carrying Amount 31/12/19 $'000**	**Valuation Technique**	**Key Input**	**Input**	**Average / Range 2020**	**Average / Range 2019**	**Other Key Information**	**Range (weighted avg) 2020**	**Range (weighted avg) 2019**
Level 3 Car – HBU Alternate Use	**46,140**	46,055	Direct comparison	External valuations	Price/sqm land	**Average $3,071/sqm**	Average $3,054/sqm	Land size	**Average 3,005 sqm**	Average 3,005 sqm
						Range $1,234 - $5,065/sqm	Range $1,239 - $5,064/sqm		**Range 2,015 - 4,853 sqm**	Range 2,015 - 4,853 sqm
Level 3 Car Dealership	**283,222**	179,294	Summation method, income capitalisation and direct comparison	External valuations industry benchmarks	Capitalisation rate	**Average 6.4%**	Average 6.5%	Net rent / sqm Land	**Average $115/sqm**	Average $94/sqm
						Range 5.4% - 9.5%	Range 4.9% - 9.3%		**Range $47 - $330/sqm**	Range $28 - $330/sqm
								Net rent /sqm GBA	**Average $255/sqm Range $107 - $1,730/sqm**	Average $209/sqm Range $93 - $1,662/sqm
Level 3 Truck Dealership	**20,039**	20,233	Direct comparison	External valuations	Price/sqm land Price/sqm GBA	**Average $411/sqm**	Average $415/sqm	Land size	**Average 24,353 sqm**	Average 24,353 sqm
						Range $276 - $532/sqm	Range $278 - $538/sqm		**Range 23,006 - 25,700 sqm**	Range 23,006 - 25,700 sqm
								Net rent/sqm land	**Average $29/sqm**	Average $29/sqm
									Range $17 - $39/sqm	Range $18 - $39/sqm
								Capitalisation rate	**Average 6.9% Range 6.3% - 7.2%**	Average 6.9% Range 6.4% - 7.2%
Level 3 Other Logistics	**7,062**	7,162	Income capitalisation method supported by market comparison	External valuations	Capitalisation Rate	**Average 6.8%**	Average 6.7%	Net rent /sqm GBA	**Average $129/sqm**	Average $191/sqm
						Range 7.8% - 8.5%	Range 7.8% - 8.0%		**Range $143 - $215/sqm**	Range $144 - $215/sqm
Total	**356,463**	**252,744**								

There were no transfers between levels in the year.

Explanation of asset classes: Car - Higher and Best Use (HBU) alternate use refers to properties currently operated as car dealerships which have a HBU greater than that of a car dealership; Car Dealership refers to properties operating as car dealerships with a HBU consistent with that use; Truck Dealership refers to properties being operated as truck dealerships with a HBU consistent with that use; Other Logistics are industrial properties used for parts warehousing and vehicle logistics.

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

If freehold land was carried at historical cost, its current carrying value would be $165,799,000 (2019: $134,562,000). If freehold buildings were carried at historical cost, its current carrying value (after depreciation) would be $154,079,000 (2019: $76,713,000).

18 NON-CURRENTS ASSETS - Property, plant & equipment (continued)

Non-current assets pledged as security

Refer to Note 26 for information on non-current assets pledged as security by the Group.

Reconciliations

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

Consolidated 2020	Freehold Land $'000	Buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Opening net book amount	176,031	76,713	14,453	60,851	128,010	456,058
Exchange differences	-	-	6	320	206	532
Transfers	6	10,268	(15,380)	4,943	163	-
Additions	32,450	73,428	8,326	2,232	30,210	146,646
Revaluation gain recognised in asset revaluation reserve	6,459	-	-	-	-	6,459
Revaluation recognised in profit and loss	(9,996)	-	-	-	-	(9,996)
Disposals	(2,566)	(2,928)	-	(21,220)	(26,113)	(52,827)
Depreciation charge	-	(3,402)	-	(5,087)	(36,563)	(45,052)
Impairment loss	-	-	-	(2,565)	(4,989)	(7,554)
Carrying amount at end of year	202,384	154,079	7,405	39,474	90,924	494,266

During the period Eagers Automotive Limited acquired Land and Buildings of which $104 million was directly funded through Capital Loan facilities obtained by the group. Refer to Note 43 for further information on movement in borrowings. Other non cash movements include circa $20 million of Plant and Equipment (buy backs) transferred to inventory and other immaterial items.

Consolidated 2019	Freehold Land $'000	Buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Opening net book amount	220,304	107,018	4,352	13,854	42,879	388,407
Adjustment for change in accounting policy	-	5,042	(16,260)	10,722	496	-
Exchange differences	-	-	6	143	85	234
Additions through business combination (1)	-	-	10,987	39,066	84,061	134,114
Additions	18,945	182	19,583	5,745	35,867	80,322
Revaluation gain recognised in asset revaluation reserve	13,769	-	-	-	-	13,769
Disposals	(76,987)	(32,185)	(4,215)	(4,097)	(13,108)	(130,592)
Depreciation charge	-	(3,344)	-	(1,695)	(22,270)	(27,309)
Impairment loss	-	-	-	(2,887)	-	(2,887)
Carrying amount at end of year	176,031	76,713	14,453	60,851	128,010	456,058

(1) Additions through business combination have been restated following the finalisation of a business combination. Refer to Note 33(c) for further details.

19 NON-CURRENT ASSETS – Intangibles

	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Goodwill	**771,755**	757,301
Trade marks/brand names	**6,965**	6,965
Customer Relationships	**6,854**	8,908
	785,574	773,174
Movement - Goodwill		
Balance at the beginning of the financial year	**757,301**	306,783
Additional amounts recognised:		
Acquired through business combinations during the year (Note 33(c) and (d))	**15,500**	685,009
Less: Impairment during the year	**-**	(209,238)
Less: Disposal of businesses	**(1,046)**	(25,253)
Balance at the end of the financial year	**771,755**	757,301
Movement - Trade marks/brand names		
Balance at the beginning of the financial year	**6,965**	6,542
Acquired through business combinations during the year (Note 33(d))	**-**	423
Balance at the end of the financial year	**6,965**	6,965
Movement - Customer Relationships		
Balance at the beginning of the financial year	**8,908**	-
Acquired through business combinations during the year (Note 33(d))	**-**	8,908
Amortisation charge	**(2,054)**	-
Balance at the end of the financial year	**6,854**	8,908

(a) Impairment tests for goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combinations. Each unit or group of units to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes.

The Group has eight groups of CGUs in the Car retailing segment, grouped by the operating regions (QLD & NT, NSW, VIC & TAS, SA, WA, NZ), National Used and Finance, with the lowest level for which there are independent cash flows determined to be on an operating region or State basis. The Group has one CGU for the national Trucks segment.

AHG's Refrigerated Logistics business was divested on 29 June 2020. No goodwill was allocated to this CGU on acquisition of AHG based on the estimated fair value of the business at the date.

The recoverable amount of a CGU or group of CGUs to which goodwill and other indefinite life intangible assets is allocated is determined based on the greater of its value-in-use and its fair value less costs of disposal. Fair value is determined as being the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties at the balance date. If relevant, this fair value assessment less costs of disposal is conducted by the Directors based on their extensive knowledge of the car and truck retailing industry including the current market conditions prevailing in the industry. The value-in-use assessment is conducted using a discounted cash flow (DCF) methodology requiring the Directors to estimate the future cash flows expected to arise from the CGU's and then applying a discount rate to calculate the present value.

19 NON-CURRENT ASSETS – Intangibles (continued)

(a) Impairment tests for goodwill (continued)

The DCF model adopted by the Directors utilises cash flow forecasts derived from the 2021 financial budgets approved by the Board, with a 1.5% growth rate (2019: ranging from 0% to 1.5%) applied thereafter for the period to year 5 and as a terminal growth rate (2019: 1.5%). The budgets reflect current market dynamics, as well as the cost, liquidity and operational initiatives undertaken in response to COVID-19. The forecast growth rate and terminal growth rate have been based on consideration of historical performance and the expected future operating conditions. The terminal growth rate is not deemed to exceed the long-term average growth rate for the industry and generally accepted future CPI rate. A post-tax discount rate of 7.0% was applied to the cashflows, incorporating the impact of the new lease standard (AASB 16) on the Group's cost of debt.

Consideration of COVID-19 and the associated impacts on the automotive retail industry and the wider economy

The Group believes that the assumptions underpinning the DCF calculations used to evaluate the recoverability of goodwill and intangible assets have been adjusted to reflect reasonable estimates of the impact of COVID-19 and the risks associated with estimated cash flows. Whilst there is no impairment concerning any of the CGU's at 31 December 2020, the Directors acknowledge that there is a heightened level of uncertainty around key assumptions in the current environment. This has the potential to impact the value-in-use assessment moving forward and potentially the carrying value of the respective goodwill and intangible assets.

Sensitivity analysis performed

The Group has performed sensitivity analysis of the reasonably possible changes in the assumptions used in the model, including reducing growth rates from 1.5% to 0% applied for the period to year 5, whilst holding terminal growth at 1.5%. Further, the Group has sensitised the discount rate from 7.0% to 7.5%. Under each of these independent scenarios, no impairment was identified.

Property, leasehold improvements and right-of-use assets

Following the Directors review of specific non-current assets in respect of Holden dealerships, in respect of leasehold improvements and property plant and equipment, and Right-of-use assets, the Group has recorded a combined impaired of $60.2 million, represented by $4.6 million and $55.6 million respectively in the current period.

Following a review of the fair value of the property portfolio, leasehold improvements and Right-of-use assets in respect of leased properties, the Group has recorded a combined impairment of $30.6 million, represented by $10.0 million, $3.0 million and $17.6 million respectively in the current period.

19 NON-CURRENT ASSETS – Intangibles (continued)

(a) Impairment tests for goodwill (continued)

A segment-level summary of the goodwill allocation is presented as follows:

	CONSOLIDATED	
		Restated
	2020	2019
	$'000	$'000
Car retailing operations:		
Goodwill	**730,077**	716,123
Trade marks/brand names	**5,915**	5,915
Customer Relationships	**6,854**	8,908
	742,846	730,946
Truck retailing operations:		
Goodwill	**41,678**	41,178
Trade marks/brand names	**1,050**	1,050
	42,728	42,228
	785,574	773,174

20 NON-CURRENT ASSETS - Deferred Tax Assets

	Notes	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Deferred tax assets		**162,005**	176,505
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Book versus tax carrying value of plant and equipment		**15,036**	11,346
Leases		**72,919**	55,334
Deferred Income		**12,372**	7,818
Inventory valuation		**212**	6,255
Prepayments		**(1,737)**	(1,659)
Tax losses		**-**	17,332
Provisions			
Expected credit losses		**1,688**	1,187
Employee benefits		**36,786**	33,018
Other		**10,371**	35,420
Sundry items		**26,839**	18,995
Total amounts recognised in profit or loss		**174,486**	185,046
Amounts recognised directly in equity			
Revaluation of financial assets at fair value through other comprehensive income		**-**	(257)
Revaluation of property, plant and equipment		**(17,190)**	(17,190)
Share options trust		**4,709**	8,906
Total amounts recognised directly in equity		**(12,481)**	(8,541)
The deferred tax expense included in income tax expense in respect of the above temporary differences resulted from the following movements:			
Opening balance at 1 January 2020		**176,505**	26,766
Deferred tax (expense)/benefit	7(a)	**(15,383)**	43,375
Current year adjustments related to prior year deferred tax		**-**	(161)
Deferred tax recognised directly in equity			
Revaluation of financial assets at fair value through other comprehensive income	31(a)	**-**	(21,544)
Revaluation of property, plant and equipment	31(a)	**(1,937)**	(4,131)
Movement in fair value of cash flow hedge	31(a)	**-**	(11)
Share options trust	31(a)	**2,168**	7,567
Deferred tax recognised through a business combination			
Deferred tax assets relating to business combinations		**652**	69,516
Deferred tax assets relating to PPA adjustments		**-**	55,128
Closing balance at 31 December 2020		**162,005**	176,505

(i) Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020	2019
Deferred tax liabilities	**(18,927)**	(19,107)
Deferred tax assets	**180,932**	195,612
Net deferred tax asset	**162,005**	**176,505**

At the reporting date, the Group has no unused revenue tax losses (2019: $57.5 million) available for offset against future profits. No deferred tax asset has been recognised in respect of capital losses of $160.9 million (2019: $27.8 million) as it is not considered probable that there will be future capital gains available to utilise the capital losses. The capital losses may be carried forward indefinitely.

21 CURRENT LIABILITIES – Trade and other payables

	CONSOLIDATED	
		Restated
	2020	2019
	$'000	$'000
Trade and other payables		
Trade payables (1)	**144,988**	171,291
Other payables	**291,384**	206,096
	436,372	377,387

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

22 CURRENT LIABILITIES - Borrowings - bailment and other current loans

(a) Bailment finance and other current loans

	CONSOLIDATED	
	2020	2019
	$'000	$'000
Bailment finance	**844,307**	1,281,947
Bank loans	**26,000**	26,000
Capital loan	**7,842**	2,206
	878,149	1,310,153

(i) Bailment finance

Bailment finance is provided on a vehicle by vehicle basis by various finance providers at an average interest rate of 3.64% p.a. applicable at 31 December 2020 (2019: 3.06%). Bailment finance is repayable within a short period after the vehicle is sold to a third party, generally within 48 hours.

(ii) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on interest bearing liabilities is set out in Note 32.

(iii) Fair value disclosures

Details of the Group's fair value of interest bearing liabilities is set out in Note 32.

(iv) Security

Details of the security relating to each of the secured liabilities and further information on bank loans is set out in Note 26.

23 CURRENT LIABILITIES – Current tax liabilities

Income tax	**16,381**	25,224

24 CURRENT LIABILITIES – Provisions

	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Annual Leave	**62,977**	56,603
Long Service Leave	**51,279**	50,543
Buyback provision	**17,116**	19,000
	131,372	126,146

25 CURRENT LIABILITIES – Other Current Liabilities

	CONSOLIDATED 2020 $'000	2019 $'000
Deferred revenue	**23,965**	26,576

Deferred revenue relates to recognition of revenue in accordance with the performance obligations in certain Warranty and Buyback contracts.

26 NON-CURRENT LIABILITIES – Borrowings (secured)

Term facility	**111,500**	306,313
Capital loan	**193,013**	75,572
	304,513	381,885

SECURED LIABILITIES

Total secured liabilities (current and non-current) are:		
Term facility (i)	**137,500**	332,313
Capital loan (ii)	**200,855**	77,778
Bailment finance (iii)	**844,307**	1,281,947
	1,182,662	1,692,038

(i) The term facility is secured by a general security agreement which includes registered first mortgages held by a security trustee over specific freehold land and buildings and a general charge over assets. This excludes new and used inventory and related receivables, letter of set off given by and on account of the parent entity and its subsidiaries, and a Corporate Guarantee and Indemnity unlimited as to amount given by the parent entity and its subsidiaries.

(ii) The capital loan is secured by registered first mortgages given by subsidiaries over specific freehold land and buildings, letter of set off given by and on account of the parent entity and its subsidiaries, and a Corporate Guarantee and Indemnity unlimited as to amount given by the parent entity and its subsidiaries.

(iii) Vehicle bailment finance reflects a liability payable to the consolidated entity's bailment financiers. This liability is represented by and secured over debtors included in current assets receivables in respect of recent vehicle deliveries to customers, and by new vehicles, demonstrator vehicles and some used vehicles all included in inventories (bailment stock). Refer to Note 11.

Refer to Note 32 for maturities.

26 NON-CURRENT LIABILITIES – Borrowings (secured) (continued)

ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security are:

	CONSOLIDATED	
	2020	Restated 2019
	$'000	$'000
Non-current assets pledged as security		
Freehold land and buildings - first mortgage	**349,625**	265,089
Other non-current assets	**970,529**	752,458
Current assets pledged as security		
Inventories	**844,307**	1,281,947
Other current assets	**380,280**	688,817
Total assets pledged as security	**2,544,741**	2,988,311

26 NON-CURRENT LIABILITIES – Borrowings (secured) (continued)

FINANCING ARRANGEMENTS

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

	CONSOLIDATED 2020 $'000	2019 $'000
Total facilities		
Term facility (i)	**367,600**	398,000
Working capital facility (includes bank overdraft) (ii)	**130,000**	31,500
Capital loan (iii)	**314,930**	76,914
Bailment finance (iv)	**1,808,588**	1,452,374
Bank guarantees	**60,918**	61,453
	2,682,036	2,020,241
Drawn at balance date		
Term facility	**137,500**	332,125
Capital loan	**200,855**	76,914
Bailment finance	**844,307**	1,281,946
Bank guarantees	**50,417**	53,841
	1,233,079	1,744,826
Undrawn at balance date		
Term facility	**230,100**	65,875
Working capital facility (includes bank overdraft)	**130,000**	31,500
Capital loan	**114,075**	-
Bailment finance	**964,281**	170,428
Bank guarantees	**10,501**	7,612
	1,448,957	275,415

(i) Term facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants for a fixed term.

(ii) Working capital facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants and an annual review.

(iii) Capital loan facility at balance date was provided on a non-amortisable (interest only) basis for a fixed term.

(iv) Bailment facilities are used to finance the acquisition of new vehicle and some used vehicle trading stock. These facilities include a combination of fixed term and open ended arrangements and are subject to review periods ranging from quarterly to annual. These facilities generally include short term termination notice periods and are disclosed as current liabilities in the statement of financial position.

27 NON-CURRENT LIABILITIES - Provisions

	CONSOLIDATED	
	2020	Restated 2019
	$'000	$'000
Long Service Leave	**8,574**	6,234
Other provisions	**17,923**	31,376
	26,497	37,610

Other provisions balance held at reporting date relates to certain buyback arrangements within the Group.

28 NON-CURRENT LIABILITIES - Deferred Revenue

Deferred revenue	**20,906**	50,113

Deferred revenue relates to recognition of revenue in accordance with the performance obligations in certain Warranty and Buyback contracts.

29 SEGMENT INFORMATION

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

The consolidated entity operates in four operating and reporting segments being (a) Car Retailing (b) Truck Retailing (c) Property and (d) Investments, these being identified on the basis of being the components of the consolidated entity that are regularly reviewed by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Information regarding the consolidated entity's reporting segments is presented below.

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 1. Segment profit represents the profit earned by each segment without allocation of unrecouped corporate / head office costs and income tax. External bailment is allocated to the Car Retailing and Truck Retailing segments. Funding costs in relation to bills payable are allocated to the Car Retailing, Truck Retailing, Property, and Investment segments based on notional market based covenant levels.

This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible, and financial assets attributable to each segment. All assets are allocated to reportable segments.

(a) Car Retailing

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

(b) Truck Retailing

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

29 SEGMENT INFORMATION (continued)

(c) Property

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

(d) Investments

This segment includes the Groups investments in DealerMotive Limited and Automotive Holdings Group Limited.

Geographic Information

The Group operates in two principal geographic locations, being Australia and New Zealand.

(e) Segment results

Segment reporting 2020	Car Retailing $'000	Truck Retailing $'000	Property $'000	Investments $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	7,776,540	971,332	1,803	-	-	8,749,675
Inter-segment sales	-	-	14,903	-	(14,903)	-
Total sales revenue	7,776,540	971,332	16,706	-	(14,903)	8,749,675
SEGMENT RESULT						
Operating profit before interest	256,780	26,391	11,830	-	-	295,001
External interest expense allocation	(71,468)	(9,059)	(7,857)	-	-	(88,384)
OPERATING CONTRIBUTION	185,312	17,332	3,973	-	-	206,617
Share of net profit of equity accounted investments	970	-	-	2,788	-	3,758
Business acquisition and divestment costs	(612)	(1,177)	-	-	-	(1,789)
Impairment of non-current assets	(80,704)	-	-	-	-	(80,704)
Property revaluation	-	-	(9,996)	-	-	(9,996)
Profit on sale of property/businesses & rent waivers	13,996	441	1,962	860	-	17,259
Business integration costs	(1,689)	-	-	-	-	(1,689)
Government wage subsidies	123,669	6,899	-	-	-	130,568
Brand restructure compensation	31,751	-	-	-	-	31,751
SEGMENT PROFIT	**272,693**	**23,495**	**(4,061)**	**3,648**	**-**	**295,775**
Unallocated corporate expenses						(15,669)
PROFIT BEFORE TAX						280,106
Income tax expense						(88,575)
NET PROFIT						**191,531**
Depreciation and amortisation	(131,435)	(31,402)	(3,420)	-	-	(166,257)
ASSETS						
Segment assets	3,283,011	403,274	347,366	-	-	4,033,651
LIABILITIES						
Segment liabilities	2,506,415	381,804	220,855	-	-	3,109,074
NET ASSETS	776,596	21,470	126,511	-	-	924,577

29 SEGMENT INFORMATION (continued)

(e) Segment results (continued)

Segment reporting 2019 Restated	Car Retailing $'000	Truck Retailing $'000	Property $'000	Investments $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	5,224,977	590,751	1,054	197	-	5,816,979
Inter-segment sales	-	-	20,869	-	(20,869)	-
Total sales revenue	5,224,977	590,751	21,923	197	(20,869)	5,816,979
SEGMENT RESULT						
Operating profit before interest	138,613	10,253	15,874	197	-	164,937
External interest expense allocation	(47,618)	(8,520)	(6,996)	(2,435)	-	(65,569)
OPERATING CONTRIBUTION	90,995	1,733	8,878	(2,238)	-	99,368
Share of net profit of equity accounted investments	-	-	-	339	-	339
Business acquisition and divestment costs	(8,617)	-	-	(3,903)	-	(12,520)
Impairment of non-current assets	(233,323)	(11,602)	-	-	-	(244,925)
Investment revaluation	-	-	-	145,392	(80,331)	65,061
Profit on sale of property/businesses & rent waivers	23,250	-	14,457	-	-	37,707
Business integration costs	(4,442)	-	-	-	-	(4,442)
Derecognition of contingent consideration	19,674	-	-	-	-	19,674
Business restructuring costs	(1,667)	-	-	-	-	(1,667)
SEGMENT PROFIT	**(114,130)**	**(9,869)**	**23,335**	**139,590**	**(80,331)**	**(41,405)**
Unallocated corporate expenses						(21,899)
PROFIT BEFORE TAX						(63,304)
Income tax expense						(17,176)
NET PROFIT						(80,480)
Depreciation and amortisation	68,756	23,098	3,363	-	-	95,217
ASSETS						
Segment assets	3,633,310	466,026	252,568	11,264	-	4,363,168
LIABILITIES						
Segment liabilities	2,972,684	458,082	96,884	-	-	3,527,650
NET ASSETS	660,626	7,944	155,684	11,264	-	835,518

30 CONTRIBUTED EQUITY

(a) Paid up capital

	CONSOLIDATED 2020 $'000	2019 $'000
Ordinary shares - Fully paid	**1,173,069**	1,173,069

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

At the reporting date, the Employee Share Trust held 2,274,938 shares, which are reported in share capital (2019: 164,204).

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
01-Jan-2020	Opening balance	256,933,106	-	1,173,069
	31-Dec-2020 Closing balance	256,933,106	-	1,173,069
01-Jan-2019	Opening balance	191,309,301	-	371,405
26-Aug-2019	Issue of shares to AHG shareholders	33,334,047	$11.44	381,342
30-Aug-2019	Issue of shares to AHG shareholders	5,110,248	$12.37	63,214
05-Sep-2019	Issue of shares to AHG shareholders	2,242,568	$13.30	29,826
11-Sep-2019	Issue of shares to AHG shareholders	4,632,943	$13.40	62,081
17-Sep-2019	Issue of shares to AHG shareholders	5,242,610	$13.21	69,255
23-Sep-2019	Issue of shares to AHG shareholders	8,392,874	$13.55	113,723
24-Oct-2019	Issue of shares to AHG shareholders	6,668,515	$12.33	82,223
31-Dec-2019	**Closing balance**	**256,933,106**	**-**	**1,173,069**

31 RESERVES AND RETAINED EARNINGS

(a) Reserves:

	Note	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Asset revaluation reserve		**32,834**	28,312
Share-based payments reserve		**(62,510)**	(37,863)
Foreign currency translation reserve		**1,204**	1,153
Business combination reserve		**(479,042)**	(479,042)
Investment revaluation reserve		**(72,686)**	(72,686)
		(580,200)	(560,126)

Movements:

	Note	2020 $'000	2019 $'000
Asset revaluation reserve:			
Balance at beginning of the financial year		**28,312**	56,820
Revaluation surplus during the year - gross	18	**6,459**	13,769
Deferred tax	20	**(1,937)**	(4,131)
Transfer to retained earnings relating to properties sold	31(b)	**-**	(38,146)
Balance at the end of the financial year		**32,834**	28,312
Hedging reserve - cash flow hedge:			
Balance at beginning of the financial year		**-**	(25)
Movement during the year		**-**	36
Deferred tax	20	**-**	(11)
Balance at the end of the financial year		**-**	-
Share-based payments reserve:			
Balance at beginning of the financial year		**(37,863)**	(49,628)
Deferred tax	20	**(2,168)**	7,567
Payments received from employees for exercised options		**8,610**	4,890
Shares acquired by the Employee Share Trust		**(31,497)**	(2,598)
Employee share schemes - value of employee services		**408**	1,906
Balance at the end of the financial year		**(62,510)**	(37,863)
Investment revaluation reserve:			
Balance at beginning of the financial year		**(72,686)**	(131,473)
Gain/(Loss) on revaluation of financial assets held at fair value through other comprehensive income		**-**	80,331
Deferred tax	20	**-**	(21,544)
Balance at the end of the financial year		**(72,686)**	(72,686)
Business combination reserve:			
Balance at beginning of the financial year		**(479,042)**	-
Movement during the period		**-**	(479,042)
Balance at the end of the financial year		(479,042)	(479,042)
Foreign currency translation reserve:			
Balance at beginning of the financial year		**1,153**	-
Other Comprehensive Income		**51**	-
Currency translation differences arising during the year		**-**	1,153
Balance at the end of the financial year		1,204	1,153

31 RESERVES AND RETAINED EARNINGS (continued)

(b) Retained earnings

	Notes	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Retained profits at the beginning of the financial year		**199,463**	**380,557**
Net (loss)/profit for the year		**156,211**	(129,124)
Adjustment on finalisation of business combination		**-**	(10,469)
Less: NCI Share		**(8,921)**	(2,789)
Transfer from asset revaluation reserve on sale of properties		**-**	39,368
Dividends provided for or paid	8	**(28,905)**	(78,080)
Retained profits at the end of the financial year		**317,848**	199,463

(c) Nature and purpose of other reserves

(i) Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in Note 1(p).

(ii) Hedging reserve

The hedging reserve contains the effective portion of interest rate hedge arrangements incurred as at the reporting date.

(iii) Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on assets held at FVOCI that have been recognised in other comprehensive income.

(iv) Share-based payments reserve

The share-based payment reserve is used to recognise the fair value of performance rights expected to vest and the fair value of equity expected to be issued under various share incentive schemes referred to in Notes 38 and 39.

31 RESERVES AND RETAINED EARNINGS (continued)

(c) Nature and purpose of other reserves (continued)

Business Combination Reserve

The reserve is used to recognise difference between the value of consideration paid to acquire the non-controlling interest, the carrying value of the non-controlling interest and the value of shares acquired.

32 FINANCIAL INSTRUMENTS

Overview

The consolidated entity has exposure to the following key risks from its use of financial instruments:

• Credit risk
• Liquidity risk
• Market risk (interest rate risk)

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

The Directors have overall responsibility for the establishment and oversight of the consolidated entity's risk management framework.

The Directors have established an Audit and Risk Committee (the Committee) which is responsible for monitoring, assessing and reporting on the consolidated entity's risk management system. The Committee will provide regular reports to the Board of Directors on its activities.

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

The Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks. The Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

The Group's principal financial instruments comprise bank loans, bailment finance, cash, short-term deposits and interest rate swap contracts. The main purpose of these financial instruments is to raise finance for and fund the Group's operations and to hedge the Group's exposure to interest rate volatility. The Group has various other financial instruments such as trade debtors and trade creditors which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

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

CREDIT RISK

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

Trade receivables consist of a large number of customers, spread across geographical areas. The Group applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

With respect to credit risk arising from financial assets of the Group (comprised of cash, cash equivalents, receivables, finance lease receivables and other loans receivable), the Group's maximum exposure to credit risk at balance date, excluding the value of any collateral or other security, is the carrying amount as disclosed in the Statement of Financial Position and notes to the financial statements.

The Group's credit risk on liquid funds is limited as the counter parties are major Australian banks with favourable credit ratings assigned by international credit rating agencies.

32 FINANCIAL INSTRUMENTS (continued)

LIQUIDITY RISK

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

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

The Group's ability to manage liquidity risk is not effected by the net current liability position at 31 December 2020, which is impacted by the recognition of a current liability equivalent to the present value of the lease payments under the remaining term of each lease in accordance with AASB 16. The cash commitments in relation to each lease remain unchanged. Management are of the view that the Group will continue to generate sufficient operating cash flows to meeting its financial obligations as they fall due.

The Group also manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Information on available facilities can be found in Note 26.

MARKET RISK

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

(i) Interest rate risk

The Group's policy is to keep between 0% and 50% of its borrowings at fixed rates of interest. As at 31 December 2020, 53.2% (2019: 12%) of the Group's borrowings were at a fixed rate of interest (excluding bailment interest).

The consolidated entity classifies interest rate swaps as cash flow hedges.

(ii) Interest rate sensitivity

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's net profit after tax would increase/decrease by $5.9 million (2019: $4.3 million) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

(iii) Interest rate swap contracts

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

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

CAPITAL MANAGEMENT

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the consolidated entity's approach to capital management during the period.

32 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

(i) Exposure to Credit Risk

The carrying amount of financial assets (as per Notes 10 and 13) represents the maximum credit exposure. The maximum exposure to credit risk as the reporting date was:

	CONSOLIDATED	
		Restated
	2020	2019
	$'000	$'000
Trade and other receivables	**274,502**	314,411
Less: Allowance for expected credit losses	**(5,639)**	(4,888)
	268,863	309,523

(ii) Impairment Losses

The aging of trade receivables at reporting date is detailed in Note 10.

(iii) Fair values & Exposures to Credit & Liquidity Risk

Detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

Financial assets		
Trade and other receivables net of expected credit losses	**268,863**	309,523
Cash and cash equivalents	**209,092**	94,172
Other non-current receivables	**25,999**	30,893
	503,954	434,588
Financial liabilities		
Bills payable and fully drawn advances	**137,500**	332,313
Capital loan	**200,855**	77,778
Vehicle bailment	**844,307**	1,281,947
Trade and other payables	**436,372**	377,387
	1,619,034	2,069,425

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

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

32 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

(iii) Fair values & Exposures to Credit & Liquidity Risk (continued)

Maturity profile

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

Contractual maturities of financial assets and liabilities At 31 December 2020	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5+ years $'000	Total $'000
INTEREST BEARING							
Floating rate							
Financial assets							
Cash and cash equivalents	209,092	-	-	-	-	-	209,092
Average interest rate	.10%	-	-	-	-	-	
Financial liabilities							
Vehicle bailment (current)	844,307	-	-	-	-	-	844,307
Fully drawn advances	32,114	247,206	191,595	-	-	-	470,915
Capital loan (Non-current)	1,791	1,791	1,791	1,791	1,791	14,565	23,520
	878,212	248,997	193,386	1,791	1,791	14,565	1,338,742
Average interest rate	2.32%	2.21%	2.35%	1.79%	1.86%	1.71%	
Fixed rate							
Financial liabilities							
Capital loan (Non-current)	12,429	12,429	61,349	10,316	29,610	202,451	328,584
Average interest rate	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	
NON INTEREST BEARING							
Financial assets							
Trade debtors	271,714	-	-	-	-	23,148	294,862
Financial liabilities							
Trade and other payables	436,372	-	-	-	-	-	436,372

32 FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

(iii) Fair values & Exposures to Credit & Liquidity Risk (continued)

Maturity profile (continued)

At 31 December 2019	Less than 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	5+ years $'000	Total $'000
INTEREST BEARING							
Floating rate							
Financial assets							
Cash and cash equivalents	94,172	-	-	-	-	-	94,172
Average interest rate	.50%	-	-	-	-	-	
Financial liabilities							
Vehicle bailment (current)	1,281,947	-	-	-	-	-	1,281,947
Fully drawn advances	36,596	9,786	9,786	221,598	97,652	15,560	390,978
Capital loan (Non-current)	1,875	2,211	7,053	2,038	2,038	24,713	39,928
	1,320,418	11,997	16,839	223,636	99,690	40,273	1,712,853
Average interest rate	3.20%	4.05%	4.05%	3.87%	3.92%	4.06%	
Fixed rate							
Financial liabilities							
Capital loan (Non-current)	2,375	2,187	2,187	49,958	-	-	56,707
Average interest rate	4.34%	4.34%	4.34%	4.34%	-	-	
NON INTEREST BEARING							
Financial assets							
Trade debtors	309,523	-	-	-	-	30,893	340,416
Financial liabilities							
Trade and other payables	377,387	-	-	-	-	-	377,387

(1) The amount included in fully drawn advances relate to variable rates that are hedged with interest rate swaps to fixed rates.

Estimation of Fair Value

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

Loans and Borrowings

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

Trade and Other Receivables/Payables

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

33 INVESTMENTS IN SUBSIDIARIES

Deed of Cross Guarantee

	Equity Holding		Member of DOCG		Membership Group		Opt In/Out	
Name of Entity	2020 %	2019 %	2020	2019	2020	2019	2020	2019
Eagers Automotive Limited	100	100	Y	Y	C	C		
360 Finance Pty Ltd	100	100	Y	Y	C	C		
360 Financial Services Australia Pty Ltd	100	100	Y	Y	C	C		
360 Insurance Services Pty Ltd	100	100	Y	Y	C	C		
A.P. Ford Pty Ltd	100	100	Y	Y	C	C		
A.P. Group Ltd	100	100	Y	Y	C	C		
A.P. Motors (No.1) Pty Ltd	100	100	Y	Y	C	C		
A.P. Motors (No.2) Pty Ltd	100	100	Y	Y	C	C		
A.P. Motors (No.3) Pty Ltd	100	100	Y	Y	C	C		
A.P. Motors Pty Ltd	100	100	Y	Y	C	C		
ACM Autos Holdings Pty Ltd	80	80	N	N	N/A	N/A		
ACM Autos Pty Ltd	80	80	N	N	N/A	N/A		
ACM Liverpool Pty Ltd	100	100	Y	Y	C	C		Opt In
ACN 132 712 111 Pty Ltd	100	100	Y	Y	C	C		
Adtrans Australia Pty Ltd	100	100	Y	Y	C	C		Opt Out
Adtrans Automotive Group Pty Ltd	100	100	Y	Y	C	C		
Adtrans Corporate Pty Ltd	100	100	Y	Y	C	C		
Adtrans Group Limited	100	100	Y	Y	C	C		
Adtrans Hino Pty Ltd	100	100	Y	Y	C	C		
Adtrans Truck Centre Pty Ltd	100	100	Y	Y	C	C		
Adtrans Trucks Adelaide Pty Ltd	100	100	Y	Y	C	C		
Adtrans Trucks Pty Ltd	100	100	Y	Y	C	C		
Adtrans Used Pty Ltd	100	100	Y	Y	C	C		
Adverpro Pty Ltd	100	100	Y	Y	C	C		
AHG 1 Pty Ltd	100	100	Y	Y	C	C		
AHG Automotive Mining and Industrial Solutions Pty Ltd	100	100	Y	Y	C	C		
AHG Coatings Pty Ltd	100	100	Y	Y	C	C		
AHG Finance 2005 Pty Ltd	100	100	Y	Y	C	C		
AHG Finance Pty Ltd	100	100	Y	Y	C	C		
AHG Franchised Automotive Pty Ltd	100	100	Y	Y	C	C		
AHG International Pty Ltd	100	100	Y	Y	C	C		
AHG Management Company Pty Ltd	100	100	Y	Y	C	C		
AHG Newcastle Pty Ltd	100	100	Y	Y	C	C		Opt In
AHG Property Pty Ltd	100	100	Y	Y	C	C		
AHG Services (NSW) Pty Ltd	100	100	Y	Y	C	C		
AHG Services (QLD) Pty Ltd	100	100	Y	Y	C	C		
AHG Services (VIC) Pty Ltd	100	100	Y	Y	C	C		
AHG Services (WA) Pty Ltd	100	100	Y	Y	C	C		
AHG Trade Parts Pty Ltd	100	100	Y	Y	C	C		
AHG Training Pty Ltd	100	100	Y	Y	C	C		
AHG WA (2015) Pty Ltd	100	100	Y	Y	C	C		Opt In
AHGCL 2016 Pty Ltd	100	100	Y	Y	C	C		
AHGSW 2018 Pty Ltd	100	100	Y	Y	C	C		
AP Townsville Pty Ltd	100	100	Y	Y	C	C		
APE Cars Mgmt Pty Ltd	100	100	Y	Y	C	C		
Associated Finance Pty Limited	100	100	Y	Y	C	C		Opt In
Auckland Auto Collection Limited	100	100	N	N	N/A	N/A		
Austral Pty Ltd	100	100	Y	Y	C	C		
AUT 6. Pty Ltd	100	100	Y	Y	C	C		
Auto Ad Pty Ltd	100	100	Y	Y	C	C		
Automotive Holdings Group (Queensland) Pty Ltd	100	100	Y	Y	C	C		
Automotive Holdings Group (Victoria) Pty Ltd	100	100	Y	Y	C	C		
Automotive Holdings Group Limited	100	100	Y	Y	C	C		Opt In
BASW Pty Ltd	80	80	Y	Y	EC	EC		
Big Rock 2005 Pty Ltd	80	80	N	N	N/A	N/A		

33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of Entity	Equity Holding 2020 %	Equity Holding 2019 %	Member of DOCG 2020	Member of DOCG 2019	Membership Group 2020	Membership Group 2019	Opt In/Out 2020	Opt In/Out 2019
Big Rock Pty Ltd	100	100	Y	Y	C	C		
Bill Buckle Autos Pty Ltd	100	100	Y	Y	C	C		
Bill Buckle Holdings Pty Ltd	100	100	Y	Y	C	C		
Bill Buckle Leasing Pty Ltd	100	100	Y	Y	C	C		
Black Auto CQ Pty Ltd	100	100	Y	Y	C	C		
Boonarga Welding Pty Ltd	80	80	Y	Y	EC	EC		
Bradstreet Motors Holdings Pty Ltd	80	80	N	N	N/A	N/A		
Bradstreet Motors Pty Limited	80	80	N	N	N/A	N/A		
Cardiff Car City Holdings Pty Ltd	80	80	N	N	N/A	N/A		
Cardiff Car City Pty Limited	80	80	N	N	N/A	N/A		
Carlin Auction Services (NSW) Pty Ltd	53	53	N	N	N/A	N/A		
Carlin Auction Services (QLD) Pty Ltd	53	53	N	N	N/A	N/A		
Carlins Automotive Auctioneers (S.A) Pty Ltd	53	-	N	-	N/A	-		
Carlins Automotive Auctioneers (WA) Pty Ltd	100	100	N	N	N/A	N/A		
Carlins Automotive Auctioneers Pty Ltd	53	53	N	N	N/A	N/A		
Carlins Corporate Vehicle Services Pty Ltd	53	53	N	N	N/A	N/A		
Carlins Group Holdings Pty Ltd	53	53	N	N	N/A	N/A		
Carsplus Australia Pty Ltd	100	100	Y	Y	C	C		
Carzoos Pty Ltd	100	100	Y	Y	C	C		
Castle Hill Autos No. 1 Pty Ltd	100	100	Y	Y	C	C		Opt In
Castlegate Enterprises Pty Ltd	100	100	Y	Y	C	C		
CFD (2012) Pty Ltd	100	100	Y	Y	C	C		
CH Auto Pty Ltd	100	100	Y	Y	C	C		
Cheap Cars QLD Pty Ltd	100	100	Y	Y	C	C		
Chellingworth Pty Ltd	100	100	Y	Y	C	C		
City Auto (2016) Holdings Pty Ltd	80	80	N	N	N/A	N/A		
City Auto (2016) Pty Ltd	80	80	N	N	N/A	N/A		
City Automotive Group Pty Ltd	100	100	Y	Y	C	C		
City Motors (1981) Pty Ltd	100	100	Y	Y	C	C		
Crampton Automotive Pty Ltd	100	100	Y	Y	C	C		Opt Out
Doncaster Auto (2016) Pty Ltd	100	100	Y	Y	C	C		Opt In
Drive A While Pty Ltd	100	100	Y	Y	C	C		
Dual Autos Pty Ltd	100	100	Y	Y	C	C		
Duncan Autos 2005 Pty Ltd	100	100	Y	Y	C	C		
Duncan Autos Pty Ltd	100	100	Y	Y	C	C		
E G Eager & Son Pty Ltd	100	100	Y	Y	C	C		
Eagers Finance Pty Ltd	100	100	Y	Y	C	C		
Eagers MD Pty Ltd	80	80	Y	Y	EC	EC		
Eagers Nominees Pty Ltd	100	100	Y	Y	C	C		
Eagers Retail Pty Ltd	100	100	Y	Y	C	C		
Easy Auto 123 Pty Ltd	100	100	Y	Y	C	C		Opt In
Essendon Auto (2017) Pty Ltd	100	100	Y	Y	C	C		Opt In
Eurocars (SA) Pty Ltd	100	100	Y	Y	C	C		
Falconet Pty Ltd	100	100	Y	Y	C	C		
Ferntree Gully Autos Holdings Pty Ltd	80	80	N	N	N/A	N/A		
Ferntree Gully Autos Pty Ltd	80	80	N	N	N/A	N/A		
Finmo Pty Ltd	100	100	Y	Y	C	C		
Geraldine Nominees Pty Ltd	100	100	Y	Y	C	C		Opt In
Giant Autos (1997) Pty Ltd	100	100	Y	Y	C	C		
Giant Autos Pty Ltd	100	100	Y	Y	C	C		
Graham Cornes Motors Pty Ltd	99	90	Y	Y	EC	EC		
Grand Autos 2005 Pty Ltd	80	80	N	N	N/A	N/A		
Highland Autos Pty Ltd	80	80	N	N	N/A	N/A		
Highland Kackell Pty Ltd	100	100	Y	Y	C	C		
HM (2015) Holdings Pty Ltd	80	80	N	N	N/A	N/A		
HM (2015) Pty Ltd	80	80	N	N	N/A	N/A		
IB MD Pty Ltd	80	80	Y	Y	EC	EC		

33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of Entity	Equity Holding 2020 %	Equity Holding 2019 %	Member of DOCG 2020	Member of DOCG 2019	Membership Group 2020	Membership Group 2019	Opt In/Out 2020	Opt In/Out 2019
IB Motors Pty Ltd	100	100	Y	Y	C	C		
Janasen Pty Ltd	100	100	Y	Y	C	C		
Janetto Holdings Pty Ltd	100	100	Y	Y	C	C		Opt In
JAT Refrigerated Road Services Pty Ltd	-	100	N	Y	N/A	C	Opt Out	Opt In
Kingspoint Pty Ltd	100	100	Y	Y	C	C		
Knox Auto (2016) Pty Ltd	-	100	N	Y	N/A	C	Opt Out	
Laverton Auto (2016) Pty Ltd	100	100	Y	Y	C	C		Opt In
Leaseline & General Finance Pty Ltd	100	100	Y	Y	C	C		
Lionteam Pty Ltd	100	100	Y	Y	C	C		
LWC International Limited	100	100	N	N	N/A	N/A		
LWC Limited	100	100	N	N	N/A	N/A		
Maitland City Motor Group Holdings Pty Ltd	80	80	N	N	N/A	N/A		
Maitland City Motor Group Pty Ltd	80	80	N	N	N/A	N/A		
Matchacar Pty Ltd	100	100	Y	Y	C	C		
MB VIC Pty Ltd	100	100	Y	Y	C	C		
MBSA Motors Pty Ltd	100	100	Y	Y	C	C		
MCM Autos Pty Ltd	80	80	N	N	N/A	N/A		
MCM Sutherland Pty Ltd	100	100	Y	Y	C	C		
Melbourne City Autos (2012) Pty Ltd	100	100	Y	Y	C	C		
Melbourne Truck and Bus Centre Pty Ltd	100	100	Y	Y	C	C		
Melville Autos 2005 Pty Ltd	100	100	Y	Y	C	C		
Melville Autos Pty Ltd	100	100	Y	Y	C	C		
Mornington Auto Group (2012) Pty Ltd	100	100	Y	Y	C	C		Opt In
Motors Group (Glen Waverley) Pty Ltd	80	80	Y	Y	EC	EC		
Motors TAS Pty Ltd	100	100	Y	Y	C	C		
Newcastle Commercial Vehicles Pty Ltd	100	100	Y	Y	C	C		Opt In
North City (1981) Pty Ltd	100	100	Y	Y	C	C		Opt In
North City 2005 Pty Ltd	100	100	Y	Y	C	C		
Northside Autos 2005 Pty Ltd	100	100	Y	Y	C	C		
Northside Nissan (1986) Pty Ltd	100	100	Y	Y	C	C		
Northwest (WA) Pty Ltd	100	100	Y	Y	C	C		
Novated Direct Pty Ltd	100	100	Y	Y	C	C		
NSW Vehicle Wholesale Pty Ltd	100	100	Y	Y	C	C		
Nuford Ford Pty Ltd	100	100	Y	Y	C	C		
Nundah Motors Pty Ltd	100	100	Y	Y	C	C		
OPM (2012) Holdings Pty Ltd	80	80	N	N	N/A	N/A		
OPM (2012) Pty Ltd	80	80	N	N	N/A	N/A		
Osborne Park Autos Pty Ltd	100	100	Y	Y	C	C		
Penrith Auto (2016) Pty Ltd	100	100	Y	Y	C	C		
Perth Auto Alliance Pty Ltd	100	100	Y	Y	C	C		Opt In
Port City Autos Pty Ltd	100	100	Y	Y	C	C		Opt Out
Precision Automotive Technology Pty Ltd	100	100	Y	Y	C	C		
PT (2013) Pty Ltd	99	99	N	N	N/A	N/A		
Rand Transport (1986) Pty Ltd	-	100	N	Y	N/A	C	Opt Out	Opt In
Rand Transport Pty Ltd	-	100	N	Y	N/A	C	Opt Out	
Rent Two Buy Pty Ltd	100	100	Y	Y	C	C		
RL Sublessor Pty Ltd	100	-	N	N	N/A	N/A		
Sabalan Holdings Pty Ltd	80	80	N	N	N/A	N/A		
Sabalan Pty Ltd	80	80	N	N	N/A	N/A		
Scott's Refrigerated Freightways Pty Ltd	-	100	N	Y	N/A	C	Opt Out	Opt In
Shemapel 2005 Pty Ltd	100	100	Y	Y	C	C		Opt In
Skipper Trucks Pty Ltd	100	100	Y	Y	C	C		
South West Queensland Motors Pty Ltd	80	80	Y	Y	EC	EC		
Southeast Automotive Group Pty Ltd	100	100	Y	Y	C	C		
Southern Automotive Group Pty Ltd	100	100	Y	Y	C	C		
Southside Autos (1981) Pty Ltd	100	100	Y	Y	C	C		
Southside Autos 2005 Pty Ltd	100	100	Y	Y	C	C		

33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of Entity	Equity Holding 2020 %	Equity Holding 2019 %	Member of DOCG 2020	Member of DOCG 2019	Membership Group 2020	Membership Group 2019	Opt In/Out 2020	Opt In/Out 2019
Southwest Automotive Group Pty Ltd	100	100	Y	Y	C	C		
Stillwell Trucks Pty Ltd	100	100	Y	Y	C	C		
Submo Pty Ltd	100	100	Y	Y	C	C		
SWGT Pty Ltd	100	100	Y	Y	C	C		
Total Autos (1990) Pty Ltd	100	100	Y	Y	C	C		
Total Autos 2005 Pty Ltd	100	100	Y	Y	C	C		
Vehicle Storage & Engineering Pty Ltd	100	100	Y	Y	C	C		
VMS Pty Ltd	100	100	Y	Y	C	C		
WA Trucks Pty Ltd	100	100	Y	Y	C	C		
Webster Trucks Mgmt Pty Ltd	100	100	Y	Y	C	C		
Western Equipment Rentals Pty Ltd	100	100	Y	Y	C	C		
Whitehorse Trucks Pty Ltd	100	100	Y	Y	C	C		
Widevalley Pty Ltd	100	100	Y	Y	C	C		
WS Motors Pty Ltd	100	100	Y	Y	C	C		
Zupp Holdings Pty Ltd	100	100	Y	Y	C	C		
Zupps Aspley Pty Ltd	100	100	Y	Y	C	C		Opt In
Zupps Gold Coast Pty Ltd	100	100	Y	Y	C	C		
Zupps Mt Gravatt Pty Ltd	100	100	Y	Y	C	C		
Zupps Parts Pty Ltd	100	100	Y	Y	C	C		
Zupps Southside Pty Ltd	100	100	Y	Y	C	C		Opt In

C - Member of the Closed Group
EC - Member of the Extended Closed Group

All subsidiaries that are either directly controlled by Eagers Automotive Limited, or are wholly owned within the Group, have ordinary class of shares and are incorporated in Australia or New Zealand.

All entities noted as members of the Deed of Cross Guarantee (DOCG) above, were parties to a Deed of Cross Guarantee with Eagers Automotive Limited pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 which has been lodged with and approved by Australian Securities and Investments Commission as at 31 December 2020. Under the DOCG each of these companies guarantee the debts of the other named companies.

(a) **Members of the Closed Group**

A consolidated statement of profits or loss and statement of financial position, comprising the Company and entities which are members of the Closed Group, after eliminating all transactions between parties to the deed of cross guarantee, at 31 December 2020 is set out below:

Deed of Cross Guarantee	2020 $'000	2019 $'000
Statement of Profit or Loss		
Profit/(Loss) before tax from continuing operations	198,694	(83,854)
Addback: AASB16 Closed Group adjustment	553	-
Profit/(Loss) before tax from continuing operations	**199,247**	**(83,854)**
Income tax expense from continuing operations	(67,687)	(10,525)
Profit/(loss) for the period from continuing operations	**131,560**	**(94,379)**
(Loss) for the period from discontinued operations	-	(48,644)
Profit/(Loss) for the year	**131,560**	**(143,023)**

33 INVESTMENTS IN SUBSIDIARIES (continued)

Deed of Cross Guarantee	2020 $'000	2019 $'000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	172,663	82,478
Trade and other receivables	235,378	268,918
Inventories	813,512	1,280,699
Prepayments and deposits	29,820	20,573
Finance lease receivable	27,309	-
	1,278,682	**1,652,668**
Assets classified as held for sale	-	507,155
Total current assets	**1,278,682**	**2,159,823**
Non-current assets		
Other loans receivable	23,148	30,893
Financial assets at fair value through other comprehensive income	588	2,366
Investments in associates	1,233	16,756
Property, plant and equipment	474,122	439,910
Intangible assets	667,283	725,404
Deferred tax assets	147,219	158,874
Other non-current assets	9,837	13,030
Finance lease receivable	187,971	-
Right-of-use assets	718,161	896,143
Total non-current assets	**2,229,562**	**2,283,376**
Total assets	**3,508,243**	**4,443,199**
Current liabilities		
Trade and other payables	326,232	330,767
Borrowings - bailment and other current loans	680,536	1,147,462
Current tax liabilities	24,235	28,655
Provisions	112,306	92,384
Deferred revenue	15,864	40,180
Lease liabilities	164,104	154,918
	1,323,277	1,794,366
Liabilities directly associated with assets classified as held for sale	-	508,666
Total current liabilities	**1,323,277**	**2,303,032**
Non-current liabilities		
Borrowings	304,513	381,869
Deferred revenue	20,906	43,804
Provisions	24,264	43,529
Lease liabilities	1,014,753	913,014
Total non-current liabilities	**1,364,436**	**1,382,216**
Total liabilities	**2,687,713**	**3,685,248**
Net assets	**820,530**	**757,951**
Equity		
Contributed equity	1,173,069	1,156,938
Reserves	(599,431)	(602,362)
Retained earnings	246,892	193,952
	820,530	**748,528**
Non-controlling interests	-	9,423
Total equity	**820,530**	**757,951**

33 INVESTMENTS IN SUBSIDIARIES (continued)

(b) **Members of the Extended Closed Group**

Entities that are parties to the Deed of Cross Guarantee and controlled by Eagers Automotive Limited.

A consolidated Statement of Profit or Loss and Statement of Financial Position, comprising the entities that are parties to the deed of cross guarantee and controlled by Eagers Automotive Limited, after eliminating all transactions between parties to the deed of cross guarantee, at 31 December 2020 is set out below:

Deed of Cross Guarantee	2020 $'000	2019 $'000
Statement of Profit or Loss		
Profit/(Loss) before tax from continuing operations	252,610	(83,854)
Addback: AASB16 Closed Group adjustment	328	-
Profit/(Loss) before tax from continuing operations	**252,938**	**(83,854)**
Income tax expense from continuing operations	(73,484)	(10,525)
Profit/(loss) for the period from continuing operations	**179,454**	**(94,379)**
(Loss) for the period from discontinued operations	-	(48,644)
Profit/(Loss) for the year	**179,454**	**(143,023)**

33 INVESTMENTS IN SUBSIDIARIES (continued)

Deed of Cross Guarantee	2020 $'000	2019 $'000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	173,360	82,738
Trade and other receivables	245,710	280,246
Inventories	862,063	1,334,656
Prepayments and deposits	30,016	21,031
Finance lease receivable	27,309	-
	1,338,458	**1,718,671**
Assets classified as held for sale	-	507,155
Total current assets	**1,338,458**	**2,225,826**
Non-current assets		
Other loans receivable	23,148	30,893
Financial assets at fair value through other comprehensive income	588	2,366
Investments in associates	1,233	16,756
Property, plant and equipment	477,058	442,717
Intangible assets	700,616	758,737
Deferred tax assets	149,049	161,005
Other non-current assets	9,837	13,030
Finance lease receivable	187,971	-
Right-of-use assets	736,978	918,057
Total non-current assets	**2,286,478**	**2,343,561**
Total assets	**3,624,936**	**4,569,387**
Current liabilities		
Trade and other payables	314,441	335,294
Borrowings - bailment and other current loans	726,228	1,195,021
Current tax liabilities	21,600	25,466
Provisions	116,919	96,803
Deferred revenue	16,517	40,759
Lease liabilities	167,992	158,812
	1,363,697	1,852,155
Liabilities directly associated with assets classified as held for sale	-	508,666
Total current liabilities	**1,363,697**	**2,360,821**
Non-current liabilities		
Borrowings	304,513	381,869
Deferred revenue	20,906	43,804
Provisions	24,264	44,227
Lease liabilities	1,029,540	934,043
Total non-current liabilities	**1,379,223**	**1,403,943**
Total liabilities	**2,742,920**	**3,764,764**
Net assets	**882,016**	**804,623**
Equity		
Contributed equity	1,173,069	1,173,069
Reserves	(580,201)	(583,131)
Retained earnings	281,430	205,262
	874,298	**795,200**
Non-controlling interests	7,718	9,423
Total equity	**882,016**	**804,623**

33 INVESTMENTS IN SUBSIDIARIES (continued)

All 100% owned subsidiaries were parties to a deed of cross guarantee with Eagers Automotive Limited pursuant to Australian Securities and Investments Commission (ASIC) Corporations (Wholly-owned Companies) Instrument 2016/785 which has been lodged with and approved by ASIC as at 31 December 2020. Under the deed of cross guarantee each of these companies guarantee the debts of the other named companies.

As a party to the deed of cross guarantee, each of the wholly-owned subsidiaries (marked *) is relieved from the requirement to prepare and lodge an audited financial report.

AHG became a wholly-owned subsidiary of Eagers Automotive on or about on 24 October 2019 (Acquisition) pursuant to a compulsory acquisition by Eagers Automotive of all of the remaining shares in AHG that were not already owned by Eagers Automotive following the close of Eagers Automotive' off-market takeover bid for AHG on 16 September 2019.

Under ASIC Instrument 20-0106 (Instrument), Automotive Holdings Group Limited (AHG), the directors of AHG and Eagers Automotive were granted relief from compliance with certain provisions of the Corporations Act. The effect of this Instrument Is that subject to certain conditions

(a) AHG is not required to:

• prepare a separate audited financial report and Directors' report; or
• report to its member under section 314 of the Corporations Act; or
• send a report to its member in accordance with a request under subsection 316(1) of the Corporations Act, in relation to the financial year ended 31 December 2019;

(b) the directors of AHG do not have to comply with:

• the requirement under section 317 of the Corporations Act to lay reports before the AGM of AHG following the year ended 31 December 2019;
• a requirement (if any) in relation to the appointment of an auditor following any casual vacancy occurring before 31 March 2020;

(c) Eagers Automotive does not have to comply with subsection 292(1) of the Corporations Act in relation to the year ended 31 December 2019 to the extent that any non-compliance would result merely from Eagers Automotive preparing financial reports that includes notes that have been prepared for the purposes of compliance with the Instrument and section of 6 of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785; and

(d) AHG does not have to comply with a requirement (if any) to appoint an auditor of AHG at its AGM for the 2020 calendar year.

All subsidiaries that are either directly controlled by Eagers Automotive Limited, or are wholly owned within the Group, have ordinary class of shares and are incorporated in Australia or New Zealand.

33 INVESTMENTS IN SUBSIDIARIES (continued)

Information relating to Eagers Automotive Limited ('the parent entity')

	CONSOLIDATED	
		Restated
	2020	2019
	$'000	$'000
Financial position		
Assets		
Current assets	**-**	1,104
Non-current assets	**637,655**	616,165
	637,655	617,269
Liabilities		
Current liabilities	**13,883**	-
Non-current liabilities	**-**	58,945
	13,883	58,945
Equity		
Issued capital	**1,173,069**	1,173,069
Retained earnings	**38,898**	(55,410)
Reserves		
Asset revaluation reserve	**1,683**	1,683
Business Combination Reserve	**(479,042)**	(479,042)
Investment revaluation reserve	**(48,326)**	(48,326)
Share based payments reserve	**(62,510)**	(33,650)
	623,772	558,324
Financial performance		
Profit for the year	**85,373**	(148,944)
Other comprehensive income	**-**	58,787
Total comprehensive income	85,373	(90,157)

Refer Notes 34(a) and 34(b) in respect of guarantees entered into by the parent entity in relation to debts of its subsidiaries.

33 INVESTMENTS IN SUBSIDIARIES (continued)

(c) Acquisition of AHG

On 19 August 2019, Eagers Automotive Limited acquired 62.53% of AHG Limited for a total consideration of $617.4 million. At 31 December 2019, the fair value of the assets acquired and liabilities assumed were recognised on a provisional basis. During the period, the fair value of assets acquired and the liabilities acquired has been finalised and the effect of the financial statements has been summarised below. The goodwill of $676.8 million represents the residual value on the purchase price over the fair value of the identifiable assets and liabilities.

The movement in relation to the fair value adjustments reflect the finalisation of the fair value of property, plant and equipment, right-of-use assets, inventories and contingent liabilities. Relevant balances as at 31 December 2019 have been restated as a consequence.

	Provisional fair value at 31 December 2019 $'000	Measurement period adjustments $'000	Final fair value at 31 December 2019* $'000
Purchase consideration - Ordinary shares issued to obtain controlling interest	344,509	-	344,509
Previously held equity investment, at fair value	295,131	-	295,131
Non-controlling interest	(13,574)	(8,708)	(22,282)
	626,066	**(8,708)**	**617,358**
Less: Net identified liabilities acquired at fair value	36,199	23,222	59,421
Goodwill arising on acquisition	**662,265**	**14,514**	**676,779**

The provisional fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Provisional fair value at 31 December 2019 $'000	Measurement period adjustments $'000	Final fair value at 31 December 2019* $'000
Cash and cash equivalents	66,745	-	66,745
Trade and other receivables	202,611	(632)	201,979
Inventories	911,984	(4,143)	907,841
Prepayments and deposits	13,924	-	13,924
Deferred tax assets	117,156	8,974	126,130
Property, plant and equipment	155,906	(21,792)	134,114
Right-of-use assets	873,787	(4,600)	869,187
Other assets	41,839	-	41,839
Assets classified as held for sale	571,548	-	571,548
Total Assets	**2,955,500**	**(22,193)**	**2,933,307**
Trade and other payables	247,045	3,813	250,858
Lease liabilities	936,381	-	936,381
Other liabilities	1,268,365	(2,861)	1,265,504
Liabilities directly associated with assets classified as held for sale	549,317	-	549,317
Total Liabilities	**3,001,108**	**952**	**3,002,060**
Total identified tangible liabilities acquired at fair value	**(45,608)**	**(23,145)**	**(68,753)**
Intangible assets recognised on acquisition	9,409	(77)	9,332
Total identified liabilities acquired at fair value	**(36,199)**	**(23,222)**	**(59,421)**

33 INVESTMENTS IN SUBSIDIARIES (continued)

(d) Acquisition of other businesses

The Group acquired the following business during the 2020 year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2020	Toyota Albion	31 January 2020	Motor Dealership	100%
2020	Daimler Trucks Somerton	31 July 2020	Motor Dealership	100%
2020	Indooroopilly Honda	12 November 2020	Motor Dealership	100%

The acquired businesses did not contribute materially to the consolidated profit before tax or consolidated revenue for the period.

Allocation of purchase consideration

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

	Toyota Albion $'000	Daimler Trucks Somerton $'000	Indooroopilly Honda $'000	2020 Total Consolidated $'000
Cash consideration	14,932	1,698	111	**16,741**
Total purchase consideration	14,932	1,698	111	**16,741**

Consolidated fair value at acquisition date	**2020 $'000**
Net assets acquired	
Receivables, prepayments	**111**
Inventory	**2,249**
Property, plant and equipment	**168**
Creditors, borrowings and provisions	**(1,287)**
Net assets acquired	**1,241**
Acquisition cost	**16,741**
Goodwill on acquisition (i)	**15,500**

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

	2020 $'000
Cash consideration on acquisition	**16,741**
Net cash flow on acquisition of business	**16,741**

33 INVESTMENTS IN SUBSIDIARIES (continued)

(e) Acquisition of businesses in prior year

The Group acquired the following business during the 2019 year, which have been finalised in the 2019 year, as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2019	Adelaide BMW	April 2019	Motor Dealership	100%

During 2019 the acquired businesses contributed revenue of $61,515,000 and a profit before tax of $429,000 to the consolidated result. If the acquisition had occurred on 1 January 2019, the consolidated revenue and the consolidated profit before tax of the acquired businesses would have been approximately $92,273,000 and $644,000 respectively.

Allocation of purchase consideration

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

	Adelaide BMW $'000
Cash consideration	8,651
Total purchase consideration	8,651

Consolidated fair value at acquisition date	**2019 $'000**
Net assets acquired	
Cash	4
Receivables, prepayments	74
Inventory	2,163
Right-of-use assets	12,468
Property, plant and equipment	1,509
Lease liabilities	(12,468)
Creditors, borrowings and provisions	(1,411)
Net assets acquired	**2,339**
Acquisition cost	8,651
Goodwill on acquisition (i)	**6,312**

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

33 INVESTMENTS IN SUBSIDIARIES (continued)

(f) Business disposal and discontinued operations

The Group sold the following business during the 2020 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2020	Frankston Mitsubishi and Kia (1)	16 March 2020	Motor Vehicle Dealership	100%
2020	Bunbury Trucks (1)	15 May 2020	Motor Dealership	100%
2020	Refrigerated Logistics (2)	29 June 2020	Other Logistics	100%
2020	Stillwell Kia (1)	3 July 2020	Motor Dealership	100%
2020	Knox Mitsubishi (1)	8 July 2020	Motor Dealership	100%
2020	Caloundra City Autos (1)	16 October 2020	Motor Vehicle Dealership	100%
2020	Zupps Beaudesert (1)	6 November 2020	Motor Vehicle Dealership	100%
2020	Zupps Browns Plains (1)	12 November 2020	Motor Vehicle Dealership	100%
2020	Browns Plains Mazda (1)	13 November 2020	Motor Vehicle Dealership	100%

(1) Net Assets and Liabilities disposed of

	CONSOLIDATED 2020 $'000
Net assets disposed of	
Receivables, Prepayments	425
Inventory	5,052
Property, plant and equipment	2,013
Intangible assets	1,046
Creditors, borrowings and provisions	(6,206)
Net assets disposed	**2,330**
Total consideration received (100% Cash)	7,747
Gain on sale	5,417

(2) Refrigerated Logistics

On the 29th June 2020, Eagers Automotive Limited divested Refrigerated Logistics (RL), a business acquired as part of the acquisition of AHG Limited in 2019 and immediately classified as an asset Held for Sale, see Note 33(c). The Buyer, Anchorage Capital Partners, acquired the business on a debt-free basis, with the sale proceeds at completion directed to the repayment of the finance leases and hire purchase liabilities associated with RL. The loss from discontinued operations reported in the Statement of Profit or Loss represents a combination of RL trading losses for the period ended 30 June 2020 and the loss realised on divestment of the business.

As part of the divestment, Eagers Automotive Limited entered into a number of back-to-back sublease arrangements for property leases with the buyer. These right of use assets and lease liabilities of the head leases were reclassified from Assets Held for Sale to its relevant account balances in the statement of financial position. Eagers Automotive Limited have applied the relevant accounting standard, AASB 16, and accounts for the sublease arrangements as finance leases. The accounting policy applied has been detailed in Note 1.

Accounting Treatment of Refrigerated Logistics

RL has been classified as a discontinued operation within the Statement of Profit or Loss, on the basis that it was classified as held for sale on acquisition of AHG (see Note 33(c)) and was a subsidiary acquired exclusively with a view to resell. Therefore, the Group elected to apply the reduced disclosure in accordance with AASB 5 *Non Current Assets Held for Sale and Discontinued Operations*. The Group recorded a net loss of $35.3 million in relation to RL for the period up to its disposal on 29 June 2020 (loss from discontinued operations in 2019: $59.0 million, comprising impairment and operational losses).

Further, in accordance with AASB 5, a single cash flow statement combining operating, financing and investing cash flows from both continuing and discontinuing operations has been reported. Given Eagers Automotive satisfies the criteria to be classified as held for sale on acquisition, Eagers Automotive Limited is not required to disclose the net cash flows attributable to the operating, investing and financing activities separately in the notes.

33 INVESTMENTS IN SUBSIDIARIES (continued)

(g) Disposal of businesses in prior year

The Group sold the following business during the 2019 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2019	Austral Motor Group	May 2019	Motor Dealership	100%
2019	Kloster Motor Group	October 2019	Motor Dealership	100%
2019	Mornington Auto Group	December 2019	Motor Dealership	100%

	CONSOLIDATED 2019 $'000
Net assets disposed of	
Receivables, Prepayments	18,623
Inventory	71,913
Property, plant and equipment	3,784
Intangible assets	25,253
Creditors, borrowings and provisions	(74,327)
Net assets disposed	**45,246**
Total consideration received (100% Cash)	64,954
Gain on sale	19,708

33 INVESTMENTS IN SUBSIDIARIES (continued)

(h) Details of non-wholly owned subsidiaries

The table below shows details of non-wholly owned subsidiaries of the Group. The Group have reviewed its subsidiaries that have non-controlling interests and note that they are not material to the reporting entity.

	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Individually immaterial subsidiaries with non-controlling interest	**8,921**	2,789	**13,860**	9,423

	CONSOLIDATED	
	2020	2019
	$'000	$'000
Movement - Non-Controlling Interest		
Balance at the beginning of the financial year	**9,423**	8,002
Profit for the year	**8,921**	2,789
Acquisition of non-controlling interest	**-**	13,574
Payment of dividend	**(4,484)**	(1,368)
Disposal of non-controlling interest	**-**	(13,574)
Balance as at the end of the financial year	**13,860**	9,423

34 CONTINGENT LIABILITIES

(a) Parent entity

Unsecured guarantees, indemnities and undertakings have been given by the parent entity in the normal course of business in respect of financial and trade arrangements entered into by its subsidiaries. It is not anticipated that the parent entity will become liable for any amount in respect thereof. At 31 December 2020 no subsidiary was in default in respect of any arrangement guaranteed by the parent entity and all amounts owed have been brought to account as liabilities in the financial statements.

(b) Deed of cross guarantee

Eagers Automotive Limited and all of its 100% owned subsidiaries were parties to a deed of cross guarantee lodged with the Australian Securities and Investments Commission as at 31 December 2020. Under the deed of cross guarantee each company within the closed Group guarantees the debts of the other companies. The maximum exposure of the parent entity in relation to the cross guarantees is $3,095,192,000 (2019: $3,947,518,000).

35 COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

Capital expenditure for land, buildings, plant and equipment contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	CONSOLIDATED	
	2020 $'000	2019 $'000
Within one year	**2,263**	3,885

36 REMUNERATION OF AUDITOR

Amounts received or due and receivable by Deloitte Touche Tohmatsu ("Deloitte") for: - Audit or review of the financial report of the parent entity and any other entity in the consolidated entity	**1,315**	1,376
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for: Audit and other assurance services	**-**	500
Amounts received or due and receivable by related entities of Deloitte for: Non-audit services	**1,308**	974
	2,623	2,850

(i) Non audit services include $1,143,000 of integration support services performed for the Group relating to the acquisition of AHG. This is in addition to $162,000 in Tax Compliance Services and $3,000 for Compliance Assurance Services.

37 SUBSEQUENT EVENTS

In January 2021, the Group completed the acquisition of four properties under two separate asset purchase agreements. The Group acquired a portfolio of three properties in WA for $30.3 million, and a site located in Castle Hill, NSW for $76.3 million.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

38 KEY MANAGEMENT PERSONNEL

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

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

The specified Executives of Eagers Automotive Limited during the financial year were:

(a) Details of key management personnel

(i) Directors	T B Crommelin	Chairman (non-executive)
	M A Ward	Managing Director and Chief Executive Officer
	S A Moore	Director and Chief Financial Officer
	D A Cowper	Director (non-executive)
	N G Politis	Director (non-executive)
	D T Ryan	Director (non-executive)
	M J Birrell	Director (non-executive)
	G J Duncan	Director (non-executive), appointed 6 December 2019
	D S Blackhall	Director (non-executive), appointed 6 December 2019
	M V Prater	Director (non-executive), appointed 3 February 2020
(ii) Executives	D G Stark	General Counsel & Company Secretary
	K T Thornton	Chief Operating Officer - Cars

(b) Compensation of key management personnel

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

	CONSOLIDATED	
	2020	2019
	$'000	$'000
Short term	**4,168**	4,520
Post employment benefits	**122**	130
Share based payments	**408**	1,460
	4,698	6,110

(c) Option holdings of key management personnel

Details of options held by key management personnel can be found in Note 38(f).

(d) Loans to key management personnel

There are no loans to key management personnel.

(e) Other transactions with key management personnel

Other transactions with key management personnel are detailed in Note 40.

(f) Share Based Payments

Plan C: EPS Performance Rights and Options – Key Executives 2014

The Group commenced an Earnings Per Share (EPS) based performance rights and options compensation scheme for specific executive officers in 2014. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights					
Award date 4 July 2014					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	04-Jul-21	04-Jul-21	04-Jul-21	30-Sep-22	30-Sep-22
Share price at grant date	$ 5.47	$ 5.47	$ 5.47	$ 5.47	$ 5.47
Expected life	1.7 years	2.7 years	3.7 years	4.7 years	5.7 years
Volatility	25%	25%	25%	25%	25%
Risk free interest rate	2.51%	2.63%	2.79%	2.96%	3.13%
Dividend yield	4.2%	4.2%	4.2%	4.2%	4.2%

38 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan C: EPS Performance Rights and Options – Key Executives 2014 (continued)

Performance Options					
Award date 4 July 2014					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	04-Jul-21	04-Jul-21	04-Jul-21	30-Sep-22	30-Sep-22
Share price at grant date	$ 5.47	$ 5.47	$ 5.47	$ 5.47	$ 5.47
Exercise price	$ 5.47	$ 5.47	$ 5.47	$ 5.47	$ 5.47
Expected life	4.4 years	4.9 years	5.4 years	5.9 years	7.0 years
Volatility	25%	25%	25%	25%	25%
Risk free interest rate	2.90%	2.98%	3.06%	3.24%	3.31%
Dividend yield	4.2%	4.2%	4.2%	4.2%	4.2%

The Managing Director, General Manager Queensland and Northern Territory, previous Chief Financial Officer, General Counsel and Company Secretary and four other senior executives have been granted rights and options under the EPS share incentive plan (Plan C). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS and interest cover targets being achieved and vesting occurring. The number of performance rights and options granted under the plan is as follows:

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
137,791	04-Jul-14	31-Dec-15	04-Jul-21	$ 5.08
137,571	04-Jul-14	31-Dec-16	04-Jul-21	$ 4.87
143,464	04-Jul-14	31-Dec-17	04-Jul-21	$ 4.67
149,551	04-Jul-14	31-Dec-18	30-Sep-22	$ 4.48
156,173	04-Jul-14	31-Dec-19	30-Sep-22	$ 4.29

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
769,228	04-Jul-14	31-Dec-15	04-Jul-21	$ 0.91
712,760	04-Jul-14	31-Dec-16	04-Jul-21	$ 0.94
705,258	04-Jul-14	31-Dec-17	04-Jul-21	$ 0.95
663,363	04-Jul-14	31-Dec-18	30-Sep-22	$ 1.01
656,857	04-Jul-14	31-Dec-19	30-Sep-22	$ 1.02

No performance rights or options were forfeited or expired during the year. A total of 142,772 rights were issued in respect of the 2019 performance year and 64,820 options exercised during the year.

No costs of the share plan were expensed during 2020 (2019: $1,224,986). The share plan was fully expensed by the end of 2019, with a cumulative expense being recognised of $6,557,247.

Plan J: EPS Performance Rights and Options - Key Executive

The Group commenced a new Earnings Per Share (EPS) based performance rights and options compensation scheme for two specific executive officers in 2015. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights					
Award date 12 June 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	12-Jun-22	12-Jun-22	12-Jun-22	30-Sep-22	30-Sep-22
Share price at grant date	$9.25	$9.25	$9.25	$9.25	$9.25
Expected life	0.8 years	1.8 years	2.8 years	3.8 years	4.8 years
Volatility	24%	24%	24%	24%	24%
Risk free interest rate	1.98%	1.99%	2.06%	2.18%	2.33%
Dividend yield	3.7%	3.7%	3.7%	3.7%	3.7%

38 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan J: EPS Performance Rights and Options - Key Executive (continued)

Performance Options					
Award date 12 June 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	12-Jun-22	12-Jun-22	12-Jun-22	30-Sep-22	30-Sep-22
Share price at grant date	$9.25	$9.25	$9.25	$9.25	$9.25
Exercise price	$9.25	$9.25	$9.25	$9.25	$9.25
Expected life	3.9 years	4.4 years	4.9 years	5.5 years	6.1 years
Volatility	24%	24%	24%	24%	24%
Risk free interest rate	2.19%	2.27%	2.35%	2.46%	2.54%
Dividend yield	3.7%	3.7%	3.7%	3.7%	3.7%

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

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
2,783	12-Jun-15	31-Dec-15	12-Jun-22	$8.98
5,780	12-Jun-15	31-Dec-16	12-Jun-22	$8.65
5,995	12-Jun-15	31-Dec-17	12-Jun-22	$8.34
6,218	12-Jun-15	31-Dec-18	30-Sep-22	$8.04
6,458	12-Jun-15	31-Dec-19	30-Sep-22	$7.74

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
17,605	12-Jun-15	31-Dec-15	12-Jun-22	$1.42
33,783	12-Jun-15	31-Dec-16	12-Jun-22	$1.48
32,678	12-Jun-15	31-Dec-17	12-Jun-22	$1.53
31,645	12-Jun-15	31-Dec-18	30-Sep-22	$1.58
31,250	12-Jun-15	31-Dec-19	30-Sep-22	$1.60

No performance rights or options were forfeited or expired during the year. A total of 6,458 rights were issued in respect of the 2019 performance year and no options exercised during the year.

No costs of the share plan were expensed during 2020 (2019: $99,985). The share plan was fully expensed by the end of 2019, with a cumulative expense being recognised of $449,959.

Plan L: Executive incentive plan - Grant of performance rights - Key Executive

The Group commenced a new performance rights compensation scheme for a specific executive officer in 2020. The fair value of these performance rights is calculated on grant date and recognised over the period to vesting. The performance rights are automatically exercised and converted to vested restricted shares on the Conversion Date, being the date that is one week after release of the Company's full-year financial results. The vesting of the performance rights granted is based on continued employment at the relevant vesting dates. The fair value was estimated by taking the market price of the company's shares on the grant date less the present value of expected dividends that will not be received during the period.

Performance Rights			
Award date 17 February 2020			
Vesting date	31/12/19	31/12/20	31/12/21
Share price at grant date	$9.00	$9.00	$9.00
Expected life	0.0 years	0.87 years	1.87 years
Risk free interest rate	0.81%	0.81%	0.75%
Dividend yield	4.056%	4.056%	4.056%

The number of performance rights granted under the plan is as follows:

38 KEY MANAGEMENT PERSONNEL (continued)

(f) Share Based Payments (continued)

Plan L: Executive incentive plan - Grant of performance rights - Key Executive (continued)

Performance Rights			
Number	**Grant Date**	**End Performance Period**	**Fair Value at Grant Date**
30,000	17/02/20	31/12/19	$9.00
35,000	17/02/20	31/12/20	$9.00
35,000	17/02/20	31/12/21	$9.00

No performance rights were forfeited or expired during the year. A total of 30,000 rights were issued during the year in respect of the 2019 performance year.

The value of the performance rights expensed during the year was $407,914, with a cumulative expense being recognised at 31 December 2020 of $712,983 (2019: $305,069).

39 OTHER SHARE BASED PAYMENTS

Recognised share-based payments expenses

Refer Note 31(a) for movements in share based payments reserve.

Plan F: EPS Performance Options – Senior Management 2013

The Group commenced an Earnings Per Share (EPS) based share options compensation scheme for 57 specific senior staff, including the Company Secretary/General Counsel. The fair value of these performance options is calculated on grant date and recognised over the period to vesting. The vesting of the performance options granted is based on the achievement of specified earnings per share growth targets. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Options					
Award date 27 March 2013					
Vesting date	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19
Expiry date	31-Mar-20	31-Mar-20	31-Mar-20	31-Mar-20	31-Mar-20
Share price at grant date	$ 4.84	$ 4.84	$ 4.84	$ 4.84	$ 4.84
Exercise price	$ 5.04	$ 5.04	$ 5.04	$ 5.04	$ 5.04
Expected life	4.5 years	4.5 years	5.0 years	5.5 years	6.0 years
Volatility	30%	30%	30%	30%	30%
Risk free interest rate	3.08%	3.08%	3.13%	3.17%	3.22%
Dividend yield	4.20%	4.20%	4.20%	4.20%	4.20%

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

Performance Options				
Number	**Grant Date**	**End Performance Period**	**Expiry Date**	**Fair Value at Grant Date**
951,950	27-Mar-13	31-Dec-14	31-Mar-20	$ 0.93
951,950	27-Mar-13	31-Dec-15	31-Mar-20	$ 0.93
911,510	27-Mar-13	31-Dec-16	31-Mar-20	$ 0.96
892,840	27-Mar-13	31-Dec-17	31-Mar-20	$ 0.98
883,750	27-Mar-13	31-Dec-18	31-Mar-20	$ 0.99

A total of 365,580 were forfeited or expired during the year. A total of 1,638,770 options were exercised during the year.

No costs of the share plan were expensed during 2020 (2019: $Nil). The share plan was fully expensed by the end of 2017 with a cumulative expense recognised of $3,607,822.

Plan H: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and options compensation scheme for four specific executive officers in 2015. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights					
Award date 21 January 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	21-Jan-22	21-Jan-22	21-Jan-22	30-Sep-22	30-Sep-22
Share price at grant date	$5.85	$5.85	$5.85	$5.85	$5.85
Expected life	1.2 years	2.2 years	3.2 years	4.2 years	5.2 years
Volatility	22%	22%	22%	22%	22%
Risk free interest rate	2.20%	2.12%	2.11%	2.15%	2.22%
Dividend yield	4.4%	4.4%	4.4%	4.4%	4.4%

39 OTHER SHARE BASED PAYMENTS (continued)

Plan H: EPS Performance Rights and Options – Key Executives (continued)

Performance Options					
Award date 21 January 2015					
Vesting date	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	21-Jan-22	21-Jan-22	21-Jan-22	30-Sep-22	30-Sep-22
Share price at grant date	$5.85	$5.85	$5.85	$5.85	$5.85
Exercise Price	$5.65	$5.65	$5.65	$5.65	$5.65
Expected life	4.1 years	4.6 years	5.1 years	5.9 years	6.4 years
Volatility	22%	22%	22%	22%	22%
Risk free interest rate	2.15%	2.18%	2.21%	2.28%	2.33%
Dividend yield	4.4%	4.4%	4.4%	4.4%	4.4%

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

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
14,412	21-Jan-15	31-Dec-15	21-Jan-22	$5.55
15,065	21-Jan-15	31-Dec-16	12-Feb-22	$5.31
15,746	21-Jan-15	31-Dec-17	12-Feb-22	$5.08
16,459	21-Jan-15	31-Dec-18	12-Feb-22	$4.86
17,202	21-Jan-15	31-Dec-19	30-Sep-22	$4.65

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
95,235	21-Jan-15	31-Dec-15	21-Jan-22	$0.84
93,020	21-Jan-15	31-Dec-16	12-Feb-22	$0.86
93,020	21-Jan-15	31-Dec-17	12-Feb-22	$0.86
91,953	21-Jan-15	31-Dec-18	12-Feb-22	$0.87
93,020	21-Jan-15	31-Dec-19	30-Sep-22	$0.86

No performance rights or options were forfeited or expired during the year. A total of 15,052 performance rights were issued during the year in respect of the 2019 performance year.

No costs of the share plan were expensed during 2020 (2019: $139,990). The share plan was fully expensed by the end of 2019, with a cumulative expense being recognised of $749,281.

Plan K: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and options compensation scheme for one specific executive officer in 2016. The fair value of these performance rights and options is calculated on grant date and recognised over the period to vesting. The vesting of the performance rights and options granted is based on the achievement of specified earnings per share growth targets and interest cover thresholds. The fair value has been calculated using a binomial option pricing model based on numerous variables including the following:

Performance Rights				
Award date 31 March 2016				
Vesting date	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24
Share price at grant date	$9.75	$9.75	$9.75	$9.75
Expected life	1.0 year	2.0 years	3.0 years	4.0 years
Volatility	27%	27%	27%	27%
Risk free interest rate	1.95%	1.88%	1.90%	1.98%
Dividend yield	3.8%	3.8%	3.8%	3.8%

39 OTHER SHARE BASED PAYMENTS (continued)

Plan K: EPS Performance Rights and Options – Key Executives (continued)

Performance Options				
Award date 31 March 2016				
Vesting date	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
Expiry date	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24
Share price at grant date	$9.75	$9.75	$9.75	$9.75
Exercise price	$10.34	$10.34	$10.34	$10.34
Expected life	4.5 years	5.0 years	5.5 years	6.0 years
Volatility	27%	27%	27%	27%
Risk free interest rate	2.03%	2.08%	2.13%	2.18%
Dividend yield	3.8%	3.8%	3.8%	3.8%

One specific executive has been granted rights and options under the EPS share incentive plan (Plan K). The modified grant date method (AASB 2) is applied to this incentive plan whereby the cost of the plan is determined by the value of the rights and options at grant date and the probability of the EPS targets being achieved and vesting occurring. The number of rights and options granted under the plan is as follows:

Performance Rights

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
7,987	31-Mar-16	31-Dec-16	31-Mar-24	$9.39
8,296	31-Mar-16	31-Dec-17	31-Mar-24	$9.04
8,620	31-Mar-16	31-Dec-18	31-Mar-24	$8.70
8,960	31-Mar-16	31-Dec-19	31-Mar-24	$8.37

Performance Options

Number	Grant Date	End Performance Period	Expiry Date	Fair Value at Grant Date
48,076	31-Mar-16	31-Dec-16	31-Mar-24	$1.56
46,012	31-Mar-16	31-Dec-17	31-Mar-24	$1.63
44,910	31-Mar-16	31-Dec-18	31-Mar-24	$1.67
43,859	31-Mar-16	31-Dec-19	31-Mar-24	$1.71

No performance rights or options were forfeited or expired during the year. A total of 25,876 rights were issued and no options were exercised during the year in respect of the 2019 performance year.

No costs of the share plan were expensed during 2020 (2019: $149,994). The share plan was fully expensed by the end of 2019, with a cumulative expense being recognised of $599,980.

40 RELATED PARTIES

Key management personnel

Other information on key management personnel has been disclosed in the Directors' Report.

Remuneration and retirement benefits

Information on the remuneration of key individual management personnel has been disclosed in the Remuneration Report included in the Directors' Report.

Other transactions of Directors and Director related entities

The aggregate amount of "Other transactions" with key management personnel are as follows:

(i) Mr N G Politis is a Director and shareholder of a number of companies involved in the motor industry with whom the consolidated entity transacts business. These transactions, sales of $456,669 (2019: $85,314) and purchases of $976,540 (2019: $71,337) during the last 12 months, are primarily the sale and purchase of spare parts, accessories and motor vehicles, and are carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

(ii) Mr M Birrell is a Director and owner of a number of properties leased by subsidiaries of Eagers Automotive Limited. The lease transactions of $1,870,034 (2019: $3,820,621) have been carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length. In respect of those properties, the Group paid and was subsequently reimbursed for repairs and maintenance totalling $175,584.80 for which Mr M Birrell's related party was liable.

Furthermore, during the twelve months ended 31 December 2020, Mr M Birrell purchased stock with a value of $251,746 (2019: $580,096) from one of the subsidiaries and sold goods and services of $nil (2019: $170,830). This transaction was carried out under terms and conditions no more favourable than those which is reasonable to expect would have applied if the transactions were at arms length.

Mr M Birrell is a Director and owner of a company involved in the provision of finance to the motor vehicle industry with whom the consolidated entity transacts business. These transactions, totalling $204,241 (2019: $210,071), are commissions paid to the consolidated entity and are carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

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

Wholly-owned Group

The parent entity of the wholly-owned Group is Eagers Automotive Limited. Information relating to the wholly-owned Group is set out in Note 33.

41 EARNINGS PER SHARE

(a) Basic earnings per share

	CONSOLIDATED	
	2020 Cents	Restated 2019 Cents
From continuing operations attributable to the ordinary equity holders of the company	**57.6**	(67.4)
From continuing operations	**71.4**	(39.4)
From discontinued operation	**(13.8)**	(28.0)

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the company	**57.3**	(67.4)
From continuing operations	**71.0**	(39.4)
From discontinued operation	**(13.7)**	(28.0)

(c) Reconciliation of earnings used in calculating earnings per share

	CONSOLIDATED	
	2020 $'000	2019 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
Profit/(Loss) for the year	**156,212**	(142,380)
Less: attributable to non-controlling interest	**(8,921)**	(2,787)
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**147,291**	(145,167)
Diluted earnings per share		
Profit/(Loss) for the year attributable to share holders of the parent	**147,291**	(145,167)
Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**147,291**	(145,167)

	2020 Number	2019 Number
Weighted average number of ordinary shares outstanding during the year	**255,840,110**	**211,306,958**
Shares deemed to be issued for no consideration in respect of employee options (1)	**1,315,694**	2,728,331
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	**257,155,804**	214,035,289

(1) 329,818 performance options representing potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

(2) In 2019, the options of 2,728,331 are considered to be anti-dilutive due to the prior period loss.

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

	Notes	CONSOLIDATED 2020 $'000	Restated 2019 $'000
Net profit after tax		**156,211**	(139,593)
Depreciation and amortisation	6(a)	**166,257**	109,061
Impairment of non-current assets	6(b)	**90,700**	290,141
Gain on reclassification of investment in AHG		**-**	(65,061)
Gain on contingent consideration release		**-**	(19,674)
Share of profits of associate		**(3,758)**	(407)
(Gain)/Loss on disposal of non-financial assets	5	**(860)**	(6,715)
Gain on sale of property, plant & equipment		**(1,395)**	(14,457)
Employee share scheme expense		**408**	1,906
Rent Waivers	5	**(9,477)**	-
Profit on sale of business	5	**(5,417)**	(19,709)
(Increase)/decrease in assets -			
Receivables		**40,660**	57,521
Inventories		**433,146**	169,718
Prepayments		**(8,678)**	(1,779)
Contract Assets		**31,905**	-
Increase/(decrease) in liabilities -			
Creditors (including bailment finance)		**(347,084)**	(231,422)
Provisions		**(5,888)**	(11,301)
Taxes payable		**(8,843)**	52,567
Net cash inflow from operating activities		**527,887**	170,796

43 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The below table represents the cash and non-cash movements in financing activities for 2020:

	1 January 2020 $'000	Financing cashflows $'000	Acquisition of subsidiary $'000	Termination of leases $'000	Fair value adjustments/ rent reviews $'000	Property acquisitions $'000	New leases $'000	Other changes (i) $'000	31 December 2020 $'000
Term facility	332,313	(194,625)	-	-	-	-	-	(188)	137,500
Capital loan	77,778	18,840	-	-	-	104,237	-	-	200,855
Lease liabilities	1,192,557	(160,222)	-	(84,366)	48,823	-	220,422	53,705	1,270,919
Total	**1,602,648**	**(336,007)**	**-**	**(84,366)**	**48,823**	**104,237**	**220,422**	**53,517**	**1,609,274**

(i) Other changes includes interest charged in relation to financing activities.

The below table represents the cash and non-cash movements in financing activities for 2019:

	1 January 2019 $'000	Financing cashflows $'000	Acquisition of subsidiary $'000	Termination of leases $'000	Fair value adjustments/ rent reviews $'000	Property acquisitions $'000	New leases $'000	Other changes (i) $'000	31 December 2019 $'000
Term facility	235,700	(179,899)	280,538	-	-		-	(4,026)	332,313
Capital loan	78,256	(1,342)	-	-	-	-	-	864	77,778
Lease liabilities	252,502	(64,801)	936,381	-	-	-	27,556	40,919	1,192,557
Total	**566,458**	**(246,042)**	**1,216,919**	**-**	**-**	**-**	**27,556**	**37,757**	**1,602,648**

(i) Other changes includes interest charged in relation to financing activities.

44 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

Investments in associate are accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the associate is set out below:

	OWNERSHIP INTEREST		CONSOLIDATED	
Name of company	**2020 %**	2019 %	**2020 $'000**	2019 $'000
Unlisted securities				
DealerMotive Limited	**-**	39.37	**-**	15,629
Vehicle Parts (WA) Pty Ltd	**50.00**	50.00	**1,233**	1,127
Mazda Parts	**16.67**	16.67	**328**	50
			1,561	16,806

DealerMotive Limited

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

In December 2019, eBay announced the acquisition of Cox Automotive Media Solutions, which includes Carsguide.com.au and Autotrader.com.au, from Cox Automotive Australia (CAA). The transaction was completed in Q2 2020 with CAA recording a gain on sale in 2020.

Following the completion of the transaction, Cox Automotive US and Dealermotive (DM) entered into an agreement for DM to exit their investment in CAA via the sale of their CCA shareholding directly to Cox Automotive US.

Vehicle Parts (WA) Pty Ltd

Vehicle Parts (WA) Pty Ltd provides warehousing and distribution of automotive parts and accessories for Subaru in Western Australia.

44 INVESTMENTS IN ASSOCIATES (continued)

(b) Movement in the carrying amounts of investment in associate

	CONSOLIDATED 2020 $'000	2019 $'000
Carrying amount at the beginning of the financial year	**16,806**	12,077
Equity share of profit from ordinary activities after income tax	**3,758**	407
Dividends received during the year	**(4,629)**	-
Equity accounted investments acquired	**-**	4,322
Disposal of Investment	**(14,374)**	-
Carrying amount at the end of the financial year	**1,561**	16,806

(c) Share of associate profit

Based on the last published results for the 12 months to 30 June 2020 plus unaudited results up to 31 December 2020.

Profit from ordinary activities after income tax	**3,758**	407

(d) Reporting date of associates

The associates reporting dates are 30 June annually.

Directors' declaration

The Directors declare that:

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

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

(c) in the Director's opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 1(a) to the financial statements; and

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

At the date of this declaration, the company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Corporation Instrument applies, as detailed in Note 33 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Brisbane,
24th February 2021

Deloitte.

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Independent Auditor's Report to the Members of Eagers Automotive Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Eagers Automotive Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of Goodwill and other intangibles with indefinite lives As disclosed in Notes 2a (iii) and 19, the Group has recognised goodwill and other intangible assets with indefinite lives with a carrying value of $778.7 million at 31 December 2020. The assessment of the recoverable amount of goodwill and other intangible assets allocated to the CGUs or groups of CGUs requires management to exercise significant judgement, including: • the identification of and allocation of goodwill to the CGUs or groups of CGUs; and • the determination of the following key assumptions used in the calculation of the recoverable amount of each CGU or groups of CGUs: o the cash flow forecasts; o future growth rates; o terminal growth factors; and o discount rates.	In conjunction with our valuation specialists, our procedures included, but were not limited to: • Obtaining an understanding of the processes that management undertook in identifying the CGUs or groups of CGUs to which goodwill is allocated and preparing the valuation models for recoverable amounts. • Testing the design and implementation of identified manual controls. • Challenging the Group's assumptions and estimates used to determine the recoverable amount, including: o the basis of cash flows for the CGUs or groups of CGUs and agreeing inputs in the cash flow models to Board approved budgets and supporting data; o growth rates and terminal growth rates against relevant external data; and o the discount rates applied by comparing the rates used to the range of discount rates calculated by our internal valuation specialists. • Performing sensitivity analysis on key assumptions. • Testing the mathematical accuracy and integrity of the cash flow models. • Assessing the appropriateness of the disclosures in Notes 2a (iii) and 19 to the financial statements.
Recoverability of non-current assets As disclosed in Notes 2a (iv) and 19(a) management has undertaken an assessment of the recoverability of certain non-current assets including property, leasehold improvements and right-of-use assets associated with Holden and other leased sites where restructuring activities have been undertaken. The impairment assessment of these assets require management to exercise judgment in: • assessing whether an indicator of impairment exists; and • the determination of the recoverable amount.	Our procedures included, but were not limited to: • Obtaining an understanding of the processes that management undertook in identifying non-current assets with indicators of impairment and assessing their recoverable amounts. • Testing the design and implementation of identified manual controls. • Assessing and challenging: o the accuracy and completeness of the identified assets and their carrying values; and o the methodology adopted by Management in calculating the impairment. • Assessing the appropriateness of the disclosures in 2a (iv) and 19(a) to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Recoverability of inventory measured at net realisable value
 	
As disclosed in Notes 2a (v), (vi) and 11, management have recognised write-downs on the Group's new, demonstrator and used vehicle and truck inventory to determine the net realisable value ("NRV") at 31 December 2020.
 	
The assessment of the write-down to cost required to estimate the NRV of inventory requires the management to exercise judgement based on the age, condition and brand of the vehicle or truck and historic sales outcomes.
	Our procedures included, but were not limited to:
	
	• Developing an understanding of management's processes and judgements applied in estimating the NRV of new, demonstrator and used vehicles and trucks.
	• Testing the design and implementation of identified manual controls.
	• Validating the aging and cost, on a sample basis, of new, demonstrator and used vehicle and truck inventory at year-end as key inputs into management's calculation of the write down to NRV.
	• Evaluating management's judgements in estimating NRV by:
	  o comparing the carrying value of vehicles to post year-end sales;
	  o evaluating the carrying value of vehicle and inventory to external third-party valuation data; and
	  o a comparison to historical sales data.
	• Assessing the appropriateness of the disclosures in Notes 2a (v), (vi) and 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the annual report (but does not include the financial report and our auditor's report thereon): the Company Profile, the 5 Year Financial Summary and the Eagers Automotive Foundation Report, which are expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information, and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company Profile, the 5 Year Financial Summary and the Eagers Automotive Foundation Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 27 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Eagers Automotive Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

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Stephen Tarling
Partner
Chartered Accountants
Brisbane, 24 February 2021