23 February 2023

Market Announcements Office
ASX Limited

Results for Announcement to the Market

Full Year 2022 Report and Accounts

Attached are the following documents for the year ended 31 December 2022.

1. Appendix 4E Preliminary Final Report
2. Financial Report which includes:
    a. Directors' Report
    b. Auditor's Declaration of Independence
    c. Financial Statements and notes
    d. Independent Auditor's Report

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

For more information:

Keith Thornton
Chief Executive Officer
(07) 3608 7110

Jon Snowball
Domestique Consulting
0477 946 068

Authorised for release by the Board.

23 February 2023

Market Announcements Office
ASX Limited

Appendix 4E
Preliminary Final Report and Commentary
Year ended 31 December 2022
(ASX listing rule 4.3A)

Eagers Automotive Delivers FY22 Result and Record Dividend

Financial Highlights	Full Year to December 2022 $ Million	Full Year to December 2021 $ Million
Statutory Profit Before Tax from Continuing Operations	442.2	456.8
Underlying Operating Profit Before Tax(1)	405.2	401.8
Statutory Profit After Tax	324.3	330.7

- Statutory Profit Before Tax from continuing operations of $442.2 million (FY21: $456.8 million) and Statutory Profit After Tax of $324.3 million (FY21: $330.7 million).
- Record Underlying Operating Profit Before Tax(1) of $405.2 million (FY21: $401.8 million).
- Statutory EPS of 121.3 cents per share (cps) (FY21: 125.2 cps) and Underlying(1) EPS of 105.1 cps (FY21: 108.8 cps).
- Record ordinary final fully franked dividend of 49.0 cps approved for FY22, representing a 15.3% increase on FY21 (42.5 cps).
- Record full year dividend based on FY22 earnings of 71.0 cps (FY21 ordinary dividend: 62.5 cps excluding special dividend of 8.4 cps)
- Maintained a very strong financial position with available liquidity of $631.1 million (available cash and undrawn commitments) and net debt position of $253.4 million at 31 December 2022 (31 December 2021: $128.4 million).
- Significant owned property portfolio of $607.6 million (31 December 2021: $448.3 million), continuing to underwrite the strength of our balance sheet.
- On-market share buy-back of up to 10% of issued share capital, announced in June 2022, with 1.5 million shares bought back at 31 December 2022.

Eagers Automotive Limited
ABN 87 009 680 013
ASX: APE

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Registered Office
56 Edmondstone Road
Bowen Hills QLD 4006

Postal Address
PO Box 199
Fortitude Valley
QLD 4006

Operational & Strategic Highlights

- Over the course of 2022, demand for new and used vehicles strengthened on 2021 levels despite interest rate rises and ongoing supply chain delays, with new vehicle market demand continuing to materially outstrip deliveries.
- Total new car order book grew by 74.4% since December 2021, providing a strong foundation into 2023 and beyond.
- Margin growth in new car sales reflected in vehicles delivered in 2022 and embedded into our order bank.
- Revenue and volume growth in our independent pre-owned business easyauto123 supported by continued disciplined investment in new sites rolled out across Australia and New Zealand.
- Strong performance from our parts and service businesses, despite COVID-related supply chain and logistics disruption and labour shortages, particularly in H1.
- Continued to outperform industry benchmarks in the financial services business for both new and used finance penetration, with growth achieved across all ancillary products.
- Strong cost management in the high inflationary environment, aided by a reset cost base and focus on productivity improvements, underpinning a sustainable strong return on sales margin.
- Successful integration of the ACT and Newspot (South Australia) multi-franchised dealership groups and associated property acquisitions.
- Active portfolio management with the strategic divestment of the Bill Buckle Auto Group.
- Continued focus on the Company's property strategy through the acquisition of property associated with recent business acquisitions and delivery of new automotive retail formats, including AutoMall West at Indooroopilly in Brisbane launched in April 2022 and progress in the development of the new state of the art multi-franchise facility in Osborne Park, Perth.
- Continued to leverage our scale and expertise to increase our geographic footprint throughout Australia, partnering with existing OEMs and new market entrants, including unique opportunities in the high growth EV and low emission vehicle market.

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 2022 (FY22). The Company delivered record Underlying Operating Profit Before Tax[1] of $405.2 million, compared to $401.8 million in the prior corresponding period (pcp).

(1) Underlying operating results refers to continuing operations, adjusted for significant items outlined and reconciled to statutory results on slides 32 (FY22) and 33 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to review by the Company's external auditors.

Key Financial Highlights

	Full Year to December 2022 $ Million	Full Year to December 2021 $ Million
Statutory Results		
Revenue	8,541.5	8,663.5
EBITDAI[(2)(3)]	652.4	651.6
Statutory Profit Before Tax	442.2	456.8
Statutory Profit After Tax	324.3	330.7
Total Ordinary Dividend per Share (cents)	71.0	62.5
Special Interim Dividend per Share (cents)	-	8.4
Underlying Operating Results[(1)]		
Underlying Revenue[(1)]	8,541.5	8,663.5
Underlying EBITDAI[(2)(3)]	471.1	455.9
Underlying Profit Before Tax[(1)]	405.2	401.8
Underlying Profit After Tax[(1)]	283.1	288.9

Dividend

The Board has approved a record ordinary final dividend of 49.0 cps fully franked for FY22, up 15.3% on FY21 (42.5 cps). The ordinary dividend has been approved for payment on 31 March 2023 to shareholders who are registered on 16 March 2023 (Record Date). When combined with the ordinary interim dividend paid in September 2022, the total ordinary dividend based on FY22 earnings is 71.0 cps (FY21 ordinary dividend: 62.5 cps and special dividend 8.4 cps) fully franked.

The record payout reflects the Company's strong financial performance which has been underpinned by a relentless focus on execution and the continued confidence of the Board and management team in the outlook for both the Company and the broader industry. Eagers Automotive is in an extremely strong financial position, well placed to navigate the impacts of any cyclical market or economic headwinds.

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

(2) EBITDAI means earnings before interest, tax, depreciation, amortisation and impairment.
(3) Interest Income associated with the impact of AASB16 *Leases* has been deducted in the comparative EBITDAI calculation, aligning with current year presentation.

Financial Performance

On a statutory basis, the Company achieved a Statutory Net Profit Before Tax of $442.2 million for FY22, compared to $456.8 million in the pcp. The FY22 statutory result included significant items totalling $37.0 million net income before tax, predominately relating to the gain on sale of Bill Buckle Auto Group and associated property totalling $47.7 million, partially offset by a $15.0 million provision recognised in relation to a non-core business that was divested in a prior period. Statutory Net Profit After Tax including discontinued operations for FY22 was $324.3 million, compared to $330.7 million in FY21.

Statutory and Underlying(1) revenue declined by 1.4% to $8,541.5 million, with FY22 revenue impacted by a combination of the Bill Buckle Auto Group divestment in June 2022 along with continued supply constraints impacting new vehicle deliveries, partially offset by the acquisition of the ACT and South Australian businesses in the second half of 2022. On a like-for-like basis, Statutory and Underlying(1) revenue decreased by 1.3% to $8,078.4 million.

Underlying(1) Operating NPBT(4)/Sales ratio increased marginally to 4.7% in FY22 (FY21: 4.6%). The margin uplift in the context of a higher inflationary environment reflects continued favourable margin dynamics and the benefit from ongoing productivity and cost-out programs.

While overall revenue has been impacted by supply constraints, momentum in the underlying business has continued with a record order bank at December 2022, reflecting an increase of 74.4% since December 2021.

(4) NPBT means Net Profit Before Tax.

Segment performance

The Car Retailing segment delivered an Underlying(1) Operating Profit Before Tax of $397.4 million, compared to $388.4 million in FY21. The increase in profit was achieved despite ongoing supply constraints and inflationary pressures, reflecting strong margins, the successful integration of recent business acquisitions and the organic and greenfield growth delivered through strategic automotive retail partnerships.

The Car Retailing segment recorded a Statutory Profit Before Tax of $432.3 million compared to a profit of $403.0 million in FY21. The result benefited from the gain on sale of businesses of $35.2 million, predominately relating to the strategic divestment of Bill Buckle Auto Group.

The Company continued to focus on the growth of its national, independent pre-owned business, headlined by easyauto123 and supported by its national auction business Carlins. The easyauto123 business delivered volume and revenue growth due to a combination of the roll out of new sites across Australia and New Zealand along with investment in organic growth at established locations.

Car Retailing Statutory and Underlying[1] revenue increased by 1.2% to $8,540.6 million (2021: $8,438.3 million).

The value of the property portfolio increased to $607.6 million at 31 December 2022, compared with $448.3 million at 31 December 2021 (excluding assets held for sale). This material increase primarily reflects the acquisition of property associated with the ACT and South Australian businesses in 2022, partially offset by divestment of properties associated with Bill Buckle Auto Group.

The Property segment recorded an Underlying[1] Operating Profit Before Tax of $13.5 million (excluding impairment and gains on sale), compared to $12.6 million in 2021. This increase in underlying profit was driven by income associated with recent property purchases, offset by the interest costs associated with debt drawn.

The Property segment recorded a Statutory Profit Before Tax of $30.5 million for 2022 compared to $18.4 million in the pcp. The movement was driven by gains on sale of property associated with Bill Buckle Auto Group and a non-core parcel of land in Queensland.

Financial Position

Eagers Automotive is in a very strong financial position holding a substantial property portfolio and asset base, together with $631.1 million of available liquidity at 31 December 2022. This liquidity position includes available cash and undrawn commitments under corporate debt facilities.

Corporate debt (Term and Capital loan facilities) net of cash on hand increased to $253.4 million as at 31 December 2022, up from $128.4 million at 31 December 2021, and the Company's leverage metrics are in a strong position, with the gearing ratio at 0.54 times as at 31 December 2022 (FY21: 0.28 times). The increase in corporate debt during the period was driven by the prudent and disciplined allocation of capital to invest in the strategic property and businesses acquisitions in the ACT and South Australia and the on-market share buy-back.

Total inventory levels increased to $1,059.3 million as at 31 December 2022, up from $874.0 million at 31 December 2021, driven by the acquisition of the ACT and South Australian businesses in the second half of 2022. Eagers Automotive continues to maintain significant equity ownership in used vehicle inventory.

The Company continues to focus on cash management, retaining a strong cash position of $190.4 million as at 31 December 2022. Strong operating cash flows of $407.5 million, supplemented by proceeds from the sale of Bill Buckle Auto Group and associated property, enabled the acquisition of strategic property and businesses, the continued investment in the delivery of new automotive retail formats and payment of dividends.

In June 2022, Eagers Automotive announced its intention to conduct an on-market share buy-back of up to 10% of issued share capital. To date the Company has bought back 1.5 million shares, which represents 0.6% of shares on issue at the time of the buy-back announcement. The buy-back reflects the Board's prudent focus on active capital management and is testament to the Company's strong balance sheet and available liquidity.

Outlook

We have commenced FY23 with a very strong foundation for the year ahead. Demand continues to outstrip supply supporting a structural change to a new normal in order bank levels across the industry. Our record order bank provides significant earnings resilience through the cycle, as we deliver higher productivity and a sustainable strong return on sales margin when compared to the pre-COVID trading environment.

In addition to these market dynamics, the strategic acquisitions and partnerships developed during 2022 provide the foundation for top line revenue growth and position Eagers Automotive to lead the generational shift to lower emission and new energy vehicles, which is expected to gain considerable momentum in 2023 and underpin demand through the next decade.

We continue to closely monitor the external macroeconomic environment and will ensure we continue to operate the business with discipline, focusing on active cost management, targeted investment in growth and accelerating our technology-enabled productivity initiatives across the business, particularly around people and property.

The strength of our balance sheet, evidenced by our liquidity position, low gearing and high value property portfolio, provides the Company with the capacity and flexibility to pursue accretive growth opportunities while insulating the business in the event of any material headwinds.

In 2023 and beyond, Eagers Automotive is focused on continuing to create value for shareholders by:

- Delivering material top line revenue growth associated with acquisitions, new strategic partnerships and greenfield opportunities established during FY22;
- Maintaining our sustainable strong return on sales margin by leveraging new and existing margin levers, combined with cost base discipline and deliberate productivity improvements;
- Continued evolution of our Independent Used Car Strategy with definitive inventory streams to drive performance in our traditional Franchise dealership used vehicle segment, and growing easyauto123 in a sustainable and profitable manner;
- Leveraging our leading position in New Energy Vehicle retail as market adoption of low and zero emission vehicles accelerates rapidly via organic changes in consumer preference, supported by incentives and mandates stimulating incremental demand;
- Implementing our proprietary technology initiatives to realise further productivity improvements; and

- Disciplined review of accretive acquisition opportunities consistent with our Next100 Strategy, while executing on greenfield opportunities with both existing and new partners with a view to creating a distinct market advantage.

Tim Crommelin
Director

23 February 2023

For more information:	Keith Thornton Chief Executive Officer (07) 3608 7110	Jon Snowball Domestique Consulting 0477 946 068
	www.eagersautomotive.com.au	

Eagers Automotive 2022 Analyst and Investor Call – 10:00am AEDT Thursday 23 February 2023

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

https://register.vevent.com/register/BI915de94afb0547e7bd2d67e648b3d1fc

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

https://edge.media-server.com/mmc/p/ecwd6ni8

Financial Report 2022

Eagers Automotive Limited
ABN 87 009 680 013

Eagers Automotive Limited

ABN 87 009 680 013

eagers automotive

Financial Report

For the year ended 31 December 2022

Contents

5 Year Financial Summary

For the year ended 31 December 2022

Year ended 31 December	2022 $'000	2021 $'000	2020 $'000	RESTATED 2019 $'000	2018 $'000
OPERATING RESULTS					
From continuing operations					
Revenue	**8,541,502**	8,663,462	8,749,675	5,816,979	4,112,802
EBITDAI	**652,410**	651,642	625,447	342,407	215,283
Depreciation and amortisation	**(116,603)**	(120,428)	(166,257)	(95,217)	(46,137)
Impairment and property revaluations through profit and loss	**(16,727)**	(5,156)	(90,700)	(244,925)	–
EBIT	**519,080**	526,058	368,490	2,265	169,146
Finance costs	**(88,245)**	(79,619)	(88,384)	(65,569)	(40,744)
Finance income	**11,387**	10,368	–	–	–
Profit before tax	**442,222**	456,807	280,106	(63,304)	128,402
Income tax expense	**(117,882)**	(118,070)	(88,575)	(17,176)	(30,906)
Profit from continuing operations	**324,340**	338,737	191,531	(80,480)	97,496
Group trading results					
Loss from discontinued operations	**–**	(8,000)	(35,320)	(59,113)	–
Non-controlling interest in subsidiary	**(16,173)**	(12,913)	(8,921)	(2,787)	(1,619)
Attributable profit after tax	**308,167**	317,824	147,290	(142,380)	95,877
Operating statistics					
Basic earnings per share – cents	**121.3**	125.2	57.6	(67.4)	50.1
Dividends per share – cents	**71.0**	70.9	25.0	25.3	36.5
Dividend franking – %	**100**	100	100	100	100

As at 31 December	2022 $'000	2021 $'000	2020 $'000	RESTATED 2019 $'000	2018 $'000
Funds employed					
Contributed equity	**1,154,572**	1,173,069	1,173,069	1,173,069	371,405
Reserves	**(606,122)**	(617,978)	(580,200)	(560,126)	(124,306)
Retained earnings	**655,796**	510,725	317,848	199,463	380,558
Non-controlling interest in subsidiary	**37,384**	21,635	13,860	9,423	8,002
Total equity	**1,241,630**	1,087,451	924,577	821,829	635,659
Non-current liabilities	**1,261,740**	1,300,548	1,443,313	1,490,490	544,994
Current liabilities	**1,616,867**	1,342,946	1,665,761	2,545,827	818,696
Total liabilities	**2,878,607**	2,643,494	3,109,074	4,036,317	1,363,690
Total funds employed	**4,120,237**	3,730,945	4,033,651	4,858,146	1,999,349
Represented by					
Property, plant and equipment	**698,393**	514,374	494,266	456,058	388,407
Intangibles	**855,022**	775,295	785,574	773,174	313,325
Financial assets at fair value through OCI	**12,118**	577	2,366	2,366	149,774
Other non-current assets	**979,385**	1,067,324	1,188,502	1,245,734	269,905
Property assets held for resale	**–**	18,670	–	–	–
Other current assets	**1,575,319**	1,354,705	1,562,943	2,380,814	877,938
Total assets	**4,120,237**	3,730,945	4,033,651	4,858,146	1,999,349
Other statistics					
Shares on issue – '000	**255,398**	256,933	256,933	256,933	191,309
Number of shareholders	**11,439**	10,767	11,159	9,955	5,038
Total Debt[1]	**1,316,234**	1,056,611	1,233,079	1,744,826	899,405
Net debt (total debt less bailment finance less cash) – $'000	**253,452**	128,409	129,263	314,867	310,264
Gearing ratio (debt/debt plus equity) – %	**51.2**	49.3	57.1	68.0	58.6
Gearing ratio (net debt/net debt plus total equity) – %	**16.8**	10.6	12.3	27.7	32.8

1 **Bailment finance** is a form of financing peculiar to the motor industry, which is provided by financiers on a vehicle-by-vehicle basis. It is short-term in nature, is generally secured by the vehicle being financed and is principally represented on the borrower's balance sheet as vehicle inventory with the liability reflected under current liabilities. Because of its short-term nature, it is excluded from net debt and the corresponding gearing ratio.

Board of Directors

Timothy Boyd Crommelin BCom, FSIA, FSLE

Chairman of Board
Independent Director
Member of Remuneration & Nomination Committee

Non-executive Director since February 2011. Chairman of Morgans Holdings (Australia) Limited. Director of University of Queensland Endowment Foundation (UQEF). Trustee of Australian Cancer Research Foundation. Former Director of Senex Energy Ltd (2010 to April 2022). Former Deputy Chairman of Queensland Gas Company Ltd (2006 to 2009). Broad knowledge of corporate finance, risk management and acquisitions and over 40 years' experience in the stockbroking and property industry.

Nicholas George Politis AM, 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.

Marcus John Birrell

Independent Director
Member of Audit & Risk Committee

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 an executive 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

Independent Director
Chairman of Remuneration & Nomination Committee
Member of Audit & Risk Committee

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

Independent Director
Chairman of Audit & Risk Committee since 29 March 2022, having joined the Committee on 23 February 2022

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. Chairman (since November 2021) and Chief Executive (2016 to 2019) of Australian Automotive Dealer Association. 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).

David Arthur Cowper BCom, FCA

Independent Director (until his retirement from the Board on 18 May 2022)
Chairman of Audit & Risk Committee (until 29 March 2022)

Non-executive Director since July 2012 until his retirement on 18 May 2022. 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.

Executive Management

Keith Thomas Thornton BEc

Chief Executive Officer

Commenced with the Company in July 2002. Prior to his appointment as Chief Executive Officer in February 2021, Keith had been responsible for the group's automotive operations since June 2007, most recently as Chief Operating Officer from January 2017 until February 2021. Keith is a licensed motor dealer with substantial automotive retail and wholesale experience in volume, niche and prestige industry sectors. Keith also brought significant industry experience to the Company, having previously worked for various automotive manufacturers. Keith is an Alternate Director of Australian Automotive Dealer Association Limited (2014 to present).

Edward Geschke BA, MBA

Chief Operating Officer, Automotive (since 1 May 2022)

Responsible for the Company's Franchised Automotive and Independent Used operations across Australia and New Zealand. Since commencing in the automotive industry as a trainee sales consultant with the Company in 2004, Edward has risen to hold many operational management positions with the Company across Australia. Most recently, he was Executive General Manager of the Company's operations in Western Australia from 2019 to 2022, leading integration of AHG's largest State operation into the merged Eagers Automotive. Edward is also a graduate of the Harvard Business School's General Management Program.

Denis Gerard Stark LLB, BEc

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, senior executive and legal experience with public companies. Admitted as a solicitor in Queensland in 1994 and Victoria in 1997.

Directors' Report

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 2022 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the year, and their qualifications, experience and special responsibilities, are detailed on page 4.

Company Secretary

The Company Secretary and his qualifications and experience are detailed on page 5.

Directors' Meetings

The number of Board meetings (including meetings of Board committees) held during the year under review and the number of meetings attended by each Director were:

	Board Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
T B Crommelin[2]	16	16	–	–	5	5
N G Politis	11[3]	16	–	–	–	–
D T Ryan[2]	13[3]	16	–	–	5	5
D A Cowper[1, 4]	8	8	1	1	–	–
M J Birrell[1]	15	16	5	5	–	–
S A Moore	16	16	–	–	–	–
G J Duncan[1, 2]	15	16	5	5	5	5
D S Blackhall[1]	15	16	4	4	–	–
M V Prater	14	16	–	–	–	–

1 Audit & Risk Committee members.
2 Remuneration & Nomination Committee members.
3 Mr Politis and Mr Ryan did not attend meetings which considered proposals for the Company to acquire businesses associated with them.
4 Retired from the Board on 18 May 2022.

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.

Eagers Automotive Limited (ASX: APE) (**Eagers Automotive** or the **Company**), Australia's leading automotive retail group, announced on 23 February 2023, its results for the twelve months ended 31 December 2022 (**FY22**). The Company delivered record Underlying Operating Profit Before Tax[1] of $405.2 million, compared to $401.8 million in the prior corresponding period (**pcp**).

Key financial highlights

	Full year to December 2022 $'000	Full year to December 2021 $'000
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Special Interim Dividend per Share (cents)	**–**	8.4
Underlying Operating Results[1]		
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Underlying EBITDAI[2, 3]	**471.1**	455.9
Underlying Profit Before Tax[1]	**405.2**	401.8
Underlying Profit After Tax[1]	**283.1**	288.9

1 Underlying operating results refers to continuing operations, adjusted for significant items outlined and reconciled to statutory results on slides 32 (FY22) and 33 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to review by the Company's external auditors.
2 EBITDAI means earnings before interest, tax, depreciation, amortisation and impairment.
3 Interest income associated with the impact of AASB16 *Leases* has been deducted in the comparative EBITDAI calculation, aligning with current year presentation.

Dividend

The Board has approved a record ordinary final dividend of 49.0 cps fully franked for FY22, up 15.3% on FY21 (42.5 cps). The ordinary dividend has been approved for payment on 31 March 2023 to shareholders who are registered on 16 March 2023 (**Record Date**). When combined with the ordinary interim dividend paid in September 2022, the total ordinary dividend based on FY22 earnings is 71.0 cps (FY21 ordinary dividend: 62.5 cps and special dividend 8.4 cps) fully franked.

The record payout reflects the Company's strong financial performance which has been underpinned by a relentless focus on execution and the continued confidence of the Board and management team in the outlook for both the Company and the broader industry. Eagers Automotive is in an extremely strong financial position, well placed to navigate the impacts of any cyclical market or economic headwinds.

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

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

Year ended 31 December	**2022 $'000**	2021 $'000
Final ordinary dividend for the year ended 31 December 2021 of 42.5 cents (2020: 25.0 cents) per share paid on 20 April 2022	**109,197**	64,233
Interim ordinary dividend for 2022 of 22.0 cents (2021: 20.0 cents) per share paid on 23 September 2022	**56,487**	51,387
	165,684	115,620
Special dividend of nil cents (2021: 8.4 cents) per share	**–**	21,582
	165,684	137,202

Directors' Report

(CONTINUED)

Financial performance

On a statutory basis, the Company achieved a Statutory Net Profit Before Tax of $442.2 million for FY22, compared to $456.8 million in the pcp. The FY22 statutory result included significant items totalling $37.0 million net income before tax, predominately relating to the gain on sale of Bill Buckle Auto Group and associated property totalling $47.7 million, partially offset by a $15.0 million provision recognised in relation to a non-core business that was divested in a prior period. Statutory Net Profit After Tax including discontinued operations for FY22 was $324.3 million, compared to $330.7 million in FY21.

Statutory and Underlying[1] revenue declined by 1.4% to $8,541.5 million, with FY22 revenue impacted by a combination of the Bill Buckle Auto Group divestment in June 2022 along with continued supply constraints impacting new vehicle deliveries, partially offset by the acquisition of the ACT and South Australian businesses in the second half of 2022. On a like-for-like basis, Statutory and Underlying[1] revenue decreased by 1.3% to $8,078.4 million.

Underlying[1] Operating NPBT[2]/Sales ratio increased marginally to 4.7% in FY22 (FY21: 4.6%). The margin uplift in the context of a higher inflationary environment reflects continued favourable margin dynamics and the benefit from ongoing productivity and cost-out programs.

While overall revenue has been impacted by supply constraints, momentum in the underlying business has continued with a record order bank at December 2022, reflecting an increase of 74.4% since December 2021.

Segment performance

The Car Retailing segment delivered an Underlying[1] Operating Profit Before Tax of $397.4 million, compared to $388.4 million in 2021. The increase in profit was achieved despite ongoing supply constraints and inflationary pressures, reflecting strong margins, the successful integration of recent business acquisitions and the organic and greenfield growth delivered through strategic automotive retail partnerships.

The Car Retailing segment recorded a Statutory Profit Before Tax of $432.3 million compared to a profit of $403.0 million in 2021. The result benefited from the gain on sale of businesses of $35.2 million, predominately relating to the strategic divestment of Bill Buckle Auto Group.

The Company continued to focus on the growth of its national, independent pre-owned business, headlined by easyauto123 and supported by its national auction business Carlins. The easyauto123 business delivered volume and revenue growth due to a combination of the roll out of new sites across Australia and New Zealand along with investment in organic growth at established locations.

Car Retailing Statutory and Underlying[1] revenue increased by 1.2% to $8,540.6 million (2021: $8,438.3 million).

The value of the property portfolio increased to $607.6 million at 31 December 2022, compared with $448.3 million at 31 December 2021 (excluding assets held for sale). This material increase primarily reflects the acquisition of property associated with the ACT and South Australian businesses in 2022, partially offset by divestment of properties associated with Bill Buckle Auto Group.

The Property segment recorded an Underlying[1] Operating Profit Before Tax of $13.5 million (excluding impairment and gains on sale), compared to $12.6 million in 2021. This increase in underlying profit was driven by income associated with recent property purchases, offset by the interest costs associated with debt drawn.

The Property segment recorded a Statutory Profit Before Tax of $30.5 million for 2022 compared to $18.4 million in the pcp. The movement was driven by gains on sale of property associated with Bill Buckle Auto Group and a non-core parcel of land in Queensland.

1 Underlying operating results refers to continuing operations, adjusted for significant items outlined and reconciled to statutory results on slides 32 (FY22) and 33 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to review by the Company's external auditors.

2 NPBT means Net Profit Before Tax.

Directors' Report

(CONTINUED)

Financial position

Eagers Automotive is in a very strong financial position holding a substantial property portfolio and asset base, together with $631.1 million of available liquidity at 31 December 2022. This liquidity position includes available cash and undrawn commitments under corporate debt facilities.

Corporate debt (Term and Capital loan facilities) net of cash on hand increased to $253.4 million as at 31 December 2022, up from $128.4 million at 31 December 2021, and the Company's leverage metrics are in a strong position, with the gearing ratio at 0.54 times as at 31 December 2022 (FY21: 0.28 times). The increase in corporate debt during the period was driven by the prudent and disciplined allocation of capital to invest in the strategic property and businesses acquisitions in the ACT and South Australia and the on-market share buy-back.

Total inventory levels increased to $1,059.3 million as at 31 December 2022, up from $874.0 million at 31 December 2021, driven by the acquisition of the ACT and South Australian businesses in the second half of 2022. Eagers Automotive continues to maintain significant equity ownership in used vehicle inventory.

The Company continues to focus on cash management, retaining a strong cash position of $190.4 million as at 31 December 2022. Strong operating cash flows of $407.5 million, supplemented by proceeds from the sale of Bill Buckle Auto Group and associated property, enabled the acquisition of strategic property and businesses, the continued investment in the delivery of new automotive retail formats and payment of dividends.

In June 2022, Eagers Automotive announced its intention to conduct an on-market share buy-back of up to 10% of issued share capital. To date the Company has bought back 1.5 million shares, which represents 0.6% of shares on issue at the time of the buy-back announcement. The buy-back reflects the Board's prudent focus on active capital management and is testament to the Company's strong balance sheet and available liquidity.

Outlook

We have commenced FY23 with a very strong foundation for the year ahead. Demand continues to outstrip supply supporting a structural change to a new normal in order bank levels across the industry. Our record order bank provides significant earnings resilience through the cycle, as we deliver higher productivity and a sustainable, higher return on sales margin when compared to the pre-COVID trading environment.

In addition to these market dynamics, the strategic acquisitions and partnerships developed during 2022 provide the foundation for top line revenue growth and position Eagers Automotive to lead the generational shift to lower emission and new energy vehicles, which is expected to gain considerable momentum in 2023 and underpin demand through the next decade.

We continue to closely monitor the external macroeconomic environment and will ensure we continue to operate the business with discipline, focusing on active cost management, targeted investment in growth and accelerating our technology-enabled productivity initiatives across the business, particularly around people and property.

The strength of our balance sheet, evidenced by our liquidity position, low gearing and high value property portfolio, provides the Company with the capacity and flexibility to pursue accretive growth opportunities while insulating the business in the event of any material headwinds.

In 2023 and beyond, Eagers Automotive is focused on continuing to create value for shareholders by:

- Delivering material top line revenue growth associated with acquisitions, new strategic partnerships and greenfield opportunities established during FY22;
- Maintaining our sustainably higher return on sales margin by leveraging new and existing margin levers, combined with cost base discipline and deliberate productivity improvements;
- Continued evolution of our Independent Used Car Strategy with definitive inventory streams to drive performance in our traditional Franchise dealership used vehicle segment, and growing easyauto123 in a sustainable and profitable manner;
- Leveraging our leading position in New Energy Vehicle retail as market adoption of low and zero emission vehicles accelerates rapidly via organic changes in consumer preference, supported by incentives and mandates stimulating incremental demand;
- Implementing our proprietary technology initiatives to realise further productivity improvements; and
- Disciplined review of accretive acquisition opportunities consistent with our Next100 Strategy, while executing on greenfield opportunities with both existing and new partners with a view to creating a distinct market advantage.

Directors' Report

(CONTINUED)

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

Contents of Remuneration Report

1. Introduction and key management personnel (KMP)

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 relevant 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 FY22 were:

Name	Position	Term as KMP in FY22
Non-executive Directors (NEDs)		
Tim Crommelin	Chair	Full year
Nick Politis	Director	Full year
David Cowper	Director	Part year (from 1 January to his retirement from the Board on 18 May 2022)
Daniel Ryan	Director	Full year
Marcus Birrell	Director	Full year
Greg Duncan	Director	Full year
David Blackhall	Director	Full year
Michelle Prater	Director	Full year
Executive Directors		
Sophie Moore (**CFO**)	Executive Director, Chief Financial Officer	Full year
Other Executive KMP		
Keith Thornton (**CEO**)	Chief Executive Officer	Full year
Edward Geschke (**COO**)	Chief Operating Office – Automotive	Part year (from his appointment as COO on 1 May to 31 December 2022)
Denis Stark (**CS**)	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.

Directors' Report

(CONTINUED)

Remuneration Report (CONTINUED)

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 and reviewing the remuneration arrangements for NEDs and the CEO, based on recommendations of the Remuneration & Nomination Committee. The Board also reviews the CEO's performance on a continual basis.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee reviews and makes recommendations to the Board regarding NED and CEO remuneration arrangements and KMP equity plans. These reviews take place at least annually, taking into account relevant factors including market conditions.

Management

The CEO, in consultation with the Chair of the Remuneration & Nomination Committee, sets and reviews the remuneration arrangements of other executive KMPs ensuring the appropriateness of their reward framework and reviews their performance at least annually.

Remuneration advisors

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

Although no such external advisors were engaged during FY22, as reported last year KPMG was engaged in FY20 and early FY21 to assist with a remuneration review, changes to the executive remuneration framework and benchmarking.

KPMG's engagement did not involve providing any remuneration recommendations as defined by the *Corporations Act 2001*.

4. FY22 business performance

During FY22, despite an unusual and 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 for the year.

The table below details Eagers' performance against key financial and operational metrics for the five-year period ended 31 December 2022.

Name	2022	2021	2020	2019	2018
Statutory net profit after tax (NPAT) ($ million)	**324.3**	330.7	156.2	(139.6)	97.5
Statutory earnings per share (EPS) – basic (cents)	**121.3**	125.2	57.6	(67.4)	50.1
Dividend per share (cents)	**71.0**	70.9	25.0	25.3	36.5
Share price at year end ($)	**10.85**	13.44	13.29	10.24	6.00

Remuneration Report (CONTINUED)

5. Executive remuneration framework for FY22

Total Fixed Remuneration (TFR)	Short-Term Incentives (STI)	Long-Term Incentives (LTI)
— Each executive KMP receives 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, insurance and health and fitness programs.	— **There were no changes in FY22 to the STI plan described in last year’s remuneration report.** — The focus of the STI plan is on creation of shareholder value by rewarding the achievement of both financial and non-financial performance hurdles. — Performance is measured annually. — The STI plan is delivered in a mix of cash and performance rights. — Performance rights for a four-year period (FY21 to FY24) were allocated on the initial grant date in February FY21, with the number of rights determined using ‘fair value’ methodology. — Two financial performance hurdles must be achieved for any rights to vest. — If rights vest, they convert to ordinary shares subject to holding lock until February 2025 or cessation of employment. — If employment ceases, there is no STI payment or vesting of rights for the year in which employment ceases unless the Board determines otherwise.	— **There were no changes in FY22 to the LTI plan described in last year’s remuneration report.** — The focus of the LTI plan is on creation of shareholder value by rewarding the achievement of financial performance hurdles over a four-year performance period (FY21 to FY24). — Performance is measured only once, being at the end of the four-year period (FY21 to FY24). — The LTI plan is delivered in share options. The exercise price is $12.32 per option, being the share price on the initial grant date in February 2021. — Options for the four-year period were allocated on the initial grant date, with the number of options determined using ‘fair value’ methodology. — **Financial hurdles** - Two financial performance hurdles must be achieved for any options to vest: • Interest cover ratio of at least 2.5 times; and • Compound annual growth in EPS above the Baseline: » 50% of options vest at 9.0% EPS growth over the four-year period. » 100% of options vest at 10% EPS growth over the four-year period. — If options vest and are exercised, they will convert to ordinary shares at the end of the four-year period, without a holding lock. — If employment ceases, all unvested options will lapse, unless the Board determines otherwise.
	CEO — **Non-financial hurdles** – up to one-third of base pay, by cash payment, subject to strategic and sustainability hurdles (split evenly between strategic and sustainability). — **Financial hurdles** – up to two-thirds of base pay, by a mix of cash payment and rights, subject to two financial hurdles: • Interest cover ratio of at least 2.5 times; and • Compound annual growth in underlying EPS above baseline of 52.0 cents per share for FY20 (**Baseline**): » At 7.0% EPS growth, $200,000 in cash and $200,000 of rights will vest. » At 7.5% EPS growth, a further $200,000 of rights will vest. » At 8.0% EPS growth, a further $200,000 of rights will vest.	**CEO** — Maximum award – 50% of base pay per annum over the four-year period, subject to achievement of the two financial hurdles.

Directors' Report
(CONTINUED)

Remuneration Report (CONTINUED)

5. Executive remuneration framework for FY22 (CONTINUED)

Total Fixed Remuneration (TFR)	Short-Term Incentives (STI)	Long-Term Incentives (LTI)
	CFO — Performance rights - up to one-third of base pay, subject to two **financial hurdles:** • Interest cover ratio of at least 2.5 times; and • Compound annual growth in underlying EPS above the Baseline: » At 7.5% EPS growth, 50% of rights vest. » At 8.0% EPS growth, 100% of rights vest. — Up to 42% of base pay, by cash payment, subject to: • **Non-financial hurdles** - 60% of payment subject to strategic and sustainability hurdles (split evenly between strategic and sustainability). • **Financial hurdles** – 40% of payment subject to financial hurdle of 7% compound annual growth in underlying EPS above the Baseline.	**CFO** — Maximum award – 17% of base pay per annum over the four-year period, subject to the achievement of the two financial hurdles.
	COO — No performance rights. — Up to $200,000, by cash payment, subject to business units achieving specified **non-financial hurdles** (split between strategic and sustainability hurdles). — COO is also entitled to a commission plan consisting of a cash payment equal to a percentage of net profit before tax of relevant business units. — The commission plan is subject to a cap and applies only to the COO. It has a direct link to the Company's financial performance and is commonly used for senior management in the automotive industry, where fixed remuneration is set relatively low and variable remuneration forms a larger proportion of the remuneration mix.	**COO** — Maximum award – 50% of base pay per annum over the four-year period, subject to the achievement of the two financial hurdles.
	CS — Performance rights of up to 12% of base pay, subject to two **financial hurdles**: • Interest cover ratio of at least 2.5 times; and • Compound annual growth in underlying EPS above the Baseline: » At 7.5% EPS growth, 50% of rights vest. » At 8.0% EPS growth, 100% of rights vest. — Up to 29% of base pay, by cash payment, subject to: • **Non-financial hurdles** - 80% of payment subject to strategic and sustainability hurdles (split evenly between strategic and sustainability). • **Financial hurdles** – 20% of payment subject to financial hurdle of 7% compound annual growth in underlying EPS above the Baseline.	**CS** — Maximum award – 6% of base pay per annum over the four-year period, subject to the achievement of the two financial hurdles.

Remuneration Report (CONTINUED)

6. Remuneration structure and outcomes for FY22

As reported above in this Directors' Report, the Company delivered strong results against key financial and non-financial metrics for FY22. The following are details of the FY22 remuneration structures and outcomes awarded to executive KMP based on both Company and individual performance.

(a) STI Plan - performance outcomes for FY22

Design feature	Further detail
Eligibility	Executive KMP.
Instrument	A mix of cash and performance rights, as described in section 5 of this remuneration report.
Performance period	Performance is measured annually.
Maximum opportunity	As described in section 5 of this remuneration report.
Performance Hurdle Rationale	**Financial hurdles** are quantitative measures that align executive KMP members with each other, and also with the interests of shareholders. These common objectives are easily shared and communicated. They reward executives only when the Company, as a whole, performs to achieve the financial hurdles. **Sustainability hurdles** incentivise executive KMP members to play a productive role in developing sustainable business practices across operational, safety, risk, culture, governance and other ESG measures. **Strategic hurdles** are a blend of hurdles which measure progress against the Company's Next100 Strategic Plan and nominated strategic projects. Each executive KMP member has a combination of group-wide and individual hurdles applicable to their role and the function they lead across the Company. Incorporating this blend of both group and individual performance hurdles assists in creating one team working towards common objectives whilst also rewarding and recognising individual performance. This blend of performance hurdles drives executive focus in both short-term performance and appropriate investments and initiatives for the protection and growth of the Company in the medium and longer term, thereby aligning executive and shareholder interests.
Performance Review	The Board, following review by the Remuneration & Nomination Committee, approved the achievement of the financial performance hurdles by the CEO and all executive KMP, the achievement of the CEO's non-financial performance hurdles and the payment of the CEO's STI award. The CEO, in consultation with the Remuneration & Nomination Committee, approved the achievement of the non-financial performance hurdles of the other executive KMP.
Achievement of Financial Performance Hurdles	Achievement of the financial performance hurdles by the CEO and all other executive KMP was determined with reference to the Company's annual growth in underlying EPS and interest cover ratio performance hurdles, as described in section 5 of this remuneration report, having regard to the group's audited financial statements.

	FY22 Financial Performance Hurdle	FY22 Actual	Achieved
8% Compound Annual Growth in Underlying EPS	60.7 cents per share	104.8 cents per share	Yes
Interest cover ratio	At least 2.5 times	14.8 times	Yes

Directors' Report
(CONTINUED)

Remuneration Report (CONTINUED)

6. Remuneration structure and outcomes for FY22 (CONTINUED)

(a) STI Plan - performance outcomes for FY22 (CONTINUED)

Design feature	Further detail
Achievement of Strategic Performance Hurdles	Achievement of the **Strategic** performance hurdles was determined with reference to achievement of both group and individual performance and engagement against strategic initiatives, including in these areas: **Group-wide Strategic Achievements** Achievements against the Next100 Strategic Plan in FY22 included: — Acquisitions of significant dealership businesses in the ACT and South Australia. — Divestments of specific businesses that did not suit the Company's portfolio in NSW and Western Australia. — Organic franchised automotive growth through new representation of automotive brands and in new locations in Queensland, Western Australia and Victoria. — Execution of AutoMall strategy in Queensland and Western Australia. — Organic growth in independent used automotive business through the rollout of new sites in NSW and Tasmania for sustainable scaling of used business through disciplined investment. — Organic growth with new representation of non-traditional brands such as BYD. — Organic growth through the Company's property strategy, with 13 properties acquired and 4 divested, resulting in an increase in the freehold property portfolio value from $467 million to $608 million. — Significant property redevelopments in Queensland and Victoria. — Organic growth through the Company's proprietary technology driving growth in productivity and incremental revenue opportunities in all regions. **Individual Strategic Achievements** — For the CEO, achievement through leading specific progress against the Next100 Strategic Plan as described above, including maximising franchised automotive outcomes via organic and acquisitive growth opportunities, and maximising used automotive business growth opportunities. — For the CFO, achievement through contributions towards specific progress against the Next100 Strategic Plan as described above, managing key financial measures for anticipated requirements while positioning the Company for Next100 execution, and leading key projects for acquisition, divestment and growth, balancing the desired outcomes with appropriate commerciality. — For the COO, achievement through contributions towards specific progress against the Next100 Strategic Plan as described above, including development and rollout of nominated strategic projects across relevant business units such as growing representation of both traditional and new brands, the AutoMall strategy, used automotive business initiatives, implementation of proprietary technology, while balancing desired outcomes with appropriate commerciality. — For the CS, achievement through contributions towards specific progress against the Next100 Strategic Plan as described above, key acquisitions, divestments and growth initiatives, balancing desired outcomes with appropriate commerciality, and establishing and maintaining legal/corporate framework for growth ambitions and Next100 Strategy.

Remuneration Report (CONTINUED)

6. Remuneration structure and outcomes for FY22 (CONTINUED)

(a) STI Plan - performance outcomes for FY22 (CONTINUED)

Design feature	Further detail
Achievement of Sustainability Performance Hurdles	Achievement of the **Sustainability** performance hurdles was determined with reference to achievement of both group and individual performance and engagement against sustainability and performance initiatives, including in these areas: **Group-wide Sustainability Achievements** Achievements in FY22 included: — Development of the Company's sustainability and ESG roadmap in support of the Next100 Strategic Plan and aligned with our corporate values. — The ESG roadmap focuses on developing our people (people), optimising our environment (planet) and sustainable growth (performance), adopting a practical and pragmatic approach. — Driving stakeholder engagement levels across the group, including annual employee engagement survey through an independent external operator. — Multiple safety initiatives implemented, including improved reporting and risk management, and safety leadership program. — Environmental initiatives, including continued program for decommissioning of underground petroleum storage systems and installation of solar photovoltaic systems across multiple sites. — Group-wide adherence to relevant regulatory and contractual requirements. — Ongoing cost-out program and optimisation of businesses and property portfolio to provide for a more sustainable business and greater flexibility for implementation of omni-channel approach. **Individual Sustainability Achievements** — For the CEO, achievement through leading specific progress against the group-wide sustainability initiatives as described above, including driving group-wide stakeholder engagement, group-wide adherence to relevant regulatory and contractual requirements, and roadmap for key sustainability initiatives including ESG and diversity, while balancing desired outcomes with appropriate commerciality. — For the CFO, achievement through contributions towards specific group-wide sustainability initiatives as described above, organisational compliance with accounting and taxation obligations, adherence to relevant regulatory and contractual requirements, contributions towards nominated non-strategic projects, while balancing desired outcomes with appropriate commerciality. — For the COO, achievement through contributions towards specific group-wide sustainability initiatives as described above, including the rollout of operational projects across used automotive and other business units, driving employee engagement levels, safety initiatives and the cost-out program, while balancing desired outcomes with appropriate commerciality. — For the CS, achievement through contributions towards specific group-wide sustainability initiatives as described above, advisory to Board and management in respect of sustainability/ESG initiatives, governance, corporate values and operations, adherence to relevant regulatory and contractual requirements, in an environment of high transparency, ethics and integrity, and while balancing desired outcomes with appropriate commerciality.

Having regard to the group and individual achievements outlined above, all executive KMPs received 100% of their STI plan awards for FY22 following assessment by the Board, Remuneration & Nomination Committee and CEO, as described in section 5 of this remuneration report. It was considered that no reduction to maximum entitlements was warranted based on review of the individual's performance during the year against these measures.

In these circumstances, payment of the full STI awards was determined to be appropriate, particularly in light of the Company's record 2022 operational and financial performance.

	% Awarded FY22 under STI Plan %	STI Paid $	No. of Rights Vested
CEO	100%	600,000	52,265
CFO	100%	250,000	17,422
COO	100%	200,000	-
CS	100%	125,000	4,355

Directors' Report

(CONTINUED)

Remuneration Report (CONTINUED)

6. Remuneration structure and outcomes for FY22 (CONTINUED)

(b) Accounting Treatment of STI Plan

The cost of the CEO's STI plan will average a maximum of $600,000 per annum over the four-year period FY21 to FY24, and will only reach the maximum cost if 100% of the performance rights under the plan are to vest over the four year period (which would require at least 8% compound annual growth in underlying EPS for the four years, as described above). This is based on the fair value methodology on the initial grant date.

However, accounting standards require that the remuneration table on page 20 must include the cost of the STI plan each year based on progressive recognition of the performance rights in the period from the grant date to their vesting date, rather than their average annual cost. This has resulted in the remuneration table showing a decrease in the CEO's share-based pay for FY22 as compared to FY21. Despite this accounting treatment, the number of performance rights which vested for the CEO has actually risen from 50,463 rights in FY21 to 52,265 rights in FY22.

(c) LTI Plan for FY22

The LTI Plan was introduced in FY21, as detailed in section 5 of this remuneration report, for better alignment with ASX200 market practice. There were no changes to the LTI Plan in FY22. Performance will be measured at the end of FY24.

7. Remuneration framework changes for FY22

There have been no material changes to the executive remuneration framework for FY22. The appointment of the COO on 1 May 2022 resulted in his addition as an executive KMP member for FY22.

As reported in last year's remuneration report, a comprehensive review of the executive remuneration framework was undertaken in FY20 in response to the 'first strike' received at our 2020 Annual General Meeting. This included the Board engaging with shareholders, proxy advisors and other stakeholders to better understand their concerns and the Board also obtained independent external advice in FY20 in relation to our remuneration framework.

As a result, many changes were made to the remuneration framework for FY21 and these are reflected in the current STI and LTI Plans, as described in section 5 of this remuneration report. These changes better align our remuneration framework with ASX200 market practice, while maintaining a strong pay-for-performance culture.

Key Changes to Remuneration Framework following 'First Strike' in FY20	
STI	— Improved disclosure on STI framework and performance measures. — Clear STI performance hurdles, assessed against both financial and non-financial performance hurdles, improving the alignment of executive KMP remuneration with shareholder interests. — STI plan is a mix of cash and equity (performance rights). — No re-testing of STI performance hurdles.
LTI	— Improved disclosure on LTI framework and performance measures. — LTI plan has a four-year performance period for financial hurdles for alignment of executive KMP remuneration with shareholder interests. — LTI plan is awarded wholly in equity (share options) for alignment with shareholders, with the option exercise price set at $12.32 per option (which was the share price on the initial grant date in February 2021). — Clear LTI performance hurdles for the four-year performance period, assessed wholly against financial measures with graduated vesting. — No re-testing of LTI performance hurdles.
Other	— Current remuneration framework was introduced for FY21. — Improved transparency and disclosure of the remuneration framework and structures. — Appropriate change-in-control and claw-back provisions in line with market practice. — No equity retention grants. — The Board has not used its discretion to award one-off bonuses.

Remuneration Report (CONTINUED)

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 following table details key contractual terms.

Name	Duration of service agreement	Notice period by employee	Notice period by company	Payments upon termination
CEO	Ongoing	12 months	12 months	At the Board's discretion
CFO	Ongoing	3 months	3 months	At the Board's discretion
COO	Ongoing	6 months	6 months	At the Board's discretion
CS	Ongoing	3 months	3 months	At the Board's discretion

9. Non-executive director remuneration

The objectives of the Company's policy regarding Non-executive Director (**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.

Each NED receives a single fee based on their position, without any extra fee payable for being a member of a Committee.

NED fees for FY22 are as reflected in the following table (exclusive of superannuation).

Role	Fees
Chair of the Board	$125,000 per annum
Chair of the Audit & Risk Committee	$115,000 per annum
Chair of the Remuneration & Nomination Committee	$115,000 per annum
Other NEDs	$100,000 per annum

Directors' Report

(CONTINUED)

Remuneration Report (CONTINUED)

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) Executive KMP in FY21 and FY22

Table 1 – Statutory Table of executive KMP remuneration

		Short-term benefits			Post employment benefits		Share-based payments		
Executive KMP	Year	Salary and fees $	Bonus and commission $	Non-monetary and other benefits $[1]	Super-annuation $	Other post-employment benefits $	Performance rights and options $[2]	Total $	Performance-related percentage %
Keith Thornton	**2022**	**1,200,000**	**600,000**	**223,798**	**25,000**	**–**	**1,250,000**[3]	**3,298,798**	**56**
	2021	1,050,000	835,918	233,638	25,000	–	1,850,005	3,994,561	67
Edward Geschke[4]	**2022**	**133,333**	**1,151,487**[5]	**103,056**	**18,333**	**–**	**66,666**	**1,472,876**	**83**
	2021	–	–	–	–	–	–	–	–
Sophie Moore	**2022**	**600,000**	**250,000**	**133,692**	**27,500**	**-**	**316,667**	**1,327,860**	**43**
	2021	591,667	200,000	23,334	22,631	-	450,216	1,287,848	50
Denis Stark	**2022**	**425,000**	**125,000**	**68,725**	**27,500**	**-**	**79,167**	**725,393**	**28**
	2021	412,500	125,000	40,031	22,631	-	129,165	729,327	35
Martin Ward[6]	**2022**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	200,000	–	(9,628)	4,167	–	–	194,539	–
Total	**2022**	**2,358,334**	**2,126,487**	**529,272**	**98,333**	**–**	**1,712,501**	**6,824,927**	
	2021	2,254,167	1,160,918	287,375	74,429	–	2,429,386	6,206,275	

1 Includes benefits such as the provision of motor vehicles, insurance policy costs, health and fitness programme costs and the movement in the provision for employee entitlements. If a negative amount is shown, leave taken for the year exceeded the sum of leave accrued for the year and other benefits. This does not represent an amount paid or owed by the KMP to the Company.
2 Performance rights and options are valued using a binomial tree methodology. A pre-determined value of the portion of the rights and options attributable to the year under review has been expensed in the income statement in conformity with AASB 2 and reflected in the recipient's remuneration. Vesting is subject to the achievement of performance hurdles as detailed in this Remuneration Report.
3 Includes the cost of performance rights vested for FY22 under the STI plan. In accordance with accounting standards, the amount for vested rights each year is based on progressive recognition of the rights over the period from the grant date to their vesting date. This results in a higher cost in the earlier years of the STI plan and a lower cost in later years on the assumption that all performance hurdles will be achieved over the four-year period (FY21 to FY24). Despite this accounting treatment, the number of performance rights which vested for the CEO increased from 50,463 rights in FY21 to 52,265 rights in FY22. For further details, refer to the section "Accounting Treatment of STI Plan" on page 18.
4 Mr Geschke commenced as a KMP on 1 May 2022.
5 Includes $200,000 STI payment, with the balance being the COO's commission plan.
6 Mr Ward ceased as a KMP on 1 March 2021.

Remuneration Report (CONTINUED)

10. Statutory disclosures (CONTINUED)

(b) NEDs in FY21 and FY22

Table 2 – Statutory Table of NED remuneration

		Short-term benefits			Post employment benefits		Share-based payments		
NED KMP	**Year**	**Salary and fees $**	**Bonus and commission $**	**Non-monetary and other benefits $[1]**	**Super-annuation $**	**Other post-employment benefits $**	**Performance rights and options $**	**Total $**	**Performance-related percentage %**
Tim Crommelin	**2022**	**125,000**	**–**	**606**	**12,813**	**–**	**–**	**138,419**	**–**
	2021	100,000	–	514	9,750	–	–	110,264	–
Nick Politis	**2022**	**100,000**	**–**	**606**	**10,250**	**–**	**–**	**110,856**	**–**
	2021	85,000	–	514	8,288	–	–	93,802	–
Dan Ryan	**2022**	**100,000**	**–**	**606**	**10,250**	**–**	**–**	**110,856**	**–**
	2021	85,000	–	514	8,288	–	–	93,802	–
David Cowper[2]	**2022**	**43,192**	**–**	**202**	**4,319**	**–**	**–**	**47,714**	**–**
	2021	100,000	–	514	9,750	–	–	110,264	–
Marcus Birrell	**2022**	**100,000**	**–**	**606**	**10,250**	**–**	**–**	**110,856**	**–**
	2021	85,000	–	514	8,288	–	–	93,802	–
Greg Duncan	**2022**	**115,000**	**–**	**606**	**11,788**	**–**	**–**	**127,394**	**–**
	2021	85,000	–	514	8,288	–	–	93,802	–
David Blackhall[3]	**2022**	**110,846**	**–**	**606**	**11,372**	**–**	**–**	**122,824**	**–**
	2021	85,000	–	514	8,288	–	–	93,802	–
Michelle Prater	**2022**	**100,000**	**–**	**606**	**10,250**	**–**	**–**	**110,856**	**–**
	2021	85,000	–	514	8,288	–	–	93,802	–
Total	**2022**	**794,038**	**–**	**4,446**	**81,291**	**–**	**–**	**879,776**	
	2021	710,000	–	4,112	69,228	–	–	783,340	

1 Includes insurance policy costs.
2 Mr Cowper ceased as a KMP on 18 May 2022.
3 Mr Blackhall was appointed Chairman of Audit & Risk Committee on 29 March 2022.

Directors' Report

(CONTINUED)

Remuneration Report (CONTINUED)

10. Statutory disclosures (CONTINUED)

(c) Performance Rights and Options of KMP

The following are details of all current 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.

(i) Movement in Performance Rights of KMP

Table 3 – Grants and vesting of Performance Rights in FY22

Name	Opening balance	Performance Rights granted	Performance Rights vested[1]	Performance Rights lapsed	Closing balance
CEO	162,390	nil	52,265	nil	110,125
CFO	54,130	nil	17,422	nil	36,708
COO[2]	nil	nil	nil	nil	nil
CS	13,533	nil	4,355	nil	9,178

1 These rights vested and converted to ordinary shares on 23 February 2023 and remain subject to a trading restriction as described in section 5 of this Remuneration Report.
2 COO was appointed on 1 May 2022.

(ii) Movement in Options of KMP

Table 4 – Grants and exercise of Options in FY22

Name	Opening balance	Options granted	Options exercised	Options lapsed	Closing balance
CEO	869,564	nil	nil	nil	869,564
CFO	262,497	nil	96,216[1]	21,354	144,927
COO[2]	144,927	nil	nil	nil	144,927
CS	36,232	nil	nil	nil	36,232

1 These options were granted in 2015, had an exercise price of $9.25 per option and vested by the end of 2019. 45,900 of these options were exercised on 10 June 2022 and were valued at $0.18 per option on the day of exercise, whilst the balance were exercised on 1 September 2022 and were valued at $3.71 per option on the day of exercise.
2 COO was appointed on 1 May 2022.

(iii) Performance Rights and Options granted to KMP

Table 5 – Details of share-based payments (Performance Rights and Options)

CEO

	Performance Rights				Options					
Grant Date	No. granted	No. lapsed	No. exercised	Fair value	No. granted	No. lapsed	No. exercised	Fair value	End of performance period	Status
24 February 2021	50,463	nil	50,463	$11.89					31 December 2021	Vested 24 February 2022
	52,265	nil	52,265[1]	$11.48					31 December 2022	Vested 23 February 2023
	54,103	nil	nil	$11.09					31 December 2023	Unvested
	56,022	nil	nil	$10.71					31 December 2024	Unvested
					869,564	nil	nil	$2.76	31 December 2024	Unvested

1 Performance rights are automatically exercised upon vesting. 52,265 rights granted for 2022 were exercised on 23 February 2023, valued at the closing price of the underlying shares on the day of exercise.

Remuneration Report (CONTINUED)

10. Statutory disclosures (CONTINUED)

(c) Performance Rights and Options of KMP (CONTINUED)

(iii) Performance Rights and Options granted to KMP (CONTINUED)

Table 5 – Details of share-based payments (Performance Rights and Options) (CONTINUED).

CFO

	Performance Rights				Options					
Grant Date	**No. granted**	**No. lapsed**	**No. exercised**	**Fair value**	**No. granted**	**No. lapsed**	**No. exercised**	**Fair value**	**End of performance period**	**Status**
24 February 2021	17,422	nil	17,422[1]	$11.48					31 December 2022	Vested 23 February 2023
	18,034	nil	nil	$11.09					31 December 2023	Unvested
	18,674	nil	nil	$10.71					31 December 2024	Unvested
					144,927	nil	nil	$2.76	31 December 2024	Unvested

1 Performance rights are automatically exercised upon vesting. 17,422 rights granted for 2022 were exercised on 23 February 2023, valued at the closing price of the underlying shares on the day of exercise.

COO

	Performance Rights				Options					
Grant Date	**No. granted**	**No. lapsed**	**No. exercised**	**Fair value**	**No. granted**	**No. lapsed**	**No. exercised**	**Fair value**	**End of performance period**	**Status**
24 February 2021					144,927	nil	nil	$2.76	31 December 2024	Unvested

CS

	Performance Rights				Options					
Grant Date	**No. granted**	**No. lapsed**	**No. exercised**	**Fair value**	**No. granted**	**No. lapsed**	**No. exercised**	**Fair value**	**End of performance period**	**Status**
24 February 2021	4,205	nil	4,205	$11.89					31 December 2021	Vested 24 February 2022
	4,355	nil	4,355[1]	$11.48					31 December 2022	Vested 23 February 2023
	4,509	nil	nil	$11.09					31 December 2023	Unvested
	4,669	nil	nil	$10.71					31 December 2024	Unvested
					36,232	nil	nil	$2.76	31 December 2024	Unvested

1 Performance rights are automatically exercised upon vesting. 4,355 rights granted for 2022 were exercised on 23 February 2023, valued at the closing price of the underlying shares on the day of exercise.

Further details of the performance rights and options granted to KMP are specified in Notes 42 and 43 to the consolidated financial report.

Directors' Report

(CONTINUED)

Remuneration Report (CONTINUED)

10. Statutory disclosures (CONTINUED)

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

Table 6 – Shareholdings of KMP

NEDs

Name	Year	Opening balance as at 1 January	Received from Employee Share Plan	Purchases	Sales	Closing balance as at 31 December
Tim Crommelin	**2022**	**438,286**	**nil**	**10,000**	**nil**	**448,286**
	2021	438,286	nil	nil	nil	438,286
Nick Politis	**2022**	**70,005,321**	**nil**	**580,000**	**nil**	**70,585,321**
	2021	69,905,321	nil	100,000	nil	70,005,321
Daniel Ryan	**2022**	**1,200**	**nil**	**nil**	**nil**	**1,200**
	2021	1,200	nil	nil	nil	1,200
David Cowper[1]	**2022**	**15,053**	**nil**	**nil**	**nil**	**15,053**
	2021	15,053	nil	nil	nil	15,053
Marcus Birrell	**2022**	**2,000,000**	**nil**	**nil**	**nil**	**2,000,000**
	2021	2,000,000	nil	nil	nil	2,000,000
Greg Duncan	**2022**	**350,000**	**nil**	**nil**	**nil**	**350,000**
	2021	300,000	nil	50,000	nil	350,000
David Blackhall	**2022**	**28,056**	**nil**	**11,944**	**nil**	**40,000**
	2021	28,056	nil	nil	nil	28,056
Michelle Prater	**2022**	**2,540,096**	**nil**	**nil**	**nil**	**2,540,096**
	2021	2,540,096	nil	nil	nil	2,540,096

1 Ceased as a Director on 18 May 2022.

Executive KMP

Name	Year	Opening balance as at 1 January	Received from Employee Share Plan	Purchases	Sales	Closing balance as at 31 December
CEO	**2022**	**319,406**	**50,463**	**nil**	**nil**	**369,869**
	2021	266,162	518,583	nil	465,339	319,406
CFO	**2022**	**121,789**	**96,216**	**nil**	**36,000**	**182,005**
	2021	121,789	nil	nil	nil	121,789
COO[1]	**2022**	**15,000**	**nil**	**nil**	**nil**	**15,000**
	2021	–	–	–	–	–
CS	**2022**	**176,339**	**4,205**	**nil**	**22,622**	**157,922**
	2021	151,519	64,820	nil	40,000	176,339

1 COO was appointed on 1 May 2022.

(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

Mr Politis has a controlling interest in WFM Motors Pty Ltd (WFM Motors), which has a relevant interest in approximately 27% of the share capital of Eagers Automotive. WFM Motors divested a portfolio of dealerships and properties within the ACT to the Company during FY22. An independent expert opined on the transaction which was completed at fair value. Further detail is included in Note 44 of the consolidated financial report. There were no other related party transactions with KMP during the reporting period requiring disclosure in this Remuneration Report.

Directors' Report

(CONTINUED)

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:

	Ordinary Shares	Share Options	Performance Rights
Tim Crommelin	448,286	–	–
Nick Politis	70,585,321	–	–
Dan Ryan	1,200	–	–
Marcus Birrell	2,000,000	–	–
Sophie Moore	182,005	144,927	36,708
Greg Duncan	350,000		
David Blackhall	40,000	–	–
Michelle Prater	2,786,602	–	–

Shares Under Option

No options or 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 2,211,840 unissued shares under option and 156,011 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 40 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.

Tim Crommelin

Director

Brisbane, 23 February 2023

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

23 February 2023

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 Limited.

As lead audit partner for the audit of the financial report of Eagers Automotive Limited for the year ended 31 December 2022, 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

David Rodgers
Partner
Chartered Accountants

Eagers Automotive Limited

ABN 87 009 680 013

Financial Report

For the year ended 31 December 2022

Contents

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue	3	**8,541,502**	8,663,462
Finance income	4	**11,387**	10,368
Other gains	5	**55,182**	58,234
Share of net profits of associates	48(b)	**1,067**	1,130
Raw materials and consumables purchased		**(6,900,716)**	(7,043,492)
Employee benefits expense	6(a)	**(678,452)**	(672,077)
Finance costs	6(a)	**(88,245)**	(79,619)
Depreciation and amortisation expense	6(a)	**(116,603)**	(120,428)
Impairment of non-current assets	6(b)	**(16,727)**	(5,156)
Other expenses		**(366,173)**	(355,615)
Profit before tax		**442,222**	456,807
Income tax expense	7	**(117,882)**	(118,070)
Profit from continuing operations		**324,340**	338,737
Loss from discontinued operations	37	**–**	(8,000)
Profit for the year		**324,340**	330,737
Attributable to:			
Owners of Eagers Automotive Limited		**308,167**	317,824
Non-controlling interests	34(c)	**16,173**	12,913
		324,340	330,737
		Cents	Cents
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	45(a)	**121.3**	125.2
From continuing operations		**121.3**	128.4
From discontinued operations		**–**	(3.2)
Diluted earnings/(loss) per share	45(b)	**121.1**	124.7
From continuing operations		**121.1**	127.9
From discontinued operations		**–**	(3.2)

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Profit for the year		**324,340**	330,737
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	32(a)	**(3,127)**	9
		(3,127)	9
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property	19, 32(a)	**21,446**	4,999
Deferred tax expense	32(a)	**(6,434)**	(1,500)
Changes in the fair value of financial assets at fair value through other comprehensive income	32(a)	**189**	–
		15,201	3,499
Total other comprehensive income for the year		**12,074**	3,508
Total comprehensive profit for the year		**336,414**	334,245
Total comprehensive profit attributable to:			
Owners of Eagers Automotive Limited		**320,241**	321,332
Non-controlling interests		**16,173**	12,913
		336,414	334,245

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2022

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Current assets			
Cash and cash equivalents	9	**190,434**	197,620
Trade and other receivables	10	**275,300**	228,960
Inventories	11	**1,059,301**	874,049
Current tax receivables	24	**–**	574
Other current assets	12	**21,680**	18,787
Finance lease receivables	18	**39,104**	34,715
Assets classified as held for sale	13	**–**	18,670
Total current assets		**1,585,819**	1,373,375
Non-current assets			
Loans receivable	14	**32,468**	23,910
Financial assets at fair value through other comprehensive income	15	**12,118**	577
Investments in associates	16, 48	**2,331**	2,074
Other non-current receivables	14	**19,048**	11,801
Property, plant and equipment	19	**698,393**	514,374
Intangible assets	20	**855,022**	775,295
Deferred tax assets	21	**142,116**	152,000
Other non-current assets		**10,575**	10,508
Right-of-use assets	17(a)(i)	**564,109**	631,099
Finance lease receivables	18	**198,238**	235,932
Total non-current assets		**2,534,418**	2,357,570
Total assets		**4,120,237**	3,730,945
Current liabilities			
Trade and other payables	22	**375,672**	364,263
Borrowings - bailment and other current loans	23	**939,324**	696,292
Current tax liabilities	24	**16,331**	–
Provisions	25	**104,527**	101,770
Deferred revenue	26	**12,924**	13,442
Lease liabilities	17(a)(i)	**168,089**	167,179
Total current liabilities		**1,616,867**	1,342,946
Non-current liabilities			
Borrowings	27	**376,910**	311,062
Deferred revenue	29	**15,922**	16,462
Provisions	28	**14,227**	14,058
Lease liabilities	17(a)(i)	**854,681**	958,966
Total non-current liabilities		**1,261,740**	1,300,548
Total liabilities		**2,878,607**	2,643,494
Net assets		**1,241,630**	1,087,451
Equity			
Contributed equity	31	**1,154,572**	1,173,069
Reserves	32(a)	**(606,122)**	(617,978)
Retained earnings	32(b)	**655,796**	510,725
		1,204,246	1,065,816
Non-controlling interests	34(c)	**37,384**	21,635
Total equity		**1,241,630**	1,087,451

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Consolidated entity	Notes	Issued capital $'000	Asset revaluation reserve $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Business combination reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2022		1,173,069	24,078	(91,541)	1,213	(479,042)	(72,686)	510,725	**1,065,816**	21,635	**1,087,451**
Profit for the year		–	–	–	–	–	–	308,167	**308,167**	16,173	**324,340**
Other comprehensive income	32(a)	–	15,012	–	(3,127)	–	189	–	**12,074**	–	**12,074**
Total comprehensive income for the year		**–**	**15,012**	**–**	**(3,127)**	**–**	**189**	**308,167**	**320,241**	**16,173**	**336,414**
Transfer to retained earnings		–	(2,588)	–	–	–	–	2,588	**–**	–	**–**
Transactions with owners in their capacity as owners:											
Share-based payments expense	32(a)	–	–	2,396	–	–	–	–	**2,396**	–	**2,396**
Dividends provided for or paid	32(b)	–	–	–	–	–	–	(165,684)	**(165,684)**	(9,612)	**(175,296)**
Shares acquired by Employee Share Trust	32(a)	–	–	(681)	–	–	–	–	**(681)**	–	**(681)**
Shares issued pursuant to staff share plan	32(a)	–	–	1,295	–	–	–	–	**1,295**	–	**1,295**
Share buy-back	31(b)	(18,497)	–	–	–	–	–	–	**(18,497)**	–	**(18,497)**
Purchase of shares from non-controlling interests		–	–	–	–	–	–	–	**–**	(1,300)	**(1,300)**
Recognition of non-controlling interests on acquisition		–	–	–	–	–	–	–	**–**	10,488	**10,488**
Income tax on items taken to or transferred directly from equity		–	–	(640)	–	–	–	–	**(640)**	–	**(640)**
		(18,497)	–	2,370	–	–	–	(165,684)	**(181,811)**	(424)	**(182,235)**
Balance at 31 December 2022		**1,154,572**	**36,502**	**(89,171)**	**(1,914)**	**(479,042)**	**(72,497)**	**655,796**	**1,204,246**	**37,384**	**1,241,630**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Consolidated entity	Notes	**Issued capital $'000**	**Asset revaluation reserve $'000**	**Share-based payments reserve $'000**	**Foreign currency translation reserve $'000**	**Business combination reserve $'000**	**Investment revaluation reserve $'000**	**Retained earnings $'000**	**Attributable to owners of the parent $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 January 2021		1,173,069	32,834	(62,510)	1,204	(479,042)	(72,686)	317,848	910,717	13,860	924,577
Profit for the year		–	–	–	–	–	–	317,824	317,824	12,913	330,737
Other comprehensive income		–	3,499	–	9	–	–	–	3,508	–	3,508
Total comprehensive income for the year		**–**	**3,499**	**–**	**9**	**–**	**–**	**317,824**	**321,332**	**12,913**	**334,245**
Transfer to retained earnings		–	(12,255)	–	–	–	–	12,255	–	–	–
Transactions with owners in their capacity as owners:											
Share-based payments expense	32(a)	–	–	3,204	–	–	–	–	3,204	–	3,204
Dividends provided for or paid	32(b)	–	–	–	–	–	–	(137,202)	(137,202)	(3,985)	(141,187)
Shares acquired by Employee Share Trust	32(a)	–	–	(51,019)	–	–	–	–	(51,019)	–	(51,019)
Shares issued pursuant to staff share plan	32(a)	–	–	19,037	–	–	–	–	19,037	–	19,037
Income tax on items taken to or transferred directly from equity		–	–	(253)	–	–	–	–	(253)	–	(253)
Sale of shares to non-controlling interests		–	–	–	–	–	–	–	–	(2,548)	(2,548)
Issues of shares to NCI		–	–	–	–	–	–	–	–	1,395	1,395
		–	–	(29,031)	–	–	–	(137,202)	(166,233)	(5,138)	(171,371)
Balance at 31 December 2021		**1,173,069**	**24,078**	**(91,541)**	**1,213**	**(479,042)**	**(72,686)**	**510,725**	**1,065,816**	**21,635**	**1,087,451**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers - inclusive of GST		**9,334,840**	9,529,429
Payments to suppliers and employees - inclusive of GST		**(8,764,033)**	(9,032,831)
Receipts from insurance claims		**7,100**	4,776
Interest and other costs of finance paid		**(88,245)**	(79,619)
Income taxes paid		**(96,355)**	(131,176)
Dividends received		**811**	1,695
Interest received		**13,425**	10,431
Net cash provided by operating activities	46	**407,543**	302,705
Cash flows from investing activities			
Payments for acquisition of businesses - net of cash acquired	35(a)	**(104,553)**	(14,403)
Payments for property, plant and equipment		**(197,917)**	(67,807)
Payments for intangible assets		**(11,019)**	–
Payments for shares in other corporations		**(11,754)**	1,524
Proceeds from sale of businesses - net of cash disposed	36	**49,256**	111,774
Proceeds from sale of property, plant and equipment		**68,856**	85,265
Receipts from subleases		**21,282**	21,138
Net cash provided by/(used in) investing activities		**(185,849)**	137,491
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	32(a)	**1,295**	19,037
Payments for shares acquired by the Employee Share Trust	32(a)	**(681)**	(51,019)
Proceeds from borrowings		**104,560**	–
Purchase of shares under share buy-back arrangement	31	**(18,497)**	–
Repayment of borrowings		**(16,571)**	(150,522)
Transactions with non-controlling interests		**(305)**	(1,666)
Dividends paid to members of Eagers Automotive Limited	8	**(165,684)**	(137,202)
Dividends paid to minority shareholders of a subsidiary		**(9,612)**	(9,102)
Repayment of lease liabilities		**(122,880)**	(121,194)
Net cash used in financing activities		**(228,375)**	(451,668)
Net decrease in cash and cash equivalents		**(6,681)**	(11,472)
Cash and cash equivalents at the beginning of the financial year		**197,620**	209,092
Effects of exchange rate changes on cash and cash equivalents		**(505)**	–
Cash and cash equivalents at the end of the financial year	9	**190,434**	197,620

The December 2021 Consolidated Statement of Cash Flows has been prepared to include cash flows from continuing and discontinued operations in accordance with AASB 107 *Statement of Cash Flows*. Refer to Note 37.

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

Notes to and forming part of the Consolidated Financial Statements

31 December 2022

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 consolidated 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 report 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 consolidated financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These consolidated 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 *Impairment of Assets*.

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 consolidated financial statements were authorised for issue by the Directors on the 23rd of February 2023.

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.

Going concern

The consolidated 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.

The Group has net current liabilities of ($31.0 million) at 31 December 2022 which is primarily due to a fixed rate, fixed term capital loan becoming due and payable within the next twelve months. Management has commenced discussions with the financier and expects to refinance the loan in the first half of 2023.

The Group has maintained a robust balance sheet with total available liquidity of $631.1 million (cash in bank of $190.4 million and undrawn facilities of $440.7 million) at 31 December 2022 and a substantial asset base and property portfolio valued at $607.6 million (including construction in progress).

The Group has generated positive net cash flows from operating activities of $407.5 million and profit from operations of $324.3 million for the year ended 31 December 2022.

Based on the strength of the Group's balance sheet and its cash flow 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 consolidated financial statements as a going concern is appropriate.

The Directors of the Company have assessed the ongoing impact of the Coronavirus disease (COVID-19) on continuing operations and consider any future impacts will not have a material impact on the overall Group and its available liquidity.

1 Summary of significant accounting policies (CONTINUED)

(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.

In the current year, the Group invested in EV Dealer Group Pty Ltd (EV Dealer Group) which operates as the exclusive Australian retailer for Build Your Dreams (BYD). The Group has determined that it has accounting control over EV Dealer Group given that contractual rights give it the ability to direct the activities that significantly affect the investee's returns.

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.

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 consolidated 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:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- 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 *Financial Instruments* (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 *Non-current Assets Held for Sale and Discontinued Operations*. 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

1 Summary of significant accounting policies (CONTINUED)

(b) Basis of consolidation (CONTINUED)

(ii) Investments in associates (CONTINUED)

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 *Investments in Associates and Joint Ventures* 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.

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 35(c)(i).

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) Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by ASIC, 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.

(d) Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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.

(e) Other accounting policies

Significant other account policies that summarise the recognition, treatment and measurement basis used, and are relevant to understanding the consolidated financial statements, are included throughout the relevant notes to the consolidated financial statements.

1 Summary of significant accounting policies (CONTINUED)

(f) 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:

— AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021;*

— AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments;*

— AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections;* and

— AASB 2022-2 *Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1.*

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

— AASB 17 *Insurance Contracts;*

— AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;*

— AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates;*

— 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;*

— 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;*

— *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date;* and

— AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information.*

2 Critical accounting estimates 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 included in the following notes:

Note	Key judgements and estimates
Note 11	Vehicle inventory write-down to net realisable value
Note 17	Significant judgement in determining the lease term of contracts with renewal options
Note 17	Recoverability of right-of-use assets and other non-current assets
Note 18	Calculation of loss allowance
Note 19	Fair value estimation of land and buildings
Note 20	Recoverability of goodwill and other intangibles with indefinite useful lives
Note 21	Recoverability of deferred tax asset
Note 35	The fair value of assets and liabilities acquired in business combinations

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

3 Revenue

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

Consolidated revenue for the year ended 31 December 2022 from continuing operations	**Retailing $'000**	**Property $'000**	**Total $'000**
Type of goods or service			
New vehicles	5,301,413	–	**5,301,413**
Used vehicles	1,795,998	–	**1,795,998**
Parts	904,259	–	**904,259**
Service	489,246	–	**489,246**
Other	49,658	928	**50,586**
Total revenue from external customers	**8,540,574**	**928**	**8,541,502**
Timing of revenue recognition			
At a point in time	8,046,055	928	**8,046,983**
Over time	494,519	–	**494,519**
Total revenue from external customers	**8,540,574**	**928**	**8,541,502**
Geographical markets			
Australia	8,068,711	928	**8,069,639**
New Zealand	471,863	–	**471,863**
Total revenue from external customers	**8,540,574**	**928**	**8,541,502**

Consolidated revenue for the year ended 31 December 2021 from continuing operations	**Retailing $'000**	**Property $'000**	**Total $'000**
Type of goods or service			
New vehicles	5,182,209	–	5,182,209
Used vehicles	1,970,178	–	1,970,178
Parts	937,638	–	937,638
Service	524,567	–	524,567
Other	47,517	1,353	48,870
Total revenue from external customers	8,662,109	1,353	8,663,462
Timing of revenue recognition			
At a point in time	8,128,223	1,353	8,129,576
Over time	533,886	–	533,886
Total revenue from external customers	8,662,109	1,353	8,663,462
Geographical markets			
Australia	8,143,758	1,353	8,145,111
New Zealand	518,351	–	518,351
Total revenue from external customers	8,662,109	1,353	8,663,462

3 Revenue (CONTINUED)

Recognition and measurement

(i) Revenue

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. Revenue is measured at the fair value of consideration receivable, net of any discounts, rebates and incentives.

Agency commission represent fees from third parties where the Group acts as an agent by arranging a third party to provide goods and services to a customer. In such cases, the Group is not primarily responsible for providing the underlying good or service to the customer. Agency commission is recognised on an accruals basis on completion of the referral. Agency commissions are reported as sales revenue.

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.

(ii) Other Revenue items

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 *Revenue from Contracts with Customers*, 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 (referred to as deferred revenue, refer to Notes 26 and 29) at the time of the initial sales transaction and is released on a straight-line basis over the period of the service.

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.

Rental income

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

Finance and insurance commissions

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.

Interest revenue

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

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

4 Finance income

	Consolidated	
	2022 $'000	2021 $'000
Finance income	**11,387**	10,368

Finance income relates to income earned on sublease arrangements on finance leases, in accordance with AASB 16 *Leases*.

5 Other gains

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Gain on disposal of non-financial assets		**2,813**	15,168
Gain on disposal of properties		**17,121**	10,957
Gain on disposal of businesses	36	**35,248**	31,894
Brand restructure compensation		**–**	215
		55,182	58,234

Recognition and measurement

Property, plant and equipment

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.

6 Expenses

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

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Depreciation			
Buildings	19	**9,097**	4,754
Plant and equipment	19	**15,670**	19,165
Leasehold improvements	19	**4,289**	5,383
Right-of-use assets	17(a)(ii)	**85,624**	89,664
Total depreciation		**114,680**	118,966
Amortisation			
Customer relationships	20	**1,462**	1,462
Other intangible assets	20	**461**	–
Total amortisation		**1,923**	1,462
Total depreciation and amortisation		**116,603**	120,428
Finance costs			
Vehicle bailment		**25,504**	17,022
Interest on lease liabilities	17(a)(ii)	**45,837**	48,715
Other		**16,904**	13,882
Total finance costs		**88,245**	79,619
Superannuation		**59,164**	55,499
Provision expenses			
Allowance for expected credit losses	10(b)	**726**	765
Employee benefits expense			
Employee benefits expense – gross		**678,452**	672,077
Employee benefits expense recognised in raw materials and consumables purchased		**102,196**	107,530
Total employee benefits expense		**780,648**	779,607
Share-based payments		**2,396**	3,204
Business acquisition and divestment costs		**3,034**	1,803
Business restructuring and integration costs		**1,850**	–

(b) Impairment of non-current assets

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Impairment of right-of-use assets	17(a)(i)	**1,727**	–
Revaluation decrement of land and buildings		**–**	5,156
Allowance for expected credit losses	18	**15,000**	–
		16,727	5,156

(c) Recognition and measurement

(i) Property, plant and equipment

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	30–40 years
— Plant and equipment	3–10 years
— Leasehold improvements	The shorter of the lease term and the useful life of the asset (5-30 years)

(ii) 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

7 Income tax

(a) Income tax expense

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Current income tax expense		**113,558**	108,736
Deferred income tax expense	21	**4,324**	9,334
		117,882	118,070
Deferred income tax expense included in income tax expense comprises:			
In respect of the current year	21	**4,324**	9,334

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit before income tax expense	**442,222**	456,807
Tax at the Australian tax rate of 30% (2021: 30%)	**132,667**	137,042
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible capital expenditure	**910**	541
Non-taxable dividends	**–**	(325)
Non-allowable expenses	**783**	608
Property impairment	**–**	1,547
Application of capital losses against current year capital gains	**(16,267)**	(17,488)
Sundry items	**(211)**	(3,855)
Income tax expense	**117,882**	118,070

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Aggregate deferred tax arising in the reporting period and recognised in other comprehensive income	**(5,382)**	(1,500)

(d) Recognition and measurement

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*. 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. 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.

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 consolidated financial statements, and to unused tax losses.

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

8 Dividends

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

	Consolidated 2022 $'000	2021 $'000
Final dividend for the year ended 31 December 2021 of 42.5 cents (2020: 25.0 cents) per share paid on 20 April 2022	**109,197**	64,233
Interim dividend for the year ended 31 December 2022 of 22.0 cents (2021: 28.4 cents – ordinary dividend of 20.0 cents and a special dividend of 8.4 cents) per share paid on 23 September 2022	**56,487**	72,969
Total dividends paid	**165,684**	137,202
Dividends paid in cash during the years ended 31 December 2022 and 2021 were as follows:		
Paid in cash	**165,684**	137,202

(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 49.0 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2023 out of the retained profits at 31 December 2022 but not recognised as a liability at year end is:	**125,145**	109,197

(c) Franked dividends

The final dividend recommended after 31 December 2022 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 2022.		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2021: 30%)	**529,115**	487,161

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

(i) franking credits that will arise from the payment of the current tax liability;
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(iii) 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	**(53,634)**	(46,799)

9 Current assets – Cash and cash equivalents

	Consolidated 2022 $'000	2021 $'000
Cash at bank and on hand	**190,434**	197,620

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

Recognition and measurement

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 Consolidated Statement of Financial Position.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

10 Current assets – Trade and other receivables

	Consolidated	
	2022 $'000	2021 $'000
Trade and other receivables	**279,961**	233,024
Allowance for expected credit losses	**(4,661)**	(4,064)
	275,300	228,960

(a) Ageing of trade receivables

The ageing of trade receivables at 31 December 2022 is detailed below:

	Consolidated			
	2022 Gross $'000	**2022 Provision $'000**	2021 Gross $'000	2021 Provision $'000
Not past due	**266,328**	**3,703**	223,166	3,573
Past due 0-30 days	**9,061**	**227**	6,604	165
Past due 31 days plus	**4,572**	**731**	3,254	326
Total	**279,961**	**4,661**	233,024	4,064

Included in the Group's trade receivables balance are debtors with a net carrying amount of $12,675,000 (2021: $9,367,000) 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 62 days (2021: 61 days).

(b) Movement in expected credit losses

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	**4,064**	5,639
Additional loss allowance	**726**	765
Amounts written off during the year	**(35)**	(676)
Disposal due to divestment	**(94)**	(1,664)
Closing balance	**4,661**	4,064

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.

(c) Recognition and measurement

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.

11 Current assets – Inventories

	Consolidated	
	2022 $'000	2021 $'000
New and demonstrator motor vehicles and trucks – at cost	**675,629**	528,027
Less: Write-down to net realisable value	**(15,585)**	(15,013)
	660,044	513,014
Used vehicles and trucks – at cost	**256,929**	247,445
Less: Write-down to net realisable value	**(15,290)**	(14,347)
	241,639	233,098
Parts and other consumables – at cost	**168,426**	136,374
Less: Write-down to net realisable value	**(10,808)**	(8,437)
	157,618	127,937
Total inventories	**1,059,301**	874,049

(a) Recognition and measurement

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.

(b) Critical accounting estimates and judgements

(i) New and demonstrator motor vehicles and trucks 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.

(ii) Used vehicles and trucks 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

12 Current assets – Other current assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Prepayments and deposits	**21,680**	18,787

13 Current assets – Assets classified as held for sale

	Consolidated 2022 $'000	Consolidated 2021 $'000
Assets classified as held for sale	**–**	18,670

There are no assets currently held for sale in the current reporting period.

Assets classified as held for sale at 31 December 2021 represented a vacant property sale that was unconditional at reporting date, and settled in February 2022. The asset was presented within total assets of the Property segment in Note 30(b).

Recognition and measurement

Assets held for sale

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.

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 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.

14 Non-current assets – Receivables

	Consolidated 2022 $'000	Consolidated 2021 $'000
Loans receivables	**32,468**	23,910
Other non-current receivables	**19,048**	11,801
	51,516	35,711

15 Non-current assets – Financial assets at fair value through other comprehensive income

	Consolidated	
	2022 $'000	2021 $'000
Financial assets at fair value through other comprehensive income		
Shares in a listed company[1]	**11,943**	–
Shares in an unlisted company[2]	**175**	577
	12,118	577

1 The Directors have assessed the fair value of the investment as at 31 December 2022 based on the market price of the shares on the last trading day of the reporting period. This is a level 1 fair value measurement asset being derived from inputs based on quoted prices that are observable.
2 The Directors have assessed the fair value of the investment as at 31 December 2022 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.

(a) 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 2022 are as follows:

Unobservable inputs used in determination of fair values				
Class of financial assets and liabilities	**Carrying amount 31/12/22 $'000**	Carrying amount 31/12/21 $'000	**Valuation technique**	**Key input**
Level 1 Financial assets at fair value through other comprehensive income – listed	**11,943**	–	Quoted bid prices in an active market.	Quoted bid prices in an active market.
Level 3 Financial assets at fair value through other comprehensive income – unlisted	**175**	577	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.

(b) Recognition and measurement

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).

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

15 Non-current assets – Financial assets at fair value through other comprehensive income (CONTINUED)

(b) Recognition and measurement (CONTINUED)

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.

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.

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.

16 Non-current assets – Investments in associates

	Consolidated	
	2022 $'000	2021 $'000
Shares in associate – Vehicle Parts (WA) Pty Ltd	**1,846**	1,555
Shares in associate – Mazda Parts	**485**	519
	2,331	2,074

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer Note 48).

Reconciliation of the carrying amount of investments in associates is set out in Note 48(b).

17 Right-of-use assets and lease liabilities

(a) Leases

(i) Amounts recognised in the Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

	Consolidated	
	2022 $'000	2021 $'000
Right-of-use assets		
Property	**564,109**	629,853
Equipment	**–**	1,246
	564,109	631,099

Consolidated entity	Notes	Property $'000	Equipment $'000	Total $'000
Year ended 31 December 2022				
Opening net book amount		629,853	1,246	**631,099**
Exchange differences		(2,525)	–	**(2,525)**
Additions		21,598	–	**21,598**
Disposals		(17,440)	–	**(17,440)**
Depreciation charge		(84,378)	(1,246)	**(85,624)**
Impairment loss	6(b)	(1,727)	–	**(1,727)**
Rent reviews		15,155	–	**15,155**
Adjustments to lease terms		3,573	–	**3,573**
Closing net book amount		**564,109**	**–**	**564,109**

Disposal of property right-of-use assets reported above are primarily driven by the sale of Bill Buckle Auto Group ($1.4 million) and the purchase of properties previously leased ($11.9 million). The remainder of the movement relates to miscellaneous lease exits.

Consolidated entity	Property $'000	Equipment $'000	Total $'000
Year ended 31 December 2021			
Opening net book amount	801,129	–	801,129
Exchange differences	(3,070)	–	(3,070)
Additions	49,471	1,495	50,966
Disposals	(132,743)	–	(132,743)
Depreciation charge	(89,415)	(249)	(89,664)
Rent reviews	5,002	–	5,002
Adjustments to lease terms	(521)	–	(521)
Closing net book amount	629,853	1,246	631,099

	Consolidated	
	2022 $'000	2021 $'000
Lease liabilities		
Current	**168,089**	167,179
Non-current	**854,681**	958,966
	1,022,770	1,126,145

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

17 Right-of-use assets and lease liabilities (CONTINUED)

(a) Leases (CONTINUED)

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

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

	Notes	Consolidated 2022 $'000	2021 $'000
Depreciation charge of right-of-use assets			
Buildings		**84,378**	89,415
Equipment		**1,246**	249
		85,624	89,664
Interest expense	6(a)	**45,837**	48,715
Expense relating to short-term leases		**5,196**	3,645

(iii) Maturity analysis of contracted undiscounted cashflows

	Consolidated 2022 $'000	2021 $'000
Maturity analysis		
Not later than one year	**168,089**	167,179
Later than 1 year and not later than 5 years	**537,006**	585,321
Later than 5 years	**577,351**	665,649
Total undiscounted lease payments	**1,282,446**	1,418,149
Less: Present value adjustment	**(259,676)**	(292,004)
Present value of lease payments	**1,022,770**	1,126,145

In addition to the above lease payments is a minimum lease payment of $44.7 million expected to occur 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 2023. 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.

(b) Recognition and measurement

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.

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.

17 Right-of-use assets and lease liabilities (CONTINUED)

(b) Recognition and measurement (CONTINUED)

Leases (CONTINUED)

Lease liabilities (CONTINUED)

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.

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. Any identified impairment loss is accounted for in line with our accounting policy for 'Property, plant and equipment'

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.

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.

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.

(c) Critical accounting estimates and judgements

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 Notes 17(a)(i) and 19(a) respectively.

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).

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

18 Finance lease receivables

In determining the expected credit losses for these assets, the directors of the Group have taken into account the understanding of the credit risk rating of counterparties, as well as 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.

(a) Amounts receivable under finance leases

	Consolidated	
	2022 $'000	2021 $'000
Year 1	**39,104**	34,715
Year 2	**37,548**	34,430
Year 3	**28,945**	33,223
Year 4	**27,903**	28,525
Year 5	**22,918**	27,428
Onwards	**169,941**	192,135
Total undiscounted lease payments	**326,359**	350,456
Less: Unearned finance income	**(74,017)**	(79,809)
Allowance for expected credit losses	**(15,000)**	–
Present value of lease payments receivable	**237,342**	270,647
Current	**39,104**	34,715
Non-current	**198,238**	235,932
Total finance lease receivables	**237,342**	270,647

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 1 and 13 years. Leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(b) Movement in expected credit losses

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	**–**	–
Additional loss allowance	**15,000**	–
Closing balance	**15,000**	–

18 Finance lease receivables (CONTINUED)

(c) Recognition and measurement

Leases

The Group as a lessee

Sublease arrangements

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease 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 subleasing arrangements entered into as a result of business divestments, the Group has recognised a current finance lease receivable of $39.1 million, and a non current finance lease receivable of $198.2 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.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The Group have taken into account the understanding of the credit risk rating of counterparties, as well as 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.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

— when there is a breach of financial covenants by the debtor; or
— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

(d) Critical accounting estimates and judgements

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes credit rating, assumptions and expectations of future conditions.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

19 Non-current assets – Property, plant and equipment

	Consolidated	
	2022 $'000	2021 $'000
Freehold land and buildings – at fair value		
Directors' valuation[1]		
Land	**285,292**	249,962
Buildings	**291,763**	182,490
Total land and buildings	**577,055**	432,452
Construction in progress – at cost		
Construction in progress	**30,510**	15,825
Leasehold improvements		
At cost	**42,357**	27,809
Accumulated depreciation	**(5,670)**	(3,415)
Total leasehold improvements	**36,687**	24,394
Plant and equipment		
At cost	**68,415**	48,516
Accumulated depreciation	**(14,274)**	(6,813)
Total plant and equipment	**54,141**	41,703
Total property, plant and equipment	**698,393**	514,374

1 Valuation of land and buildings.

Valuation of land and buildings

The Group considers the valuation of land & buildings every reporting date and the Group's policy requires land & buildings to be externally valued every three years. At reporting dates where an asset is not externally valued, the Group considers whether market conditions or asset specific factors support the position that the carrying value of the asset is materially in line with fair value. This includes consideration of changes in market variables such as capitalisation rates and terminal growth observable through comparable independent valuations obtained and also considers comparable market transactions. The Group also considers whether the usage of a property has changed that may alter the valuation of the property. In the current year, the Group commissioned additional valuations of additional properties above the usual cyclical valuations in response to uncertainty driven by market conditions.

19 Non-current assets – Property, plant and 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 2022 are as follows:

Class of assets and liabilities	Carrying amount 2022 $'000	Carrying amount 2021 $'000	Inputs used to measure fair value	Range of unobservable inputs 2022	Range of unobservable inputs 2021	Valuation technique	Key input
Level 3 Car – HBU Alternate Use	**41,881**	40,541	Adopted capitalisation rate	**6.2% - 8.1%**	N/A	Direct comparison	External valuations
			Net market rental (per sqm)	**$120 - $298**	N/A		
			Price per sqm land	**$1,473 - $4,826**	$1,489 - $4,002		
Level 3 Franchised Automotive Dealership	**535,174**	380,956	Adopted capitalisation rate	**4.9% - 10.1%**	0.0% - 9.0%	Summation method, income capitalisation and direct comparison	External valuations, industry benchmarks
			Net market rental (per sqm)	**$4 - $270**	$0 - $300		
			Net rent per sqm GBA	**$54 - $1,029**	$0 - $980		
Level 3 Truck Dealership	**–**	9,888	Adopted capitalisation rate	**N/A**	4.7% - 4.7%	Direct comparison	External valuations
			Net market rental (per sqm)	**N/A**	$0 - $20		
			Price per sqm land	**N/A**	$430 - $430		
Level 3 Other Logistics	**–**	1,067	Adopted capitalisation rate	**N/A**	8.0% - 8.0%	Income capitalisation method supported by market comparison	External valuations
			Net market rental (per sqm)	**N/A**	$71 - $71		
Total	**577,055**	**432,452**					

Unobservable inputs used in determination of fair values

Truck Dealership and Other Logistics have been reclassified to Franchised Automotive Dealership in the current year.

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; Franchised Automotive 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 $250,357,000 (2021: $235,675,000). If freehold buildings were carried at historical cost, its current carrying value (after depreciation) would be $269,643,000 (2021: $182,490,000).

Non-current assets pledged as security

Refer to Note 27 for information on non-current assets pledged as security by the Group.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

19 Non-current assets – Property, plant and equipment (CONTINUED)

Reconciliations

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

Consolidated 2022	**Freehold land $'000**	**Buildings $'000**	**Construction in progress $'000**	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
Opening net book amount	249,962	182,490	15,825	24,394	41,703	**514,374**
Exchange differences	–	–	–	–	(892)	**(892)**
Transfers	(20,872)	34,710	(22,645)	7,293	1,514	**–**
Additions	52,326	95,950	37,394	10,349	30,943	**226,962**
Revaluation gain recognised in asset revaluation reserve	21,446	–	–	–	–	**21,446**
Disposals	(17,570)	(12,290)	(64)	(1,060)	(3,457)	**(34,441)**
Depreciation charge	–	(9,097)	–	(4,289)	(15,670)	**(29,056)**
Carrying amount at end of year	**285,292**	**291,763**	**30,510**	**36,687**	**54,141**	**698,393**

During the period, the Group acquired land and buildings of which $30 million was directly funded through capital loan facilities obtained by the Group. Refer to Note 27 for further information on movement in borrowings.

Consolidated 2021	**Freehold land $'000**	**Buildings $'000**	**Construction in progress $'000**	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
Opening net book amount	202,384	154,079	7,405	39,474	90,924	494,266
Exchange differences	–	–	–	–	(438)	(438)
Transfers	–	1,521	(1,972)	(1,888)	2,339	–
Additions	112,376	56,336	10,392	5,488	15,187	199,779
Revaluation gain recognised in asset revaluation reserve	4,999	–	–	–	–	4,999
Revaluation recognised in profit and loss	(5,156)	–	–	–	–	(5,156)
Disposals	(45,971)	(24,692)	–	(13,297)	(47,144)	(131,104)
Transfer to property assets held for sale	(18,670)	–	–	–	–	(18,670)
Depreciation charge	–	(4,754)	–	(5,383)	(19,165)	(29,302)
Carrying amount at end of year	249,962	182,490	15,825	24,394	41,703	514,374

19 Non-current assets – Property, plant and equipment (CONTINUED)

(a) Recognition and measurement

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.

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 20(b)(i)).

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.

(b) Critical accounting estimates and judgements

Fair value estimation of land and buildings

Land and buildings with a carrying value of $577.1 million (2021: $432.5 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

20 Non-current assets – Intangibles

	Notes	Consolidated 2022 $'000	2021 $'000
Goodwill		**834,619**	763,988
Trade marks/brand names		**5,915**	5,915
Customer relationships		**3,930**	5,392
Other intangible assets		**10,558**	–
		855,022	775,295
Movement – Goodwill			
Balance at the beginning of the financial year		**763,988**	771,755
Additional amounts recognised:			
Acquired through business combinations during the year	35(a)	**81,664**	10,749
Less: Disposal of businesses	36(a)	**(11,033)**	(18,516)
Balance at the end of the financial year		**834,619**	763,988
Movement – Trade marks/brand names			
Balance at the beginning of the financial year		**5,915**	6,965
Less: Disposal of businesses		**–**	(1,050)
Balance at the end of the financial year		**5,915**	5,915
Movement – Customer relationships			
Balance at the beginning of the financial year		**5,392**	6,854
Amortisation charge		**(1,462)**	(1,462)
Balance at the end of the financial year		**3,930**	5,392
Movement - Other intangible assets			
Balance at the beginning of the financial year		**–**	–
Recognition of other intangible assets		**11,019**	–
Amortisation charge		**(461)**	–
Balance at the end of the financial year		**10,558**	–

20 Non-current assets – Intangibles (CONTINUED)

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

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.

The DCF model adopted by the Directors utilises cash flow forecasts derived from the 2023 financial budgets approved by the Board to help determine year one cash flows. The budgets consider all available sources of information (both external and internal).

The key assumptions determined by the Directors as being the assumptions to which the CGUs recoverable amount is most sensitive are:

Cash flow growth rates

The DCF value-in-use models include a range of cash flow growth rates applied in a second forecast year to year four that does not exceed 2.3% (2021: 2.0%) in both our Australian and New Zealand operations.

Terminal growth rates

A terminal growth rate of 2.5% is applied from year four and into the terminal period (2021: 2.0%). The terminal growth rate is not deemed to exceed the long-term average growth rate for the industry and generally accepted future consumer price index (CPI) rate.

Discount rate

A post-tax discount rate of 8.5% (2021: 8.0%) was applied to the cash flows for Australian operations and a post-tax discount rate of 8.75% (2021: 8.0%) for New Zealand, incorporating the impact of AASB 16 (IFRS 16 *Leases* in New Zealand) on the Group's cost of debt. Management engaged a third party specialist to provide the discount rate utilised in the DFC value-in-use models.

Whilst supply chain dynamics persist, the Group's fundamentals reflect the strength of our ongoing business, with continued growth of our new car order bank and realised benefits from our ongoing productivity and cost-out programs. The forecast growth rates and terminal growth rate have been based on consideration of historical performance and the expected future operating conditions.

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 of the CGUs at 31 December 2022, the Directors acknowledge the continuing heightened level of uncertainty around key assumptions in the current environment.

Management have considered the market context and performance with reference to the VFACTS National Report New Vehicle Sales results for December 2022. Market new vehicle sales increased 3.0% year-to-date December 2022, compared to year-to-date December 2021. New vehicle sales is a leading indicator for Used Vehicle, Parts and Service department performance.

Consideration of climate change

In estimating recoverable amount the Group has considered the potential impacts of climate change both on the Group's business model and corporate strategy. The most significant change for vehicle retailers will be the increasing rate of demand for electric vehicles (including hydrogen fuel cell electric vehicles) in preference to internal combustion engine vehicles. This change, in isolation is not expected to significantly impact the Group's business model as the Group is pivoting to supplying a greater percentage of electric vehicles to meet consumer demand. Other impacts such as the Group's desire to meet net zero emissions over time are being considered and will be reflected in the recoverable amount as the strategy progresses. There is significant headroom in all CGUs.

Sensitivity analysis performed

The Group has performed sensitivity analysis of the reasonably possible changes in the key assumptions used in the model, including reducing cash flow growth rates from a maximum of 2.3% to a fixed growth rate of 0% applied from the second forecast year through to year five, whilst holding terminal growth rate at 2.5%. Further, the Group has sensitised the discount rate from 8.5% to 9.0% in Australian operations, and from 8.75% to 9.25% in New Zealand operations. Under each of these independent scenarios, no impairment was identified.

The CGU most sensitive to possible impairment is New Zealand. However, the directors have determined that a reasonably possible change to the key assumptions, including the Board approved Year 1 forecast, would not result in impairment.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

20 Non-current assets – Intangibles (CONTINUED)

(b) Recognition and measurement

(i) Impairment of long lived assets (excluding goodwill)
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 (CGUs) 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 19(a)). 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 19(a)).

(ii) 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.

(iii) 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.

(iv) Other intangible assets
Other intangible assets include costs associated with franchise licences which provide a benefit for more than one reporting period are amortised over the remaining term of the franchise licence. Capitalised costs associated with renewal options for franchise licences are deferred and amortised over the renewal option period. The unamortised balance is reviewed each balance date and charged to the Consolidated Income Statement to the extent that future benefits are no longer probable.

(v) 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.

(c) Critical accounting estimates and judgements

Recoverability of goodwill and other intangibles with indefinite useful lives
Goodwill and other intangibles with indefinite useful lives of $840.5 million (2021: $769.9 million) 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 Notes 19(a) and 20(a).

21 Non-current assets – Deferred tax assets

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Deferred tax assets		**142,116**	152,000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Book versus tax carrying value of plant and equipment		**27,857**	25,548
Leases		**66,396**	67,047
Deferred income		**4,516**	4,944
Inventory valuation		**2,565**	(2,157)
Prepayments		**(1,707)**	(766)
Trade receivables		**1,399**	1,215
Provisions			
Employee benefits		**35,237**	33,115
Other		**6,319**	6,475
Sundry items		**16,668**	24,422
Total amounts recognised in profit or loss		**159,250**	159,843
Amounts recognised directly in equity			
Revaluation of available-for-sale investment		**(57)**	–
Revaluation of property, plant and equipment		**(18,020)**	(8,948)
Share options trust		**943**	1,105
Total amounts recognised directly in equity		**(17,134)**	(7,843)
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 2022		**152,000**	162,005
Deferred tax (expense)	7(a)	**(4,324)**	(9,334)
Adjustments recognised in the current year in relation to deferred tax in prior years prior years		**(1,702)**	–
Deferred tax recognised directly in equity			
Revaluation of property, plant and equipment	32(a)	**(6,434)**	(1,500)
Disposal of property with prior period revaluation	32(a)	**1,109**	–
Revaluation of financial assets		**(57)**	–
Share options trust	32(a)	**(640)**	253
Deferred tax recognised through a business combination			
Deferred tax assets relating to business combinations		**2,164**	576
Closing balance at 31 December 2022		**142,116**	152,000

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:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Deferred tax liabilities	**(19,784)**	(11,871)
Deferred tax assets	**161,900**	163,871
Net deferred tax asset	**142,116**	152,000

At the reporting date, the Group has no unused revenue tax losses (2021: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of capital losses of $57.5 million (2021: $116.9 million, revised to $109.4 million following finalisation of the Group income tax return) 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

21 Non-current assets – Deferred tax assets (CONTINUED)

(a) Recognition and measurement

Deferred taxes

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.

(b) Critical accounting estimates and judgements

Deferred tax asset

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.

22 Current liabilities – Trade and other payables

	Consolidated	
	2022 $'000	2021 $'000
Trade and other payables		
Trade payables[1]	**142,505**	116,668
Other payables	**233,167**	247,595
	375,672	364,263

Other payables comprises of customer deposits held of $95.1 million (2021: $71.4 million), taxes payable of $10.2 million (2021: $15.4 million), accruals of $96.6 million (2021: $118.8 million), with the remaining balance relating to miscellaneous payables.

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.

Recognition and measurement

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.

23 Current liabilities – Borrowings – bailment and other current loans

(a) Bailment finance and other current loans

	Consolidated	
	2022 $'000	2021 $'000
Bailment finance	**872,348**	681,325
Capital loan	**66,976**	14,967
	939,324	696,292

(i) Bailment finance

Bailment finance is provided on a vehicle-by-vehicle basis by various finance providers at an average interest rate of 3.67% p.a. applicable at 31 December 2022 (2021: 2.21%). 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 33.

(iii) Fair value disclosures

Details of the Group's fair value of interest bearing liabilities is set out in Note 33.

(iv) Security

Details of the security relating to each of the secured liabilities and further information on bank loans is set out in Note 27.

b) Recognition and measurement

(i) 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.

(ii) 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

24 Current liabilities – Net current tax liabilities

	Consolidated	
	2022 $'000	2021 $'000
Current income tax receivable	**–**	(574)
Current income tax payable	**16,331**	–
Net current income tax payable/(receivable)	**16,331**	(574)

Recognition and measurement

Please refer to Note 7(d) for recognition and measurement of tax balances.

25 Current liabilities – Provisions

	Consolidated	
	2022 $'000	2021 $'000
Annual leave	**55,534**	57,429
Long service leave	**48,993**	44,341
	104,527	101,770

Recognition and measurement

(i) 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.

(ii) 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.

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.

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

26 Current liabilities – Other current liabilities

	Consolidated	
	2022 $'000	2021 $'000
Deferred revenue	**12,924**	13,442

Deferred revenue relates to recognition of revenue in accordance with the performance obligations in certain warranty contracts.

27 Non-current liabilities – Borrowings (secured)

	Consolidated	
	2022 $'000	2021 $'000
Term facility	**104,560**	–
Capital loan	**272,350**	311,062
	376,910	311,062
Secured liabilities		
Total secured liabilities (current and non-current) are:		
Term facility[1]	**104,560**	–
Capital loan[2]	**339,326**	326,029
Bailment finance[3]	**872,348**	681,325
	1,316,234	1,007,354

1 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.
2 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.
3 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 33 for maturities.

Assets pledged as security

The carrying amounts of assets pledged as security are:

	Consolidated	
	2022 $'000	2021 $'000
Non-current assets pledged as security		
Freehold land and buildings – first mortgage	**577,055**	432,452
Other non-current assets	**1,052,900**	905,967
Current assets pledged as security		
Inventories	**872,348**	681,325
Other current assets	**353,639**	346,057
Total assets pledged as security	**2,855,942**	2,365,801

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

27 Non-current liabilities – Borrowings (secured) (CONTINUED)

Financing arrangements

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

	Consolidated	
	2022 $'000	2021 $'000
Total facilities		
Term facility[1]	**382,000**	382,000
Working capital facility (includes bank overdraft)[2]	**30,000**	30,000
Capital loan[3]	**472,545**	449,527
Bailment finance[4]	**1,624,700**	1,597,030
Bank guarantees	**66,100**	58,000
	2,575,345	2,516,557
Drawn at balance date		
Term facility	**104,560**	–
Capital loan	**339,326**	326,029
Bailment finance	**872,348**	681,325
Bank guarantees	**53,408**	49,257
	1,369,642	1,056,611
Undrawn at balance date		
Term facility	**277,440**	382,000
Working capital facility (includes bank overdraft)	**30,000**	30,000
Capital loan	**133,219**	123,498
Bailment finance	**752,352**	915,705
Bank guarantees	**12,692**	8,743
	1,205,703	1,459,946

1 Term facility at balance date was provided on a non-amortisable (interest only) basis subject to compliance with specific covenants for a fixed term.
2 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.
3 Capital loan facility at the balance date was provided on a non-amortisable (interest only) basis for a fixed term.
4 Dealerships utilise bailment finance to fund both new and used vehicle inventory. New vehicles are purchased from the original equipment manufacturer (OEM) using financing provided by a bailment finance provider, who retains title in the vehicle until it is subsequently sold by the dealership to the customer. Vehicle financed under bailment plans are recognised as inventory with the corresponding bailment liability owing to the finance providers.
These facilities include a combination of fixed term and open-ended arrangements and are subject to review periods ranging from quarterly to annual. The facilities are available for drawdown by specified dealerships on a vehicle-by-vehicle basis, with repayment as it relates to an individual vehicle required immediately after the vehicle is sold.
The Group also utilises the bailment finance facility to finance some of its used vehicle inventory.

28 Non-current liabilities – Provisions

	Consolidated	
	2022 $'000	2021 $'000
Long service leave	**8,537**	8,613
Other provisions	**5,690**	5,445
	14,227	14,058

The other provisions balance held at reporting date relates to provisions held for make good of leased property. This is for the expected cost of restoring the premises to its original condition at the end of the lease.

Recognition and measurement

(i) 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.

(ii) 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.

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.

29 Non-current liabilities – Deferred revenue

	Consolidated	
	2022 $'000	2021 $'000
Deferred revenue	**15,922**	16,462

Deferred revenue relates to recognition of revenue in accordance with the performance obligations in certain warranty contracts.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

30 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 Group has historically operated in three operating and reporting segments being (i) Car Retailing, (ii) Truck Retailing and (iii) Property. These are identified on the basis of being the components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Information regarding the Group's reporting segments is presented below.

As a result of the divestment of the Daimler Trucks business in the comparative period, the Group changed the structure of its internal organisation. This resulted in a change in the composition of its reportable segments in the prior period, resulting in the Group now operating in two segments. The Truck Retailing reporting segment for the comparative period represents only Daimler Truck dealerships for the year ended 31 December 2021. All remaining non-Daimler Truck dealerships are reported in the Car Retailing segment.

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 and Property 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.

(i) Car Retailing

Within the Car Retailing segment, the Group offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle maintenance and repair services, vehicle parts, service contracts, vehicle brokerage, vehicle protection products and other aftermarket products. They also facilitate financing for vehicle purchases through third-party sources. New vehicles, vehicle parts and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers. This segment includes a motor auction business and forklift rental business. Following the divestment of Daimler Trucks in the comparative period, the Group adjusted the composition of its reportable segments, resulting in all remaining non-Daimler Truck dealerships being reallocated to the Car Retailing segment for both the comparative and current period.

(ii) Truck Retailing

For the comparative period, this segment includes only Daimler Truck dealerships which were divested in the prior period, as detailed above. Within the Truck Retailing segment, the Group offered a diversified range of products and services, including new trucks, used trucks, truck maintenance and repair services, truck parts, service contracts, truck protection products and other aftermarket products. They also facilitated financing for truck purchases through third-party sources. New trucks, truck parts and maintenance services were predominantly supplied in accordance with franchise agreements with manufacturers.

(iii) Property

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

(a) Geographic information

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

30 Segment information (CONTINUED)

(b) Segment results

Segment reporting 2022	Car Retailing $'000	Truck Retailing $'000	Property $'000	Eliminations $'000	Consolidated $'000
Sales to external customers	8,540,574	–	928	–	**8,541,502**
Inter-segment sales	–	–	34,665	(34,665)	**–**
Total sales revenue	**8,540,574**	**–**	**35,593**	**(34,665)**	**8,541,502**
Segment result					
Operating profit before interest	479,835	–	24,973	–	**504,808**
External interest expense allocation	(76,742)	–	(11,503)	–	**(88,245)**
Operating contribution	**403,093**	**–**	**13,470**	**–**	**416,563**
Business acquisition and divestment costs	(3,034)	–	–	–	**(3,034)**
Other expenses	(3,926)	–	–	–	**(3,926)**
Profit on termination of leases	2,672	–	–	–	**2,672**
Profit on sale of businesses	35,248	–	–	–	**35,248**
Profit on sale of properties	–	–	17,121	–	**17,121**
Impairment of non-current assets	(1,727)	–	–	–	**(1,727)**
Segment profit	**432,326**	**–**	**30,591**	**–**	**462,917**
Unallocated corporate expenses					**(20,695)**
Profit before tax					**442,222**
Income tax expense					**(117,882)**
Net profit					**324,340**
Depreciation and amortisation	(107,506)	–	(9,097)	–	**(116,603)**
Assets					
Segment assets	3,522,360	–	597,877	–	**4,120,237**
Liabilities					
Segment liabilities	2,509,721	–	368,886	–	**2,878,607**
Net assets	**1,012,639**	**–**	**228,991**	**–**	**1,241,630**

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

30 Segment information (CONTINUED)

(b) Segment results (CONTINUED)

Segment reporting 2021	**Car Retailing $'000**	**Truck Retailing $'000**	**Property $'000**	**Eliminations $'000**	**Consolidated $'000**
Sales to external customers	8,438,283	223,826	1,353	–	8,663,462
Inter-segment sales	–	–	30,699	(30,699)	–
Total sales revenue	8,438,283	223,826	32,052	(30,699)	8,663,462
Segment result					
Operating profit before interest	459,990	6,333	21,748	–	488,071
External interest expense allocation	(68,147)	(2,314)	(9,158)	–	(79,619)
Operating contribution	391,843	4,019	12,590	–	408,452
Share of net profit of equity accounted investments	1,078	–	–	–	1,078
Business acquisition and divestment costs	(1,412)	(391)	–	–	(1,803)
Property revaluation	–	–	(5,156)	–	(5,156)
Profit on termination of leases	8,833	5,364	–	–	14,197
Profit on sale of businesses	1,708	30,186	–	–	31,894
Profit on sale of property	–	–	10,957	–	10,957
Manufacturer compensation income	215	–	–	–	215
Miscellaneous	735	–	–	–	735
Segment profit	403,000	39,178	18,391	–	460,569
Unallocated corporate expenses					(3,762)
Profit before tax					456,807
Income tax expense					(118,070)
Net profit					338,737
Depreciation and amortisation	(106,441)	(7,819)	(6,168)	–	(120,428)
Assets					
Segment assets	3,271,999	–	458,946	–	3,730,945
Liabilities					
Segment liabilities	2,317,465	–	326,029	–	2,643,494
Net assets	954,534	–	132,917	–	1,087,451

(c) Recognition and measurement

Operating segments

Operating segments are identified based on internal reports that are regularly reviewed by the Group's Board of Directors in order to allocate resources to the segment and assess its performance.

The Group has historically operated in three operating and reporting segments being (i) Car Retailing, (ii) Truck Retailing and (iii) Property. The Truck Retailing segment is only applicable to the comparative period due to the divestment of the Daimler Trucks business in 2021. Currently the segment of "Other" is not required.

31 Contributed equity

(a) Paid up capital

	Consolidated			
	2022 Shares	2021 Shares	**2022 $'000**	2021 $'000
Ordinary shares – fully paid	**255,398,099**	256,933,106	**1,154,572**	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 2,509,566 outstanding shares, which are reported in share capital (2021: 2,597,771).

(b) Movements in ordinary share capital

Date	Details	Number of shares	Buy-back price	$'000
01-Jan-2022	**Opening balance**	**256,933,106**	**–**	**1,173,069**
26-Aug-2022	Share buy-back	(152,289)	$13.13	(2,000)
30-Aug-2022	Share buy-back	(19,880)	$12.57	(250)
15-Sep-2022	Share buy-back	(7,995)	$12.74	(102)
16-Sep-2022	Share buy-back	(120,569)	$12.73	(1,535)
19-Sep-2022	Share buy-back	(80,408)	$12.77	(1,026)
20-Sep-2022	Share buy-back	(145,690)	$12.75	(1,857)
23-Sep-2022	Share buy-back	(127,322)	$12.68	(1,615)
26-Sep-2022	Share buy-back	(161,629)	$12.16	(1,966)
27-Sep-2022	Share buy-back	(93,967)	$11.55	(1,086)
28-Sep-2022	Share buy-back	(39,011)	$11.63	(454)
29-Sep-2022	Share buy-back	(65,920)	$11.39	(751)
30-Sep-2022	Share buy-back	(99,997)	$11.17	(1,117)
04-Oct-2022	Share buy-back	(24,992)	$10.91	(273)
19-Oct-2022	Share buy-back	(12,359)	$11.56	(143)
20-Oct-2022	Share buy-back	(60,000)	$11.10	(666)
21-Oct-2022	Share buy-back	(18,001)	$10.97	(197)
10-Nov-2022	Share buy-back	(31,886)	$11.77	(375)
16-Nov-2022	Share buy-back	(35,000)	$11.99	(420)
17-Nov-2022	Share buy-back	(8,865)	$11.90	(106)
22-Nov-2022	Share buy-back	(5,000)	$11.98	(60)
07-Dec-2022	Share buy-back	(35,000)	$11.64	(407)
07-Dec-2022	Share buy-back	(2,016)	$11.60	(23)
08-Dec-2022	Share buy-back	(10,496)	$11.57	(121)
12-Dec-2022	Share buy-back	(25,504)	$11.50	(293)
20-Dec-2022	Share buy-back	(30,000)	$11.09	(333)
21-Dec-2022	Share buy-back	(20,000)	$11.10	(222)
22-Dec-2022	Share buy-back	(27,856)	$11.08	(309)
23-Dec-2022	Share buy-back	(44,925)	$10.80	(485)
28-Dec-2022	Share buy-back	(14,261)	$10.75	(153)
29-Dec-2022	Share buy-back	(14,000)	$10.68	(150)
30-Dec-2022	Share buy-back	(169)	$10.73	(2)
31-Dec-2022	**Closing balance**	**255,398,099**	**–**	**1,154,572**
01-Jan-2021	**Opening balance**	**256,933,106**	**–**	**1,173,069**
	No equity movement during the year	–	–	–
31-Dec-2021	**Closing balance**	**256,933,106**	**–**	**1,173,069**

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

32 Reserves and retained earnings

(a) Reserves

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Asset revaluation reserve		**36,502**	24,078
Share-based payments reserve		**(89,171)**	(91,541)
Foreign currency translation reserve		**(1,914)**	1,213
Business combination reserve		**(479,042)**	(479,042)
Investment revaluation reserve		**(72,497)**	(72,686)
		(606,122)	(617,978)
Movements:			
Asset revaluation reserve:			
Balance at beginning of the financial year		**24,078**	32,834
Revaluation surplus during the year	19	**21,446**	4,999
Deferred tax - revaluation surplus during the year	21	**(6,434)**	(1,500)
Transfer to retained earnings relating to properties sold	32(b)	**(3,697)**	(12,255)
Deferred tax - transfer to retained earnings relating to properties sold	21, 32(b)	**1,109**	–
Balance at the end of the financial year		**36,502**	24,078
Share-based payments reserve:			
Balance at beginning of the financial year		**(91,541)**	(62,510)
Deferred tax	21	**(640)**	(253)
Payments received from employees for exercised options		**1,295**	19,037
Shares acquired by the Employee Share Trust		**(681)**	(51,019)
Employee share schemes - value of employee services		**2,396**	3,204
Balance at the end of the financial year		**(89,171)**	(91,541)
Foreign currency translation reserve:			
Balance at beginning of the financial year		**1,213**	1,204
Other comprehensive income		**(3,127)**	9
Balance at the end of the financial year		**(1,914)**	1,213
Business combination reserve:			
Balance at beginning of the financial year		**(479,042)**	(479,042)
Balance at the end of the financial year		**(479,042)**	(479,042)
Investment revaluation reserve:			
Balance at beginning of the financial year		**(72,686)**	(72,686)
Gain on revaluation of financial assets held at fair value through other comprehensive income		**189**	–
Balance at the end of the financial year		**(72,497)**	(72,686)

(b) Retained earnings

	Consolidated	
	2022 $'000	2021 $'000
Retained profits at the beginning of the financial year	**510,725**	317,848
Net profit for the year	**324,340**	330,737
Less: NCI Share	**(16,173)**	(12,913)
Transfer to retained earnings	**2,588**	12,255
Dividends provided for or paid	**(165,684)**	(137,202)
Retained profits at the end of the financial year	**655,796**	510,725

32 Reserves and retained earnings (CONTINUED)

(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 19(a).

(ii) 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.

(iii) 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 42 and 43.

(iv) Business combination reserve

The business combination 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.

33 Financial instruments

(a) 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 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. The main purpose of these financial instruments is to raise finance for and fund the Group's operations. 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 Consolidated Statement of Financial Position and notes to the consolidated 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

33 Financial instruments (CONTINUED)

(a) Overview (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 affected by the net current liability position at 31 December 2022, 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 meet 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.

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 2022, 23% (2021: 30%) of the Group's borrowings were at a fixed rate of interest.

(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 $6.8 million (2021: $5.0 million) per annum. This is mainly due to the Group's exposures to interest rates on its variable rate borrowings.

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.

33 Financial instruments (CONTINUED)

(b) Credit risk

(i) Exposure to credit risk

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

	Consolidated	
	2022 $'000	2021 $'000
Trade and other receivables	**279,961**	233,024
Less: Allowance for expected credit losses	**(4,661)**	(4,064)
	275,300	228,960

(ii) Impairment losses

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

(iii) Fair values and exposures to credit and liquidity risk

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

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Financial assets			
Trade and other receivables net of expected credit losses	10	**275,300**	228,960
Cash and cash equivalents	9	**190,434**	197,620
Other non-current receivables	14	**51,516**	35,711
		517,250	462,291
Financial liabilities			
Bills payable and fully drawn advances	27	**104,560**	–
Capital loan	27	**339,326**	326,029
Vehicle bailment	27	**872,348**	681,325
Trade and other payables	22	**375,672**	364,263
		1,691,906	1,371,617

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).

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

33 Financial instruments (CONTINUED)

(b) Credit risk (CONTINUED)

(iii) Fair values and Exposures to Credit and 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 2022	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	190,434	–	–	–	–	–	**190,434**
Average interest rate	1.31%	–	–	–	–	–	
Financial liabilities							
Vehicle bailment (current)	872,348	–	–	–	–	–	**872,348**
Fully drawn advances	7,437	7,437	271,409	213,168	–	–	**499,451**
Capital loan (non-current)	2,358	2,358	2,358	2,358	2,358	19,422	**31,212**
	882,143	**9,795**	**273,767**	**215,526**	**2,358**	**19,422**	**1,403,011**
Average interest rate	4.08%	1.66%	1.65%	1.05%	5.24%	5.24%	
Fixed rate							
Financial liabilities							
Capital loan (non-current)	75,396	24,363	43,563	60,783	26,877	149,599	**380,581**
Average interest rate	3.33%	3.18%	3.18%	3.17%	3.19%	3.18%	
Non-interest bearing							
Financial assets							
Trade debtors and other receivables	294,348	–	–	–	–	32,468	**326,816**
Financial liabilities							
Trade and other payables	375,672	–	–	–	–	–	**375,672**

Please refer to note 17(a)(i) and 18 for ageing of lease liabilities and finance lease receivables, respectively.

33 Financial instruments (CONTINUED)

(b) Credit risk (CONTINUED)

(iii) Fair values and Exposures to Credit and Liquidity Risk (CONTINUED)

Maturity profile (CONTINUED)

At 31 December 2021	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	197,620	–	–	–	–	–	197,620
Average interest rate	0.10%	–	–	–	–	–	
Financial liabilities							
Vehicle bailment (current)	681,325	–	–	–	–	–	681,325
Fully drawn advances	3,295	3,295	3,295	268,707	207,034	–	485,626
Capital loan	1,764	1,764	1,764	1,764	1,764	16,313	25,133
	686,384	5,059	5,059	270,471	208,798	16,313	1,192,084
Average interest rate	1.95%	1.72%	1.52%	1.49%	1.91%	3.09%	
Fixed rate							
Financial liabilities							
Capital loan	24,005	72,925	21,892	41,086	58,270	154,735	372,913
Average interest rate	3.34%	3.35%	3.19%	3.18%	3.17%	3.20%	
Non-interest bearing							
Financial assets							
Trade debtors	240,761	–	–	–	–	23,910	264,671
Financial liabilities							
Trade and other payables	364,264	–	–	–	–	–	364,264

(iv) 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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

34 Investments in subsidiaries

(a) Deed of cross guarantee

Name of entity		Equity holding 2022 %	Equity holding 2021 %	Member of DOCG 2022	Member of DOCG 2021	Membership group 2022	Membership group 2021	Opt In/Out 2022	Opt In/Out 2021
Eagers Automotive Limited	*	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		Opt Out
A.P. Motors (No.1) Pty Ltd		100	100	N	Y	N/A	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	Y	N	EC	N/A		
ACM Autos Pty Ltd		80	80	Y	N	EC	N/A		
ACM Liverpool Pty Ltd	*	100	100	Y	Y	C	C		
ACN 132 712 111 Pty Ltd	*	100	100	Y	Y	C	C		
Adtrans Australia Pty Ltd	*	100	100	Y	Y	C	C		
Adtrans Automotive Group Pty Ltd	*	100	100	Y	Y	C	C		
Adtrans Corporate Pty Ltd	*	100	100	Y	Y	C	C		
Adtrans Group Pty Ltd	*	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 Pty Ltd		100	100	N	Y	N/A	C		
Adtrans Used Pty Ltd	*	100	100	Y	Y	C	C		
Adverpro Pty Ltd		100	100	N	Y	N/A	C		
AHG 1 Pty Ltd	*	100	100	Y	Y	C	C	Opt In	
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		
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		
AHGCL 2016 Pty Ltd	*	100	100	Y	Y	C	C		
AHGSW 2018 Pty Ltd	*	100	100	Y	Y	C	C		
AP Townsville Pty Ltd		78	78	Y	Y	EC	EC		
APE Cars Mgmt Pty Ltd	*	100	100	Y	Y	C	C		
Associated Finance Pty Ltd	*	100	100	Y	Y	C	C		Opt Out
Auckland Auto Collection Limited	*	100	100	Y	Y	C	C		
Austral Pty Ltd	*	100	100	Y	Y	C	C		
AUT 6. Pty Ltd	*	100	100	Y	Y	C	C		Opt In
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 Pty Ltd	*	100	100	Y	Y	C	C		Opt Out

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

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

Name of entity		Equity holding 2022 %	Equity holding 2021 %	Member of DOCG 2022	Member of DOCG 2021	Membership group 2022	Membership group 2021	Opt In/Out 2022	Opt In/Out 2021
BASW Pty Ltd		80	80	Y	Y	EC	EC		
Big Rock 2005 Pty Ltd		80	80	Y	N	EC	N/A		
Big Rock Pty Ltd	*	100	100	Y	Y	C	C		
Bill Buckle Autos Pty Ltd		–	100	N/A	Y	N/A	C		
Bill Buckle Holdings Pty Ltd	*	100	100	Y	Y	C	C		
Bill Buckle Leasing Pty Ltd		100	100	N	Y	N/A	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	Y	N	EC	N/A		
Bradstreet Motors Pty Limited		80	80	Y	N	EC	N/A		
Cardiff Car City Holdings Pty Ltd		80	80	Y	N	EC	N/A		
Cardiff Car City Pty Limited		80	80	Y	N	EC	N/A		
Carlin Auction Services (NSW) Pty Ltd		53	53	N	N	N/A	N/A		
Carlins Automotive Auctioneers (QLD) Pty Ltd		53	53	N	N	N/A	N/A		
Carlins Automotive Auctioneers (S.A) Pty Ltd		53	53	N	N	N/A	N/A		
Carlins Automotive Auctioneers (WA) Pty Ltd		53	53	N	N	N/A	N/A		
Carlins Automotive Auctioneers 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	N	Y	N/A	C		
Castle Hill Autos No. 1 Pty Ltd	*	100	100	Y	Y	C	C		Opt Out
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	Opt In	Opt Out
Cheap Cars QLD Pty Ltd		78	78	Y	Y	EC	EC		
Chellingworth Pty Ltd	*	100	100	Y	Y	C	C		
City Auto (2016) Holdings Pty Ltd		80	80	Y	N	EC	N/A		
City Auto (2016) Pty Ltd		80	80	Y	N	EC	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		
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	N	Y	N/A	C		
Duncan Autos Pty Ltd		100	100	N	Y	N/A	C		
E.G. Eager & Son Pty Ltd	*	100	100	Y	Y	C	C		
EACAB Pty Ltd		78	78	Y	Y	EC	EC		
Eagers ACT Pty Ltd	*	100	–	Y	N/A	C	N/A	Opt In	
Eagers ACT Rentals Pty Ltd	*	100	–	Y	N/A	C	N/A		
Eagers ACT Cars MGMT Pty Ltd	*	100	–	Y	N/A	C	N/A		
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	Opt Out	
Eagers TACT Pty Ltd		80	–	Y	N/A	EC	N/A		
EASST Pty Ltd		85	100	Y	Y	EC	C		
Easy Auto 123 Pty Ltd	*	100	100	Y	Y	C	C		
Essendon Auto (2017) Pty Ltd	*	100	100	Y	Y	C	C		
Eurocars (SA) Pty Ltd	*	100	100	Y	Y	C	C		
EV Dealer Group Pty Ltd		49	–	N	N/A	N/A	N/A		

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

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

Name of entity		Equity holding 2022 %	Equity holding 2021 %	Member of DOCG 2022	Member of DOCG 2021	Membership group 2022	Membership group 2021	Opt In/Out 2022	Opt In/Out 2021
Falconet Pty Ltd	*	100	100	Y	Y	C	C		Opt In
Ferntree Gully Autos Holdings Pty Ltd		100	100	N	N	N/A	N/A		
Ferntree Gully Autos Pty Ltd		100	100	N	N	N/A	N/A		
Finmo Pty Ltd	*	100	100	Y	Y	C	C		
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		90	90	Y	Y	EC	EC		
Grand Autos 2005 Pty Ltd		80	80	Y	N	EC	N/A		
Highland Autos Pty Ltd		80	80	Y	N	EC	N/A		
Highland Kackell Pty Ltd	*	100	100	Y	Y	C	C		
HM (2015) Holdings Pty Ltd		100	100	N	N	N/A	N/A		
HM (2015) Pty Ltd		100	100	N	N	N/A	N/A		
IB MD Pty Ltd		80	80	Y	Y	EC	EC		
IB Motors Pty Ltd	*	100	100	Y	Y	C	C	Opt In	
Janasen Pty Ltd	*	100	100	Y	Y	C	C		
Janetto Holdings Pty Ltd	*	100	100	Y	Y	C	C		Opt Out
Kingspoint Pty Ltd	*	100	100	Y	Y	C	C		
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	Y	Y	C	C		
LWC Limited	*	100	100	Y	Y	C	C		
Maitland City Motor Group Holdings Pty Ltd		80	80	Y	N	EC	N/A		
Maitland City Motor Group Pty Ltd		80	80	Y	N	EC	N/A		
Matchacar Pty Ltd	*	100	100	Y	Y	C	C		
MB VIC Pty Ltd	*	100	100	Y	Y	C	C		Opt In
MBSA Motors Pty Ltd	*	100	100	Y	Y	C	C		
MCM Autos Pty Ltd		80	80	Y	N	EC	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	N	Y	N/A	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 Out
Motors Group (Glen Waverley) Pty Ltd		87.5	87.5	Y	Y	EC	EC		
Motors TAS Pty Ltd	*	100	100	Y	Y	C	C		Opt In
Newcastle Commercial Vehicles Pty Ltd	*	100	100	Y	Y	C	C		Opt Out
North City (1981) Pty Ltd	*	100	100	Y	Y	C	C		Opt Out
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	Opt In	
Nundah Motors Pty Ltd		100	100	N	Y	N/A	C		
OPM (2012) Holdings Pty Ltd		80	80	Y	N	EC	N/A		
OPM (2012) Pty Ltd		80	80	Y	N	EC	N/A		
Osborne Park Autos Pty Ltd	*	100	100	Y	Y	C	C	Opt In	
Penrith Auto (2016) Pty Ltd	*	100	100	Y	Y	C	C		
Perth Auto Alliance Pty Ltd	*	100	100	Y	Y	C	C		

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Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

Name of entity		Equity holding 2022 %	Equity holding 2021 %	Member of DOCG 2022	Member of DOCG 2021	Membership group 2022	Membership group 2021	Opt In/Out 2022	Opt In/Out 2021
Precision Automotive Technology Pty Ltd	*	100	100	Y	Y	C	C		
PT (2013) Pty Ltd		92.5	100	Y	N	EC	N/A		
Rent Two Buy Pty Ltd	*	100	100	Y	Y	C	C		
RL Sublessor Pty Ltd	*	100	100	Y	Y	C	C		
Sabalan Holdings Pty Ltd		80	80	Y	N	EC	N/A		
Sabalan Pty Ltd		80	80	Y	N	EC	N/A		
Shemapel 2005 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		Opt In
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		
Southwest Automotive Group 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	Opt Out	Opt In
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	N	Y	N/A	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	N	Y	N/A	C		
Widevalley Pty Ltd	*	100	100	Y	Y	C	C		
WS Motors Pty Ltd		78	78	Y	Y	EC	EC		
Zupp Holdings Pty Ltd	*	100	100	Y	Y	C	C		
Zupps Aspley Pty Ltd	*	100	100	Y	Y	C	C		
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		

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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 2022. Under the DOCG each of these companies guarantee the debts of the other named companies.

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.

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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

The following entities obtained relief under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 in 2021, but were ineligible for relief in 2022:

Entity name	Ineligibility date
A.P. Motors (No.1) Pty Ltd	15 December 2022
Adtrans Trucks Pty Ltd	15 December 2022
Adverpro Pty Ltd	15 December 2022
Bill Buckle Autos Pty Ltd	30 June 2022
Bill Buckle Leasing Pty Ltd	15 December 2022
Carzoos Pty Ltd	15 December 2022
Duncan Autos 2005 Pty Ltd	15 December 2022
Duncan Autos Pty Ltd	15 December 2022
EASST Pty Ltd	01 February 2022
Melbourne Truck and Bus Centre Pty Ltd	15 December 2022
Nundah Motors Pty Ltd	15 December 2022
VMS Pty Ltd	15 December 2022
Western Equipment Rentals Pty Ltd	15 December 2022

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

The following entities joined the DOCG in 2022 by assumption deed:

Entity name	Assumption date
ACM Autos Holdings Pty Ltd	09 June 2022
ACM Autos Pty Ltd	09 June 2022
Big Rock 2005 Pty Ltd	09 June 2022
Bradstreet Motors Holdings Pty Ltd	09 June 2022
Bradstreet Motors Pty Ltd	09 June 2022
Cardiff Car City Holdings Pty Ltd	09 June 2022
Cardiff Car City Pty Limited	09 June 2022
City Auto (2016) Holdings Pty Ltd	09 June 2022
City Auto (2016) Pty Ltd	09 June 2022
Eagers ACT Cars MGMT Pty Ltd	02 August 2022
Eagers ACT Pty Ltd	25 May 2022
Eagers ACT Rentals Pty Ltd	25 May 2022
Eagers TACT Pty Ltd	25 May 2022
Grand Autos 2005 Pty Ltd	09 June 2022
Highland Autos Pty Ltd	09 June 2022
Maitland City Motor Group Holdings Pty Ltd	09 June 2022
Maitland City Motor Group Pty Ltd	09 June 2022
MCM Autos Pty Ltd	09 June 2022
OPM (2012) Holdings Pty Ltd	09 June 2022
OPM (2012) Pty Ltd	09 June 2022
PT (2013) Pty Ltd	09 June 2022
Sabalan Holdings Pty Ltd	09 June 2022
Sabalan Pty Ltd	09 June 2022

The following entities were removed from the DOCG in 2022 via revocation deed:

Entity name	Revocation date
A.P. Motors (No.1) Pty Ltd	15 December 2022
Adtrans Trucks Pty Ltd	15 December 2022
Adverpro Pty Ltd	15 December 2022
Bill Buckle Leasing Pty Ltd	15 December 2022
Carzoos Pty Ltd	15 December 2022
Duncan Autos 2005 Pty Ltd	15 December 2022
Duncan Autos Pty Ltd	15 December 2022
Melbourne Truck and Bus Centre Pty Ltd	15 December 2022
Nundah Motors Pty Ltd	15 December 2022
VMS Pty Ltd	15 December 2022
Western Equipment Rentals Pty Ltd	15 December 2022

The following entities were subject to a notice of disposal in 2022:

Entity name	Notice of disposal date
Bill Buckle Autos Pty Ltd	30 June 2022

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

(i) Members of the closed group

A Consolidated Statement of Profit or Loss and Consolidated 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 2022 is set out below:

Deed of Cross Guarantee	2022 $'000	2021 $'000
Consolidated Statement of Profit or Loss		
Profit before tax from continuing operations	**293,091**	350,166
Addback: AASB16 closed group adjustment	**(1,005)**	(2,733)
Profit before tax from continuing operations	**292,086**	347,433
Income tax expense from continuing operations	**(87,203)**	(84,315)
Profit for the period from continuing operations	**204,883**	263,118
Loss for the period from discontinued operations	**–**	(8,000)
Profit for the year	**204,883**	255,118
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	**171,515**	189,637
Trade and other receivables	**224,849**	195,455
Inventories	**844,733**	720,778
Current tax receivable	**–**	10,270
Other current assets	**15,129**	16,055
Finance lease receivables	**39,104**	34,715
Assets classified as held for sale	**-**	18,670
Total current assets	**1,295,330**	1,185,580
Non-current assets		
Loans receivable	**32,474**	22,659
Financial assets at fair value through other comprehensive income	**12,119**	577
Investments in associates	**1,845**	1,555
Other non-current receivables	**19,048**	11,801
Property, plant and equipment	**677,897**	502,015
Intangible assets	**685,695**	679,996
Deferred tax assets	**127,568**	139,439
Other non-current assets	**10,575**	10,508
Right-of-use assets	**509,197**	563,243
Finance lease receivables	**198,238**	235,932
Total non-current assets	**2,274,656**	2,167,725
Total assets	**3,569,986**	3,353,305

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

(i) Members of the closed group (CONTINUED)

Deed of Cross Guarantee	**2022 $'000**	2021 $'000
Current liabilities		
Trade and other payables	**160,356**	258,081
Borrowings - bailment and other current loans	**737,517**	557,415
Current tax liabilities	**3,085**	–
Provisions	**85,286**	85,145
Deferred revenue	**7,321**	7,917
Lease liabilities	**156,515**	150,975
Total current liabilities	**1,150,080**	1,059,533
Non-current liabilities		
Borrowings	**376,910**	311,062
Deferred revenue	**15,922**	16,462
Provisions	**11,939**	11,857
Lease liabilities	**796,369**	883,559
Total non-current liabilities	**1,201,140**	1,222,940
Total liabilities	**2,351,220**	2,282,473
Net assets	**1,218,766**	1,070,832
Equity		
Contributed equity	**1,154,572**	1,173,069
Reserves	**(625,353)**	(637,209)
Retained earnings	**689,547**	534,972
	1,218,766	1,070,832
Non-controlling interests	**–**	–
Total equity	**1,218,766**	1,070,832

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

(ii) 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 Consolidated Statement of Financial Position, comprising the entities that are parties to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2022 is set out below:

Deed of Cross Guarantee	**2022 $'000**	2021 $'000
Consolidated Statement of Profit or Loss		
Profit before tax from continuing operations	**427,544**	380,566
Addback: AASB16 extended closed group adjustment	**(532)**	(2,343)
Profit before tax from continuing operations	**427,012**	378,223
Income tax expense from continuing operations	**(112,642)**	(91,784)
Profit for the period from continuing operations	**314,370**	286,439
Loss for the period from discontinued operations	**–**	(8,000)
Profit for the year	**314,370**	278,439

Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	**173,573**	190,115
Trade and other receivables	**271,578**	213,264
Inventories	**1,043,490**	788,357
Current tax receivable	**–**	6,643
Other current assets	**20,244**	16,604
Finance lease receivables	**39,104**	34,715
Assets classified as held for sale	**–**	18,670
Total current assets	**1,547,989**	1,268,368
Non-current assets		
Loans receivable	**33,506**	22,659
Financial assets at fair value through other comprehensive income	**12,119**	577
Investments in associates	**2,331**	1,555
Other non-current receivables	**19,048**	11,801
Property, plant and equipment	**696,958**	508,009
Intangible assets	**841,183**	725,089
Deferred tax assets	**140,000**	142,297
Other non-current assets	**10,575**	10,508
Right-of-use assets	**564,109**	590,088
Finance lease receivables	**198,238**	235,932
Total non-current assets	**2,518,067**	2,248,515
Total assets	**4,066,056**	3,516,883

34 Investments in subsidiaries (CONTINUED)

(a) Deed of cross guarantee (CONTINUED)

(ii) Members of the extended closed group (CONTINUED)

Deed of Cross Guarantee	2022 $'000	2021 $'000
Current liabilities		
Trade and other payables	**270,919**	257,600
Borrowings - bailment and other current loans	**932,482**	614,087
Current tax liabilities	**14,403**	-
Provisions	**105,091**	93,178
Deferred revenue	**12,433**	8,910
Lease liabilities	**164,846**	157,804
Total current liabilities	**1,500,174**	1,131,579
Non-current liabilities		
Borrowings	**376,910**	311,062
Deferred revenue	**15,922**	16,462
Provisions	**12,904**	11,857
Lease liabilities	**853,308**	911,644
Total non-current liabilities	**1,259,044**	1,251,025
Total liabilities	**2,759,218**	2,382,604
Net assets	**1,306,838**	1,134,279
Equity		
Contributed equity	**1,154,572**	1,173,069
Reserves	**(606,123)**	(617,978)
Retained earnings	**723,996**	562,539
	1,272,445	1,117,630
Non-controlling interests	**34,393**	16,649
Total equity	**1,306,838**	1,134,279

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

34 Investments in subsidiaries (CONTINUED)

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

	2022 $'000	2021 $'000
Financial performance		
Profit for the year	**203,025**	192,927
Financial position		
Assets		
Current assets	**17,943**	40,811
Non-current assets	**673,872**	612,945
Total assets	**691,815**	653,756
Liabilities		
Current liabilities	**11,226**	–
Non-current liabilities	**–**	–
Total liabilities	**11,226**	–
Net assets	**680,589**	653,756
Equity		
Issued capital	**1,154,572**	1,173,069
Retained earnings	**140,634**	97,863
Reserves		
Asset revaluation reserve	**1,683**	1,683
Business combination reserve	**(479,042)**	(479,042)
Investment revaluation reserve	**(48,087)**	(48,276)
Share-based payments reserve	**(89,171)**	(91,541)
	680,589	653,756

Refer Notes 38(a) and 38(b) in respect of guarantees entered into by the parent entity in relation to debts of its subsidiaries.

(c) 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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Individually immaterial subsidiaries with non-controlling interest	**16,173**	12,913	**37,384**	21,635

	Consolidated	
	2022 $'000	2021 $'000
Movement – non-controlling interest		
Balance at the beginning of the financial year	**21,635**	13,860
Profit for the year	**16,173**	12,913
Acquisition of non-controlling interest	**10,488**	1,395
Purchase of shares from non-controlling interests	**(1,300)**	–
Payment of dividend	**(9,612)**	(3,985)
Disposal of non-controlling interest	**–**	(2,548)
Balance as at the end of the financial year	**37,384**	21,635

35 Business acquisitions

(a) Acquisition of other businesses

The Group acquired the following businesses during the 2022 year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2022	Canberra Group	1 September 2022	Motor Vehicle Dealer	100%
2022	Newspot Group	30 September 2022	Motor Vehicle Dealer	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:

	Canberra Group $'000	Newspot Group $'000	2022 Total consolidated $'000
Cash used to acquire business, net of cash acquired	95,624	8,929	**104,553**
Cash used to acquire property	110,130	5,046	**115,176**
Total purchase consideration	**205,754**	**13,975**	**219,729**

Consolidated fair value at acquisition date

	Canberra Group $'000	Newspot Group $'000	2022 Total consolidated $'000
Net assets acquired			
Receivables, prepayments	2,777	68	**2,845**
Inventory	50,130	2,300	**52,430**
Property	110,130	5,046	**115,176**
Right-of-use assets	1,599	3,047	**4,646**
Lease liabilities	(1,599)	(3,047)	**(4,646)**
Plant and equipment	10,038	1,147	**11,185**
Deferred tax assets	2,013	151	**2,164**
Creditors, borrowings and provisions	(44,351)	(1,384)	**(45,735)**
Net assets acquired	**130,737**	**7,328**	**138,065**
Acquisition cost	205,754	13,975	**219,729**
Goodwill on acquisition[1]	**75,017**	**6,647**	**81,664**

1 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 consolidated financial statements. Therefore, the amount allocated to goodwill on acquisition has been provisionally determined at the end of the reporting period, with final settlement expected to occur in the first half of 2023.

The acquired Canberra Group business contributed revenues of $144.0 million and net profit of $2.7 million to the group for the period from 1 September 2022 to 31 December 2022.

The acquired Newspot Group business contributed revenues of $28.2 million and net profit of $1.1 million to the group for the period from 30 September 2022 to 31 December 2022.

If the Canberra Group acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been $458 million and $15 million respectively.

If the Newspot Group acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been $100 million and $4 million respectively.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

35 Business acquisitions (CONTINUED)

(b) Acquisition of businesses in prior year

The Group acquired the following businesses during the 2021 year as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2021	Westpoint Volkswagen	31 March 2021	Motor Vehicle Dealer	100%
2021	Armstrong Ford	1 September 2021	Motor Vehicle Dealer	100%
2021	Kelly Trotter and Heritage Motor Group	1 December 2021	Motor Vehicle Dealer	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:

	Westpoint Volkswagen $'000	Armstrong Ford $'000	Kelly Trotter and Heritage Motor Group $'000	2021 Total consolidated $'000
Cash consideration	785	890	12,728	14,403
Total purchase consideration	785	890	12,728	14,403

Consolidated fair value at acquisition date

	2021 $'000
Net assets acquired	
Receivables, prepayments	79
Inventory	8,025
Property, plant and equipment	604
Creditors, borrowings and provisions	(5,054)
Net assets acquired	3,654
Acquisition cost	14,403
Goodwill on acquisition[1]	10,749

1 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. Subsequent to year end, the acquisitions were finalised with no adjustment.

35 Business acquisitions (CONTINUED)

(c) Recognition and measurement

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 20(b)(v)). 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 consolidated financial statements.

(d) Critical accounting estimates and judgements

The fair value of assets and liabilities acquired in business combinations

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.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

36 Business divestments

(a) Business disposal and discontinued operations

The Group sold the following businesses during the 2022 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2022	Bill Buckle Auto Group	30 June 2022	Automotive Business	100%
2022	Osborne Park Hyundai	31 July 2022	Automotive Business	100%

	Consolidated 2022 $'000
Net assets disposed of	
Receivables, prepayments	**7,862**
Inventory	**15,803**
Property	**29,383**
Right-of-use assets	**1,341**
Lease liabilities	**(1,648)**
Plant and equipment	**1,316**
Goodwill	**11,033**
Creditors, borrowings and provisions	**(22,584)**
Deferred tax asset	**578**
Net assets disposed	**43,084**
Total consideration received (100% cash)	**92,755**
Liabilities paid on our behalf	**–**
Sale consideration for businesses	**49,256**
Sale consideration for properties	**43,499**
Total sale consideration	**92,755**
Gain on sale of businesses	**35,248**
Gain on sale of properties	**13,923**
Gain on disposal of non-financial assets	**307**
Total gain on sale	**49,478**

The Directors have considered these disposals during the twelve month period to December 2022 in the context of AASB 5 and they have determined that the disclosure requirements of discontinued operations do not apply. This judgement has been made based on all of the available facts and circumstances surrounding the sale and the impact of the related segments and remaining businesses, noting, this is not a separate major line of business.

36 Business divestments (CONTINUED)

(b) Disposal of businesses in prior year

The Group sold the following business during the 2021 year as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2021	360 Finance	31 March 2021	Finance Company	100%
2021	Daimler Truck Operations	30 April 2021	Trucks Business	100%
2021	Carlins Automotive Auctioneers (WA) Pty Ltd	31 May 2021	Automotive Business	47%
2021	Coffs Harbour Iveco and Hino	18 June 2021	Trucks Business	100%
2021	Doncaster Jaguar Land Rover	1 July 2021	Automotive Business	100%
2021	Skipper Transport Parts	13 August 2021	Parts Business	100%
2021	Port City Autos	1 September 2021	Automotive Business	100%

	Consolidated 2021 $'000
Net assets disposed of	
Receivables, prepayments	42,656
Inventory	163,530
Property, plant and equipment	15,937
Goodwill	18,516
Intangible assets	1,050
Creditors, borrowings and provisions	(166,565)
Deferred tax asset	5,072
Net assets disposed	80,196
Total consideration received (100% cash)	111,774
Liabilities paid on our behalf	308
Total sale consideration	112,082
Legal fees	(8)
Gain on sale	31,894

37 Discontinued operations

The loss from discontinued operations in the year ended 31 December 2021 relates to a provision recorded for a claim submitted prior to the end of the financial year from Anchorage Capital Partners in relation to the Refrigerated Logistics Share Sale Agreement.

There is no profit or loss from discontinued operations in the current year ended 31 December 2022.

38 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 2022 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 consolidated 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 2022. 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 $2.75 billion (2021: $2.38 billion).

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

39 Commitments for expenditure

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	
	2022 $'000	2021 $'000
Within one year	**11,343**	8,801

40 Remuneration of auditor

	2022 $'000	2021 $'000
Deloitte and related network firms[1]		
Audit or review of financial reports		
Group	**1,011**	1,083
Subsidiaries and joint operations	**283**	237
	1,294	1,320
Statutory assurance services required by legislation to be provided by the auditor	**–**	103
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	**16**	–
Other services:		
Tax consulting services	**453**	485
Consulting services	**47**	95
Other	**6**	–
Total remuneration for other services	**506**	580
	1,816	2,003

1 The auditor of Eagers Automotive Limited is Deloitte Touche Tohmatsu.

41 Subsequent events

No 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.

42 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)
— S A Moore	Director and Chief Financial Officer
— D A Cowper	Director (non-executive), resigned 18th May 2022
— N G Politis	Director (non-executive)
— D T Ryan	Director (non-executive)
— M J Birrell	Director (non-executive)
— G J Duncan	Director (non-executive)
— D S Blackhall	Director (non-executive)
— M V Prater	Director (non-executive)

(ii) Executives

— D G Stark	Company Secretary
— K T Thornton	Chief Executive Officer
— E Geschke	Chief Operating Officer – Automotive, appointed 1st May 2022

(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	
	2022 $'000	2021 $'000
Short-term	**5,813**	4,417
Post employment benefits	**180**	144
Share-based payments	**1,713**	2,429
	7,706	6,990

(c) Option holdings of key management personnel

Details of options held by key management personnel can be found in Note 42(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 44.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

42 Key management personnel (CONTINUED)

(f) Share-based payments

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%

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

21,354 options were forfeited during the year. No rights were issued, and 125,607 options were exercised during the year.

The share plan was fully expensed by the end of 2019, with a cumulative expense being recognised of $449,959.

42 Key management personnel (CONTINUED)

(f) Share-based payments (CONTINUED)

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-Dec-19	31-Dec-20	31-Dec-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:

Performance rights **Number**	**Grant date**	**End performance period**	**Fair value at grant date**
30,000	17-Feb-20	31-Dec-19	$9.00
35,000	17-Feb-20	31-Dec-20	$9.00
35,000	17-Feb-20	31-Dec-21	$9.00

No performance rights were forfeited or expired during the year. A total of 35,000 rights were issued during the year in respect of the 2021 performance year.

No costs of the share plan were expensed during 2022 (2021: $133,548). The share plan was fully expenses by the end of 2021, with a cumulative expense being recognised of $846,531.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

42 Key management personnel (CONTINUED)

(f) Share-based payments (CONTINUED)

Plan M: EPS Performance Rights and Options – Key Executives

The Group commenced a new Earnings Per Share (EPS) based performance rights and option compensation scheme for specific executive officers in 2021. 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 24 February 2021

Vesting date	28-Feb-22	28-Feb-23	28-Feb-24	28-Feb-25
Expiry date	28-Feb-22	28-Feb-23	28-Feb-24	28-Feb-25
Share price at grant date	$12.32	$12.32	$12.32	$12.32
Expected life	1.0 years	2.0 years	3.0 years	4.0 years
Volatility	38%	38%	38%	38%
Risk free interest rate	0.06%	0.08%	0.21%	0.42%
Dividend yield	3.5%	3.5%	3.5%	3.5%

Performance options
Award date 24 February 2021

Vesting date	28-Feb-25
Expiry date	30-Apr-25
Share price at grant date	$12.32
Exercise price	$12.32
Expected life	4.1 years
Volatility	38%
Risk free interest rate	0.44%
Dividend yield	3.5%

Performance rights Number	Grant date	End performance period	Expiry date	Fair value at grant date
54,668	24-Feb-21	31-Dec-21	28-Feb-22	$11.89
74,042	24-Feb-21	31-Dec-22	28-Feb-23	$11.48
76,646	24-Feb-21	31-Dec-23	28-Feb-24	$11.09
79,365	24-Feb-21	31-Dec-24	28-Feb-25	$10.71

Performance options Number	Grant date	End performance period	Expiry date	Fair value at grant date
2,173,910	24-Feb-21	31-Dec-24	30-Apr-25	$2.76

No performance rights or options were forfeited or expired during the year. 54,668 Plan M rights were issued during the year. No options were granted during the year.

The value of the performance rights expensed during the year was $920,836, with a cumulative expense being recognised at 31 December 2022 of $2,491,674 (2021: $1,570,838). The value of the performance options expensed during the year was $1,474,998, with a cumulative expense being recognised at 31 December 2022 of $2,974,996 (2021: $1,499,998).

43 Other share-based payments

Recognised share-based payments expenses

Refer Note 32(a) for movements in share-based payments reserve.

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%

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. No rights were issued during the year. A total of 407,969 options were exercised during the year.

No costs of the share plan were expensed during 2021 (2020: nil). The share plan was fully expensed by the end of 2019, with a cumulative expense being recognised of $749,281.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

43 Other share-based payments (CONTINUED)

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%

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. No rights were issued during the year.

No costs of the share plan were expensed during 2022 (2021: nil). The share plan was fully expensed by the end of 2019, with a cumulative expense being recognised of $599,980.

44 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 $1,074,893 (2021: $352,415) and purchases of $1,005,027 (2021: $710,876) during the last 12 months, are primarily the sale and purchase of spare parts and accessories and are carried out under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

Mr N G Politis has a controlling interest in WFM Motors Pty Ltd (WFM Motors) which approximately owns 27% of Eagers Automotive. WFM Motors divested of a portfolio of dealerships and properties within ACT during the financial year. The collection of dealerships and properties were sold for $205,754,029. An independent expert was appointed and the transaction was completed at fair value.

(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 $1,412,805 (2021: $2,076,941) 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. During the period $109,956 (2021: $105,775) was received in relation to short-term sublease arrangements.

Furthermore, during the twelve months ended 31 December 2022, Mr M Birrell purchased stock with a value of $8,212 (2021: $5,986) from one of the subsidiaries, with the transactions being carried out under terms and conditions no more favourable than those which is reasonable to expect to have been 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 $89,900 (2021: $170,753), 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 34.

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

45 Earnings per share

(a) Basic earnings per share

	Consolidated	
	2022 Cents	2021 Cents
Attributable to the ordinary equity holders of the company	**121.3**	125.2
From continuing operations	**121.3**	128.4
From discontinued operations	**–**	(3.2)

(b) Diluted earnings per share

	Consolidated	
	2022 Cents	2021 Cents
Attributable to the ordinary equity holders of the company	**121.1**	124.7
From continuing operations	**121.1**	127.9
From discontinued operations	**–**	(3.2)

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

	Consolidated	
	2022 $'000	2021 $'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 for the year	**324,340**	330,737
Less: Attributable to non-controlling interest	**(16,173)**	(12,913)
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**308,167**	317,824
Diluted earnings per share		
Profit for the year attributable to the owners of Eagers Automotive Limited	**308,167**	317,824
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**308,167**	317,824

	2022 Number	2021 Number
Weighted average number of ordinary shares outstanding during the year	**254,010,439**	253,801,325
Shares deemed to be issued for no consideration in respect of employee options	**553,128**	1,105,408
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	**254,563,567**	254,906,733

45 Earnings per share (CONTINUED)

(d) Recognition and measurement

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.

46 Reconciliation of net profit after tax to the net cash inflows from operations

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Net profit after tax		**324,340**	330,737
Depreciation and amortisation	6(a)	**116,603**	120,428
Impairment of non-current assets	6(b)	**16,727**	5,156
Share of profits of associates		**(1,067)**	(1,130)
Gain on disposal of non-financial assets	5	**(2,813)**	(15,168)
Gain on sale of property, plant and equipment		**(17,121)**	(10,957)
Employee share scheme expense		**2,396**	3,204
Gain on sale of businesses	5	**(35,248)**	(31,894)
(Increase)/decrease in assets -			
Receivables		**(46,340)**	39,903
Inventories		**(185,252)**	151,732
Prepayments		**(2,893)**	13,111
Contract assets		**–**	39,594
Deferred tax assets		**9,884**	(8,950)
Increase/(decrease) in liabilities -			
Creditors (including bailment finance)		**209,552**	(260,245)
Provisions		**2,927**	(42,041)
Deferred revenue		**(1,057)**	(14,968)
Taxes payable		**16,905**	(15,807)
Net cash inflow from operating activities		**407,543**	302,705

Notes to and forming part of the Consolidated Financial Statements

31 December 2022 (CONTINUED)

47 Changes in liabilities arising from financing activities

The below table represents the cash and non-cash movements in financing activities for 2022:

	1 January 2022 $'000	Financing cash flows $'000	Termination of leases $'000	Fair value adjustments/ rent reviews $'000	Property acquisitions $'000	New leases $'000	Other changes[1] $'000	31 December 2022 $'000
Term facility	–	104,560	–	–	–	–	–	**104,560**
Capital loan	326,029	(16,571)	–	–	29,868	–	–	**339,326**
Lease liabilities	1,126,145	(122,880)	(20,150)	17,225	–	22,430	–	**1,022,770**
Total	**1,452,174**	**(34,891)**	**(20,150)**	**17,225**	**29,868**	**22,430**	**–**	**1,466,656**

The below table represents the cash and non-cash movements in financing activities for 2021:

	1 January 2021 $'000	Financing cash flows $'000	Termination of leases $'000	Fair value adjustments/ rent reviews $'000	Property acquisitions $'000	New leases $'000	Other changes[1] $'000	31 December 2021 $'000
Term facility	137,500	(137,500)	–	–	–	–	–	–
Capital loan	200,855	(13,022)	–	–	138,196	–	–	326,029
Lease liabilities	1,270,919	(121,194)	(104,053)	5,674	–	78,050	(3,251)	1,126,145
Total	1,609,274	(271,716)	(104,053)	5,674	138,196	78,050	(3,251)	1,452,174

1. Other changes includes interest charged and foreign currency translation in relation to financing activities.

48 Investments in associates

(a) Carrying amounts

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Information relating to the associates is set out below:

	Ownership interest		Consolidated	
Name of company	**2022 %**	2021 %	**2022 $'000**	2021 $'000
Unlisted securities				
Vehicle Parts (WA) Pty Ltd	**50.00**	50.00	**1,846**	1,555
Mazda Parts	**16.67**	16.67	**485**	519
			2,331	2,074

Vehicle Parts (WA) Pty Ltd

Vehicle Parts (WA) Pty Ltd provides warehousing and distribution of automotive parts and accessories for Subaru in Western Australia.

Mazda Parts

Mazda Parts provides warehousing and distribution of automotive parts and accessories for Mazda in Western Australia.

(b) Movement in the carrying amounts of investment in associate

	Consolidated	
	2022 $'000	2021 $'000
Carrying amount at the beginning of the financial year	**2,074**	1,561
Equity share of profit from ordinary activities after income tax	**1,067**	1,130
Dividends received during the year	**(810)**	(617)
Carrying amount at the end of the financial year	**2,331**	2,074

(c) Share of associate profit

Based on the last published results for the 12 months to 30 June 2022 plus unaudited results up to 31 December 2022.

	Consolidated	
	2022 $'000	2021 $'000
Profit from ordinary activities after income tax	**1,067**	1,130

(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 consolidated financial statements and notes set out on pages 28 to 105 are in accordance with the *Corporations Act 2001*, including:

  (i) Complying with Accounting Standards and the *Corporate Regulations 2001*, and

  (ii) giving a true and fair view of the financial position and performance of the Company and the consolidated entity;

(c) in the Director's opinion, the consolidated financial statements and notes are in accordance with International Financial Reporting Standards, and a statement of compliance with these standards is included in Note 1(a);

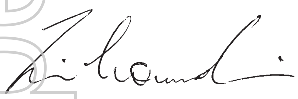
(d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001.*

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 referred to in the ASIC Corporation Instrument 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 34 to the consolidated 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



Tim Crommelin
Director

Brisbane, 23 February 2023

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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 2022, the consolidated statement of profit or loss, 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:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- 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.

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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 year. 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
The recoverability of non-current assets including goodwill and other intangible assets As outlined in Note 20, the Group recognised goodwill of $834.6 million at 31 December 2022. Determining the recoverable amount of the Cash Generating Units ("CGUs") to which goodwill is allocated requires management to exercise significant judgement, particularly in the current economic environment. We performed a risk assessment over each of the identified CGU and where risk was determined to be present, we performed further audit procedures. We identified three key estimates in management's value in use models that they utilise to determine the recoverability of the CGUs being: 1. forecast cash flows, including future growth rates; 2. terminal growth rates; and 3. discount rates.	In conjunction with our internal valuation specialists, our procedures included, but were not limited to: 1. Understanding management's process of calculating the recoverable amount of the CGUs and approval by the directors. 2. Testing the design and implementation of the relevant key manual controls. 3. Evaluating the Group's identification of CGUs and allocation of goodwill to the carrying value of the Group's identified CGUs. 4. Obtaining an understanding of the methodology applied by management in developing its impairment assessment, including the underlying key assumptions. 5. Challenging and assessing the Group's assumptions and estimates used to determine the recoverable amount, including: i. the future revenue and terminal growth rates against relevant external data and historical actuals; ii. the discount rate applied by comparing the rate to our independently calculated range; and iii. the profit before tax forecast against historical actuals and recent market trends. 6. Assessing the adequacy of the financial report disclosures.

Deloitte.

Key Audit Matter	**How the scope of our audit responded to the Key Audit Matter**
Acquisition of the Canberra Group As disclosed in Notes 35 and 44, the Group acquired a portfolio of dealerships and associated property located in Canberra (referred to as the "Canberra Group") from WFM Motors Pty Ltd and its associated entities that are a related party for a total purchase price of $205.8 million. The acquisition completed on 1 September 2022 with goodwill of $75.0 million arising from the transaction. The acquisition has been accounted for as a business combination in accordance with AASB 3 *Business Combinations.* The purchase price allocation performed requires management to exercise judgement in identifying intangible assets and determining the fair value of the identified assets and liabilities acquired. Additionally, as the acquisition was from a related party, the transaction was subject to shareholder approval at an Extraordinary General Meeting and an Independent Expert's Report ("IER") to determine if the transaction was fair and reasonable for the non-associated shareholders. The transaction has been provisionally accounted for at 31 December 2022.	Our audit procedures included, but were not limited to: 1. Understanding the director's process in determining that the transaction was at fair value. 2. In conjunction with our valuation specialists, evaluated managements acquisition accounting. This included: i. obtaining the relevant purchase agreements to verify the purchase price and date of acquisition; ii. challenging management's purchase price allocation methodology and identification of intangible assets; and iii. challenging and assessing management's determination of the fair value of the assets and liabilities acquired, including obtaining the work of management's experts and evaluating their competence. 3. Assessing the adequacy of the financial report disclosures.

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, the Chairman's Letter, the Message from the CEO, Outlook and the Eagers Automotive Sustainability 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, the Chairman's Letter, the Message from the CEO, Outlook and the Eagers Automotive Sustainability Report, which are expected to be made available to us after that date, 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.

Deloitte.

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 have 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.

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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.

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 25 of the Directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Eagers Automotive Limited, for the year ended 31 December 2022, 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

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, 23 February 2023

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Nathan Furness
Partner
Chartered Accountants
Brisbane, 23 February 2023

Corporate Directory

Eagers Automotive Limited
ABN 87 009 680 013

Incorporation
Incorporated in Queensland
on 17 April 1957

Registered Office
56 Edmonstone Road
Bowen Hills QLD 4006
Australia

Postal Address
PO Box 199
Fortitude Valley QLD 4006
Australia

Telephone
(07) 3608 7100

Facsimile
(07) 3608 7111

Website
www.eagersautomotive.com.au

Auditor
Deloitte Touché Tohmatsu
Riverside Centre
123 Eagle Street
Brisbane QLD 4001

Share Registry
Computershare
Investor Services Pty Limited
Level 1
200 Mary Street
Brisbane QLD 4000

Enquiries within Australia:
1300 552 270
Enquiries outside Australia:
+61 3 9415 4000

Board of Directors
Tim Crommelin, Chairman,
Non-executive Director

Nick Politis,
Non-executive Director

Dan Ryan,
Non-executive Director

Marcus Birrell,
Non-executive Director

Sophie Moore,
Executive Director and
Chief Financial Officer

Greg Duncan,
Non-executive Director

David Blackhall,
Non-executive Director

Michelle Prater,
Non-executive Director

Chief Executive Officer
Keith Thornton

Company Secretary
Denis Stark

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ABN 87 009 680 013

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