AP EAGERS

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Message;

"DIRECTORS REPORT" To be read in conjunction with annual accounts.

AUSTRALIAN STOCK EXCHANGE

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A.P. EAGERS LIMITED
DIRECTORS' REPORT

Your Directors present the forty-sixth Annual Report on the consolidated entity consisting of A.P. Eagers Limited and the entities it controlled at the end of, or during the year ended 31 December 2002.

Directors
The following persons were Directors of A.P. Eagers Limited during the whole of the financial year and up to the date of this report:

Benjamin Wickham Macdonald, Kenneth William Macdonald, Nicholas George Politis, Antony James Love and Denis Alan Aitken.

Principal Activities
The principal continuing activities during the year of the consolidated entity consisted of the selling of new and used motor vehicles, the distribution of parts and accessories and the provision of service, finance, leasing and extended warranty for motor vehicles. All these products and services supplied by the consolidated entity are associated with and are an integral part of the consolidated entity's motor vehicle operations. There were no significant changes in the nature of the consolidated entity's activities during the year.

Consolidated Results

Year ended 31 December	2002 $'000	2001 $'000
Sales revenue	750,361	672,483
Other revenue	5,724	2,056
Total revenue	756,085	674,539
EBITDA	22,995	19,634
Depreciation/amortisation expense	(4,707)	(3,955)
EBIT	18,288	15,679
Interest expense	(6,231)	(6,577)
Profit from ordinary activities before income tax expense and equity accounting for an associate	12,057	9,102
Share of Net Profit(Loss) of Equity Accounted Associate	270	(45)
Net profit before tax	12,327	9,057
Income Tax Expense	(3,765)	(2,806)
Net Profit after tax	8,562	6,251

Earnings Per Share (EPS)

	2002 **Cents**	**2001** **Cents**
Earnings per share – basic	51.9	40.4
Earnings per share - diluted	51.2	40.4

A.P. EAGERS LIMITED
DIRECTORS' REPORT

Dividends - A.P. Eagers Limited

The 2001 final ordinary dividend of $2,416,933 (15 cents per ordinary share) referred to in the Directors' Report dated 13 March 2002 was paid on 27 May 2002. Details of other dividends paid and provided are as follows:

Year ended 31 December	2002 $'000	2001 $'000
Interim ordinary dividend of 14 cents per share paid 30 September 2002 (2001:13 cents)	2,383	2,031
Final ordinary dividend of 17 cents per share recommended by directors and payable on 26 May 2003 (2001:15 cents)	3,275	2,417
Total dividends in respect of the year.	5,658	4,448

Review of Operations

Buoyant industry trading conditions and strong internal productivity gains enabled the Group to post a record turnover and lift net profit before tax to $12.3M, up 36% over the previous year.

Sales revenue rose 11.6% to $750.4M, which incorporates a full twelve months sales revenue from the Metro/Torque Ford and Strathpine/Torque Toyota businesses acquired on 1 February 2001 and Leach Holden, acquired on 1 September 2001.

The rationalisation program designed to efficiently integrate these businesses into the Group structure continued during the year but was delayed in part by planning and Council procedures. Nevertheless some solid progress was made with the facility to house the combined Metro Ford and Southside Ford parts distribution operations now substantially completed and nearing the fit out stage.

Construction of the new sales and service facility for Metro Ford has also commenced on property bounded by Ann, McLachlan and Connor streets in Fortitude Valley with the sales facility due for completion in April 2003 and the service facility in July 2003.

During 2002 the Group acquired the Jaguar franchise to bring together Premier Automotive Group's three franchises, Jaguar, Volvo and Land Rover under single ownership in accordance with their stated objectives. The Group also disposed of its Torque Ford Caboolture operations, which were not considered to be part of the Group's overall strategy for its Ford operations in Brisbane.

Plans to develop the former Jaguar site at 147 Breakfast Creek Road, Newstead to provide branded facilities for Porsche are being progressed, as are development plans to meet VW's branded requirements at 45 Breakfast Creek Road. Both these facilities are expected to be completed around mid 2003.

A.P. EAGERS LIMITED
DIRECTORS' REPORT

Consolidated sales revenues and results are set out below.

	Revenue		Results	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Franchised operations	750,172	671,995	9,442	4,235
Finance	189	488	(13)	124
	750,361	672,483	9,429	4,359
Internal interest & rental charges			6,901	7,709
Operating contribution			16,330	12,068
Net unallocated expenses			(4,003)	(3,011)
Net profit before tax			12,327	9,057
Tax expense			(3,765)	(2,806)
Net profit after tax			8,562	6,251

	Revenue		Results	
Franchised Operations	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
New Vehicle Departments	481,429	441,621	393	(1,476)
Used Vehicle Departments	139,117	117,155	1,157	(224)
Parts Departments	93,308	81,256	3,702	2,835
Service Departments	36,318	31,963	4,190	3,100
	750,172	671,995	9,442	4,235

New Vehicle Operations

The Australian new vehicle market posted a record 824,309 units in 2002, up 51,628 units or 6.7% on 2001, reflecting generally buoyant industry trading conditions throughout the year. However the third quarter was somewhat subdued leading up to the fourth quarter release of Ford's new Falcon, Toyota's new Camry and Holden's re-modelled Commodore.

Nationally, Holden dominated the market with a 21.6% share followed by Toyota on 19.2% and Ford on 13.2%, their lowest Market share since the 1940's.

Within the Brisbane Metropolitan area 77,284 units were sold compared to 67,120 last year, a 15.1% increase, with the three major franchises, Holden, Ford and Toyota accounting for 55.3% of that total in similar proportions to the national figures. The Group's new vehicle sales for 2002 totalled 16,520 units, up 1,970 units (13.5%) on 2001.

Of the twelve franchises held by the Group, seven improved their volume year over year on a national basis while five declined. Those to slip were VW, Land Rover, Volvo, MG Rover and Porsche. Of those with improved volume, major gains were made by Holden (7.7%), Toyota (11.7%), Mazda (14.7%), Honda (13.5%) and Jaguar (65.7%). Ford, while only increasing its volume by 2.3%, enjoyed strong demand for its new falcon released in October and looks set to capitalise on its success in 2003.

A.P. EAGERS LIMITED
DIRECTORS' REPORT

All dealerships within the Group traded more profitably than in the previous year as emphasis was placed on tight cost control and margin improvement. The group's Toyota franchises, Southside Toyota, Torque Toyota and Strathpine Toyota, performed exceptionally well whilst strong improvement was also evident from the other franchises in the Group. New vehicle profitability improved by $1.9M over the previous year when a loss of $1.5M was recorded.

Used Vehicle Operations

As was evident in the New Vehicle Department, profitability improved dramatically in used vehicles from a loss of $0.2M last year to a profit of $1.2M, a swing of $1.4M.

A 12.8% increase in used car sales at retail from 4,110 units to 4,637 units this year and a concerted effort to improve returns from allied finance and insurance contracts greatly assisted the result.

All but one used car division improved on their previous years result with strong improvement evident in the Holden, Ford and Toyota used car operations. These gains are expected to be maintained in 2003 as emphasis is placed on extracting further efficiency gains from this area.

Parts Operations

Departmental profit of $3.7M was up 30.6% on the 2001 figure of $2.8M and was achieved on turnover of $93.3M, up 14.8% on the previous year ($81.3M).

The amalgamation of the Group's two Ford Parts distribution operations, planned for late 2002 was delayed and is now expected to be operational in April 2003. This is expected to provide further significant benefit to the Group's parts operations.

Service Operations

Together with the Parts operations, the Service divisions contributed substantially to the Group's financial performance by recording solid growth both in terms of sales and profits.

Turnover was up13.6% to $36.3M while profits increased 35.2% to $4.2M as a result of strong productivity gains generally and benefits flowing from the re-organisation and organic growth of the Group's prestige service departments.

Likely Developments
Other than developments mentioned elsewhere in this report the Company continues to evaluate potential acquisition opportunities within the motor vehicle industry.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report as the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

A.P. EAGERS LIMITED
DIRECTORS' REPORT

Investments

A.P. Eagers continues to hold 6,197,052 shares in Auto Group Limited (18.67%) whose principal business activity is the wholesale distribution of used vehicles by auction.

The Company also has a 17.8% investment (451,200 shares) in MTQ Insurance Services Limited (MTQ). Shareholders of MTQ are Queensland based motor vehicle dealers who use the company to provide consumer credit and gap insurance to purchasers of vehicles who buy from them on credit.

Significant Changes in the State of Affairs.

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated accounts.

Matters Subsequent to the End of the Financial Year.

On 31 January 2003, 2,164,072 quoted options and 20,000 unquoted options were converted to ordinary shares at $4.00 per share raising additional equity of $8,736,288 which will be utilised to further reduce debt in the short term and subsequently allocated to the dealership facility construction program.

Since the end of the Financial Year the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the consolidated financial statements that has arisen since 31 December 2002 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Environmental Regulation

The consolidated entity is subject to environmental regulation in respect of its property development and service centre operations as set out below.

Property Development
Planning approvals are required for property developments undertaken by the economic entity. These developments fall under the Queensland Environmental Protection Act 1994 and the Integrated Planning Act 1997. The relevant authorities are provided with appropriate details and to the best of the Directors' knowledge all activities have been undertaken in compliance with the requirements of the planning approvals.

Service Centres
The consolidated entity holds environmental licences for its service centres. These licences arise under the requirements of the Environmental Protection Act 1994, Environmental

Protection (Interim Waste) Regulations 1996, Environment Protection (Water) Policy 1997, Environmental Protection (Noise) Policy 1997 and Environmental Protection (Air) Policy 1997.

Management continues to work with the local regulatory authority to achieve, where possible, best practice in environmental management so as to minimise risk to the environment, reduce waste and ensure compliance with regulatory requirements. There were no adverse environmental issues during the year.

Information on Directors

Details of directors' responsibilities, experience and relevant interest in ordinary shares of A.P. Eagers Limited at the date of this report are as follows:

B W Macdonald Chairman of the Board and a member of the Audit Committee.

Non-Executive Director since January 1992. Company Director. Chairman of Queensland Cotton Holdings Limited, Casinos Austria International Ltd, and Reef Corporate Services Ltd. Director of Bank of Queensland Ltd, FKP Ltd and Brisbane Bears-Fitzroy Football Club Ltd.

Mr Macdonald has a relevant interest in 75,000 ordinary shares of A.P. Eagers Limited.

N G Politis B.Com Director.

Non-Executive Director since May 2000. Motor Vehicle Dealer. Chairman of Sydney RJV Pty Ltd, a retail joint venture between Ford Motor Company and participating Sydney Dealers. Executive Chairman of WFM Motors Pty Ltd and a substantial number of other Proprietary Limited companies.

Mr Politis has a relevant interest in 7,065,133 ordinary shares of A.P. Eagers Limited.

K W Macdonald M.N.I.A. Managing Director and Chief Executive.

Executive Director since July 1999. Director of MTQ Insurance Services Limited.

Mr Macdonald has a relevant interest in 48,800 ordinary shares of A.P. Eagers Limited.

A J Love B.Com, A.A.U.Q., F.A.P.I. Director and Member of the Audit Committee.

Non-Executive Director since March 1994. Real Estate Agent. Managing Director of McGee Isles Love Pty Ltd. Director of Campbell Brothers Limited and Bank of Queensland Limited.

Mr Love has a relevant interest in 18,000 ordinary shares of A.P. Eagers Limited.

A.P. EAGERS LIMITED
DIRECTORS' REPORT

D A Aitken B.Com, MBA, FCPA. Director and a member of the Audit Committee.

Non – Executive Director since March 2001. Motor Vehicle Dealer. Director of Auto Group Limited. Director of W.F.M. Motors Pty Ltd and a substantial number of other proprietary limited companies.

Mr Aitken has a relevant interest in 1000 shares of A.P. Eagers Limited

Meetings of Directors

The number of meetings of the company's directors (including meetings of committees of directors) and the number of meetings attended by each director during the year ended 31 December 2002 were:

Director	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
B W Macdonald*	16	15	2	2
A J Love*	16	14	2	2
K W Macdonald	16	16	-	-
N G Politis	16	13	-	-
D A Aitken*	16	14	2	2

*Audit committee members

Retirement, Election and Continuation in Office of Directors

Mr N G Politis is a director retiring by rotation in accordance with the Company's Constitution who, being eligible, offers himself for re-election.

Directors and Senior Executives Emoluments

The full Board of Directors (excluding the Managing Director) sets the level of remuneration of the Managing Director. In consultation with the Managing Director, the Board sets the remuneration level of the economic entity's senior executives after considering, for both directors and executives, performance and comparative market information. Directors and senior executive remuneration and other terms of employment are reviewed annually.

Non-executive directors are remunerated for their services from the maximum amount approved by shareholders in General Meeting for that purpose. Non-executive directors are also entitled to retirement benefits in accordance with a shareholder approved scheme but do not receive any performance related remuneration or bonuses.

A.P. EAGERS LIMITED
DIRECTORS' REPORT

Executive directors and senior executive officers may receive, as well as a base salary, performance bonuses, performance commission, superannuation and fringe benefits and are also eligible to participate in the A.P. Eagers Employee Share Option Plan.

Details of the nature and amount of each major element of the emoluments of the directors and senior executive officers are set out in the following tables.

	Salary	Commission/ Incentive Bonus	Superannuation	Options	Other Benefits	Total Package
Non-Executive Directors	$	$	$	$	$	$
B W Macdonald	65,000	-	5,525	-	760	71,285
A J Love	40,000	-	3,400	-	760	44,160
N G Politis	40,000	-	3,400	-	760	44,160
D A Aitken	40,000	-	3,400	-	760	44,160
Executive Directors						
K W Macdonald						
Managing Director	300,000	189,455	37,500	45,000	35,732	607,687
Executive Officers						
A Syer						
General Manager - Dealer						
Operations	225,000	275,589	19,125	30,000	43,606	593,320
D W Hull						
Company Secretary	180,000	25,000	22,500	39,750	46,070	313,320
G I Walker						
Chief Financial Officer	120,000	20,000	15,000	-	36,250	191,250

Share Options Granted to Directors and Most Highly Remunerated Officers

100,000 unquoted options over unissued ordinary shares of A.P. Eagers Limited exercisable at $4.00 per option and expiring on 31 January 2003 were granted during the financial year under the A.P. Eagers Limited Share Option Plan to an Executive Officer of the company.

Shares Under Option

The 750,000 share options previously granted to employees under the A.P. Eagers Limited Employee Share Option plan were merged with the quoted rights options on 7 August 2001 after a two year vesting period and from that date could be traded on The Australian Stock Exchange.

Of the options granted to Directors or Executive Officers of the Company, including the 100,000 issued during the financial year, a total of 205,000 were either sold on-market or converted during the year to ordinary shares. Benefits accruing to Directors or Executive Officers from the sale or conversion of options have been included in Directors and Officers emoluments above.

A.P. EAGERS LIMITED
DIRECTORS' REPORT

As of the date of this report there are no options on issue, either quoted or unquoted as all options expired on 31 January 2003. During January 2003 Directors and Officers either sold or converted a further 70,000 options. Benefits accruing from the sale or conversion of these options will be reflected in Directors and Officers emoluments for the year ending 31 December 2003.

Directors' Benefits

Mr A J Love has received or become entitled to receive benefits in respect of normal professional and management fees received by the company of which he is a director. Mr N G Politis and Mr D A Aitken are directors and shareholders of a number of companies involved in the motor industry with whom the consolidated entity transacts business on an arms length basis. Further details of these transactions are set out in Note 36 to the financial statements. With these exceptions, since 31 December 2001 no director of the company has received, or has become entitled to receive, a benefit (other than a remuneration benefit included in note 30 to the consolidated accounts) because of a contract that:

(a) the director; or
(b) a firm of which the director is a member; or
(c) an entity in which the director has a substantial financial interest, has made (during the year ended 31 December 2002 or at any other time) with
(d) the company; or
(e) an entity that the company controlled, or a body corporate that was related to the company when the contract was made or when the director received, or became entitled to receive, the benefit (if any).

Indemnification and Insurance of Officers and Auditors

Indemnification of Officers

The Company's constitution provides that every Director Manager or officer of the Company or any person employed by the Company as auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director Manager officer or auditor in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 535 of the Statute in which relief is granted to him by the Court.

The constitution further provides that no Director Manager Secretary or other officer of the Company shall be liable for the acts receipts neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy insolvency or tortious act of any person with whom any moneys securities or effects shall be deposited or left or for any other loss damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own negligence wilful default breach of duty or breach of trust.

Insurance of Officers

During the financial year the Company paid insurance premiums in respect of a Directors and Officers Liability insurance contract. The contract insures 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 premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/0100 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.

Auditor

Horwath Sydney Partnership continues in office in accordance with section 327 of the Corporations Law.

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

K W Macdonald
Director

Brisbane, 28 February 2003