Bapcor Limited

ABN 80 153 199 912

Appendix 4D and Financial Report - 31 December 2019

Lodged with the ASX under Listing Rule 4.2A

Bapcor Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Bapcor Limited
ABN:	80 153 199 912
Reporting period:	For the half-year ended 31 December 2019 ("H1 FY20")
Previous period:	For the half-year ended 31 December 2018 ("H1 FY19")

2. Results for announcement to the market

			$'000s	%		$'000s
IFRS financial measures						
Revenue	Statutory	Up	66,357	10.4	to	702,485
Net profit after tax ***	Statutory	Down	301	0.7	to	45,193
Earnings per share - basic (cents per share)	Statutory	Down	0.29 cps	1.8	to	15.91 cps
Non-IFRS financial measures*						
Earnings before interest, taxes, depreciation and amortisation	Statutory	Up	26,661	33.6	to	106,090
	Pro-forma inc AASB 16**	Up	30,703	40.4	to	106,680
	Pro-forma exc. AASB 16**	Up	3,459	4.6	to	79,436
Net profit after tax ***	Pro-forma inc AASB 16**	Up	2,528	5.9	to	45,606
	Pro-forma exc. AASB 16**	Up	2,206	5.1	to	45,284
Earnings per share - basic (cents per share)	Pro-forma inc AASB 16**	Up	0.72 cps	4.7	to	16.06 cps
	Pro-forma exc. AASB 16**	Up	0.61 cps	4.0	to	15.94 cps

* The directors believe the presentation of non-IFRS financial measures are useful for the users of the financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review. Refer to the Directors' Report for further details
** Pro-forma results include adjustments from statutory results for acquisitions and restructuring activities as well as the adoption of AASB 16 *Leases* to reflect the underlying performance of the business and ensure comparability between periods being presented. Refer to reconciliations provided in the Directors' Report
*** Net profit after tax as attributable to the members of Bapcor Limited

During the half-year Bapcor adopted AASB 16 *Leases* and as per the adoption provisions the comparative periods have not been adjusted. The pro-forma results excluding AASB 16 *Leases* include an adjustment to remove the impact of this standard adoption allowing comparability across the periods. Refer to details contained within the Directors' Report.

Revenue and pro-forma earnings before interest, taxes, depreciation and amortisation ("EBITDA") excluding any impact of the adoption of AASB 16 *Leases* for H1 FY20 increased by 10.4% and 4.6% respectively compared to H1 FY19. Pro-forma net profit after tax ("NPAT") excluding AASB 16 increased by 5.1%.

Earnings per share for H1 FY20 was 15.95 cents per share, up 4.0% compared to H1 FY19 (based on pro-forma NPAT excluding AASB 16 *Leases*).

Pro-forma net debt at 31 December 2019 was $403.1M representing a leverage ratio of approximately 2.3X (Pro-forma net debt : last twelve months EBITDA annualised for new acquisitions). The level of debt represents an increase of $66.8M compared to 30 June 2019 and reflects the investment in Truckline and Diesel Drive acquired on 2 December 2019 as well as the deferred settlement on the Don Kyatt (Qld) light commercial truck group acquisition that was completed in December 2018.

2. Results for announcement to the market (continued)

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half-year ended 31 December 2019 and the accompanying Directors' Report.

3. Dividends

	Amount per security Cents	Franked amount per security Cents
2019 Final dividend	9.5	9.5
2020 Interim dividend (declared after balance date but not yet paid)	8.0	8.0

Record date for determining entitlements to the dividend	18 February 2020
Date dividend payable	13 March 2020

4. Dividend reinvestment plans

Bapcor operates a Dividend Reinvestment Plan ('DRP'), which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the Company. The DRP will be in operation for the 2020 interim dividend.

Shareholders who elect to participate in the DRP for the 2019 interim dividend will be issued shares at a DRP issue price which will be the average of the daily market price of Bapcor's shares over the period of ten trading days between 26 February 2020 and 10 March 2020 ('Pricing Period'), less a 1.5% discount.

The timetable in respect of the 2020 interim dividend and DRP is as follows:

Event / Action	Date*
Record Date	18 February 2020
Election Date: Last date for shareholders to make an election to participate in the DRP	5.00 pm (Melbourne time) on 21 February 2020
Pricing Period Commencement Date	26 February 2020
Last day of Pricing Period	10 March 2020
Announcement of DRP issue price	11 March 2020
Dividend Payment Date / Issue of DRP shares	13 March 2020

**All dates are subject to change*

Details of the DRP can be downloaded from http://www.bapcor.com.au/dividends. In order to participate in the DRP for the 2020 interim dividend, shareholders should ensure that their DRP Election Form is received, or an online election is made, by no later than 5.00 pm (Melbourne time) on 21 February 2020. An online election can be made by visiting www.investorcentre.com.

5. Attachments

The Financial Report of Bapcor Limited for the half-year ended 31 December 2019 is attached.

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General information

The financial statements cover Bapcor Limited as a consolidated entity consisting of Bapcor Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Bapcor Limited's functional and presentation currency.

Bapcor Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

61 Gower Street, Preston VIC 3072 AUSTRALIA

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 February 2020. The directors have the power to amend and reissue the financial statements.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Bapcor Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Bapcor Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Harrison	Independent Non-Executive Chairman
Darryl Abotomey	Chief Executive Officer and Managing Director
Therese Ryan	Independent, Non-Executive Director
Margaret Haseltine	Independent, Non-Executive Director
Jennifer Macdonald	Independent, Non-Executive Director

Principal activities

The principal activities of Bapcor were the sale and distribution of vehicle parts, accessories, automotive equipment, service and solutions.

Bapcor is one of the largest suppliers of automotive parts, accessories, equipment, service and solutions in Asia Pacific with an operational network covering over 1,000 locations.

Review of operations

Statutory:

- Revenue increased by 10.4% from $636.1M to $702.5M
- Statutory earnings before interest, taxes, depreciation and amortisation (“EBITDA”) increased by 33.6% to $106.1M
- Statutory net profit after tax (“NPAT”) decreased by 0.7% to $45.2M
- Statutory earnings per share (“EPS”) decreased by 1.8% to 15.91 cents per share

Pro-forma excluding the impact of adopting AASB 16 Leases:

- Revenue increased by 10.4% from $636.1M to $702.5M
- Pro-forma EBITDA increased by 4.6% to $79.4M
- Pro-forma NPAT increased by 5.1% to $45.3M
- Pro-forma EPS increased by 4.0% to 15.94 cents per share

Pro-forma including the impact of adopting AASB 16 Leases:

- Revenue increased by 10.4% from $636.1M to $702.5M
- Pro-forma EBITDA increased by 40.4% to $106.7M
- Pro-forma NPAT increased by 5.9% to $45.6M
- Pro-forma EPS increased by 4.7% to 16.06 cents per share

Net debt:

- Pro-forma net debt[1] at 31 December 2019 was $403.1M representing a leverage ratio of approximately 2.3X (Pro-forma net debt : last twelve months EBITDA annualised for new acquisitions, noting that the annualised EBITDA for the Truckline acquisition was $4.2M).

[1] Pro-forma net debt is as per statutory net debt however excludes the impact of finance leases, removes the minority interest component of cash on hand and adjusts for the net derivative financial instruments position which is consistent with banking covenant requirements. Refer to note 12 of the financial report for a reconciliation between statutory and pro-forma net debt.

The tables below reconcile the pro-forma results to the statutory results for H1 FY20 and H1 FY19.

		Consolidated	
$'M	**Note**	**H1 FY20**	**H1 FY19**
Statutory NPAT	1	**45.2**	**45.5**
Other activities	2	0.6	0.6
Other gains adjustment	3	-	(4.1)
Tax adjustment	4	(0.2)	1.1
Pro-forma NPAT inc. AASB 16		**45.6**	**43.1**
AASB 16 *Leases* adjustment	5	(0.5)	-
Tax adjustment	4	0.2	-
Pro-forma NPAT exc. AASB 16		**45.3**	**43.1**

		Consolidated	
$'M	**Note**	**H1 FY20**	**H1 FY19**
Statutory net profit before tax ("NPBT")		**63.5**	**63.9**
Add back depreciation and amortisation	6	33.0	8.4
Add back finance costs		9.7	7.1
Statutory EBITDA		**106.1**	**79.4**
Other activities	2	0.6	0.6
Other gains adjustment	3	-	(4.1)
Pro-forma EBITDA inc. AASB 16		**106.7**	**76.0**
AASB 16 *Leases* adjustment	5	(27.3)	-
Pro-forma EBITDA exc. AASB 16		**79.4**	**76.0**

		Consolidated				
		H1 FY20			H1 FY19	
$'M	**Note**	**Stat**	**Pro-forma inc. AASB 16**	**Pro-forma exc. AASB 16**	**Stat**	**Pro-forma**
NPAT	1	**45.2**	**45.6**	**45.3**	**45.5**	**43.1**
Weighted average number of ordinary shares		284.0	284.0	284.0	280.9	280.9
Earnings per share (cps)		**15.91**	**16.06**	**15.94**	**16.20**	**15.34**

Notes:

1. NPAT as attributable to members of Bapcor Limited.
2. The other activities in current and prior period relates to one off consulting costs incurred relating to acquisitions that did not proceed or are considered major acquisitions.
3. The prior period other gains adjustment relates to a one off gain realised on the Baxters acquisition final deferred settlement payment.
4. The tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.
5. The current period AASB 16 *Leases* adjustment relates to the adoption of the standard effective 1 July 2019 for which comparatives have not been restated. Refer to note 3 of the financial report for further details.
6. Depreciation in the current period includes the right-of-use assets depreciation from the adoption of AASB 16 *Leases* of $23.8M.

The directors' report includes references to pro-forma results to exclude the impact of the adjustments detailed above. The directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review.

Revenue and pro-forma EBITDA excluding AASB 16 *Leases* by segment is as follows:

	Revenue			Pro-forma EBITDA exc. AASB 16		
	H1 FY20 $'M	H1 FY19 $'M	Change %	H1 FY20 $'M	H1 FY19 $'M	Change %
Trade	279.3	257.4	8.5%	37.6	36.9	1.9%
Bapcor NZ	84.3	79.8	5.7%	11.3	11.1	1.4%
Specialist Wholesale	235.4	196.3	19.9%	24.8	20.5	20.9%
Retail	137.4	135.0	1.8%	14.6	14.2	3.1%
Unallocated / Head Office[1]	(33.9)	(32.4)	(4.6%)	(8.9)	(6.7)	(31.3%)
Total	**702.5**	**636.1**	**10.4%**	**79.4**	**76.0**	**4.6%**

Notes:

1. Revenue relates to intersegment sales eliminations and Thailand operations. EBITDA relates to Bapcor head office costs, intersegment EBITDA elimination, acquisition costs and costs associated with the Thailand operations.

Operating and financial review –Trade

The Trade segment currently consists of the Burson Auto Parts and Precision Automotive Equipment business units. This segment is a distributor of:

- Automotive aftermarket parts and consumables to trade workshops for the service and repair of passenger and commercial vehicles
- Automotive workshop equipment such as vehicle hoists and scanning equipment, including servicing of the equipment
- Automotive accessories and maintenance products to do-it-yourself vehicle owners.

Compared to H1 FY19, the Trade segment recorded revenue growth of 8.5% and EBITDA growth of 1.9%.

The increase in revenue of 8.5% included same store sales growth that was greater than 5% (compared to 2.1% in H1 FY19). Trade's EBITDA to revenue percentage was 0.9 percentage points below H1 FY19 reflecting the impact of lower gross margin as a result of pricing pressure due to market competition and the impact of a sales promotion to attract new business. On 1 January 2020 Burson increased its selling prices by an average of 3% which to date has been successful. It is expected that Trade will return to FY19 margin levels by the end of FY20.

During H1 FY20, Burson Auto Parts continued to expand its store network with the number of stores increasing from 181 at 30 June 2019 to 184 at 31 December 2019. The increase of three stores consisted of two greenfield store developments and one acquisition. The average cost per new store including inventory was $739,000.

The new stores are located in in Emerald and Kawana Waters in Queensland and Wangaratta in Victoria.

During the half-year, inventory holdings increased by $3.5M (excluding new stores) due to new product ranges and expansion of existing ranges.

Operating and financial review – Bapcor NZ

Bapcor NZ consists of Trade and Specialist Wholesale businesses based in New Zealand operating across 80 locations.

BNT is the predominant business with 72 stores supplying automotive parts and accessories to workshops, truck and trailer parts through the Truck and Trailer Parts brand. BNT is similar in nature to Bapcor's Burson Auto Parts business in Australia.

Bapcor NZ also includes the specialist wholesale businesses of HCB – batteries, Autolign – steering and suspension, JAS – auto electrical and Precision Equipment NZ – vehicle workshop equipment.

Bapcor NZ achieved revenue growth of 5.7% and EBITDA growth of 1.4% compared to H1 FY19. EBITDA to revenue percentage was 0.6 percentage points below H1 FY19 reflecting the impact of market pricing competition as well as some delay in passing through the impact of currency changes for direct import products. Price increases were implemented in November 2019 and as a result margins are expected to improve in H2 FY20.

Bapcor NZ's largest business, BNT, achieved flat same store sales growth in H1 FY20 reflecting the slowdown in the New Zealand economy. During H1 FY20, BNT continued to expand its store network with the number of stores increasing from 70 at 30 June 2019 to 72 at 31 December 2019. The increase of two stores related to greenfield store developments. The average cost per new store including inventory was $320,000.

During the half-year, inventory holdings increased by $0.8M (excluding new stores and adjusted for foreign currency) due to the build-up of new product ranges and expansion of existing ranges.

Operating and financial review – Specialist Wholesale

The Specialist Wholesale segment consists of operations that specialise in automotive aftermarket wholesale and include AAD, Bearing Wholesalers, Opposite Lock, Baxters, MTQ, Roadsafe, JAS Oceania, Premier Auto Trade, Federal Batteries, Diesel Distributors, AADi, the Commercial Truck Parts group as well as the recent acquisitions of Truckline and Diesel Drive that occurred 2 December 2019.

The Specialist Wholesale segment achieved revenue growth of 19.9% and EBITDA growth of 20.9% compared to H1 FY19. H1 FY20 included the impact of the acquisition of the Don Kyatt (Qld) light commercial truck group in December 2018. Excluding this and the Truckline and Diesel Drive acquisitions from H1 FY20, revenue and EBITDA grew by 6.8% and 5.2% respectively.

EBITDA to revenue percentage was consistent with H1 FY19. The volume and product groups that the Specialist Wholesale segment supplies into other Bapcor group businesses grew by 10% on H1 FY19.

During the half-year, inventory holdings increased by $2M (excluding acquisitions) due to the build-up of new product ranges.

Operating and financial review – Retail

The Retail segment consists of business units that are retail customer focused, and include the Autobarn, Autopro and Sprint Auto Parts brands, and the Midas and ABS workshop service brands. The majority of this segment is franchised stores and workshops.

Revenue for the Retail segment in H1 FY20 increased by 1.8% compared to H1 FY19. Autobarn same store sales growth for company owned stores was 1.5% and for franchise stores was negative 1.6%. Company owned store growth was higher than franchise growth reflecting the maturing of previously opened greenfield stores as well as the improvement of converted franchise stores. In general, retail is facing difficult market conditions with low consumer confidence and the trending towards on-line. Autobarn has made good progress through the half year with on-line sales more than double H1 FY19.

H1 FY20 EBITDA to revenue percentage of 10.6% was 0.1 percentage points above H1 FY19. EBITDA in H1 FY20 was 3.1% higher compared to H1 FY19, reflecting the improvements in Autobarn company owned stores.

Bapcor has continued to grow the number of company owned Autobarn stores via both greenfield Autobarn stores as well as some select conversion of franchise stores to company owned stores. The total number of Autobarn stores at 31 December 2019 was 135 stores, a net increase of one store since 30 June 2019. The number of company owned stores increased from 66 to 75, with the nine new stores consisting of four greenfield stores and the conversion of five franchise operations. The percentage of company owned Autobarn stores at 31 December 2019 was 56%, up from 49% at 30 June 2019.

At 31 December 2019 the total number of company owned and franchise stores in the Retail segment was 359 consisting of Autobarn 135 stores, Autopro 80 stores, Sprint Auto Parts 35 stores and Midas and ABS 109 stores.

During the half-year, inventory holdings increased by $2.5M (excluding new stores) due to seasonal fluctuations.

Operating and financial review – Unallocated / Head Office

The Unallocated / Head Office segment consists of all elimination and head office costs or adjustments that are not in the control of the other segments, as well as the results of the Thailand operations. It also includes the elimination of intercompany sales and EBITDA. Unallocated costs increased from $6.7M in H1 FY19 to $8.9M in H1 FY20 which was primarily due to increased investment in support functions such as human resources, governance and IT.

Intercompany sales increased by 10% compared to H1 FY19, reflecting a higher proportion of sourcing product internally and increasing the volume of “own brand” product.

The head office result includes the Thailand operations which recorded revenue of $2M and an EBITDA loss of $0.3M with Bapcor’s share of the Thailand business being 51%. During the half-year, inventory holdings for the Thailand based operations increased by $0.5M.

Financial Position - Capital Raising and Debt

In September 2019, Bapcor issued 1,054,992 shares to participating shareholders under its Dividend Reinvestment Plan, in respect of the FY19 final dividend. As a result, ordinary shares on issue increased from 283,480,597 as at 30 June 2019 to 284,535,589 as at 31 December 2019.

The adoption of AASB 16 *Leases* increases reportable net debt by the inclusion of $158.3M of finance leases as at 31 December 2019. Given this is excluded from a banking covenant perspective, pro-forma net debt has also been disclosed. Pro-forma net debt at 31 December 2019 was $403.1M representing a leverage ratio of approximately 2.3X (Pro-forma net debt : last twelve months EBITDA annualised for new acquisitions).

Likely development and expected results of operations

Bapcor is forecasting FY20 pro-forma NPAT to increase by middle single digit percentages compared to FY19, which will deliver a record full year result in revenue, earnings and earnings per share. The addition of the commercial vehicle business of Truckline is not expected to increase earnings in the current year, however initiatives are being implemented that are expected to improve the performance in future years, achieving at least a 20% return on investment.

On the 10th February 2020, Bapcor approved a new state of the art 50,000m^2 distribution centre to be built at Tullamarine in Victoria to consolidate its Melbourne warehouses. Further details are included in the H1 FY20 Investor Presentation available on the Bapcor website.

Matters subsequent to the end of the financial half-year

Apart from the interim dividend declared and the announcement of the new distribution centre in Tullamarine, Victoria, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 of the directors' report.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Andrew Harrison
Chairman

Darryl Abotomey
Chief Executive Officer and Managing Director

12 February 2020
Melbourne

pwc

Auditor's Independence Declaration

As lead auditor for the review of Bapcor Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bapcor Limited and the entities it controlled during the period.

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
12 February 2020

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Bapcor Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Revenue	5	702,485	636,128
Other income and gains	6	1,714	4,053
Expenses			
Cost of sales		(368,569)	(336,588)
Employee benefits expense		(154,917)	(137,698)
Freight		(10,831)	(9,671)
Advertising		(16,822)	(16,969)
Administration		(27,945)	(21,516)
Motor vehicles		(6,919)	(6,033)
IT & communications		(8,715)	(6,971)
Occupancy		(2,799)	(24,467)
Acquisition costs	7	(592)	(839)
Depreciation and amortisation expense	7	(32,970)	(8,406)
Finance costs	7	(9,659)	(7,111)
Profit before income tax expense		63,461	63,912
Income tax expense		(18,460)	(18,631)
Profit after income tax expense for the half-year		45,001	45,281
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		1,386	7,707
Changes in the fair value of cash flow hedges		(1,464)	83
Other comprehensive income for the half-year, net of tax		(78)	7,790
Total comprehensive income for the half-year		44,923	53,071
Profit for the half-year is attributable to:			
Non-controlling interest		(192)	(213)
Owners of Bapcor Limited		45,193	45,494
		45,001	45,281
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(129)	(74)
Owners of Bapcor Limited		45,052	53,145
		44,923	53,071
		Cents	**Cents**
Basic earnings per share		15.91	16.20
Diluted earnings per share		15.85	16.14

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Bapcor Limited
Consolidated statement of financial position
As at 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		42,991	47,610
Trade and other receivables	8	178,152	162,494
Inventories	9	374,371	326,147
Derivative financial instruments		119	897
Other current assets		317	-
Total current assets		595,950	537,148
Non-current assets			
Trade and other receivables	8	-	48
Property, plant and equipment	10	66,928	60,745
Right-of-use assets	3	144,797	-
Intangibles	11	754,576	734,529
Deferred tax asset		26,649	18,424
Other non-current assets		1,071	2,412
Total non-current assets		994,021	816,158
Total assets		1,589,971	1,353,306
Liabilities			
Current liabilities			
Trade and other payables		194,107	183,645
Lease liabilities	3	53,789	-
Derivative financial instruments		2,140	494
Income tax		2,666	2,856
Provisions	13	34,980	47,208
Total current liabilities		287,682	234,203
Non-current liabilities			
Borrowings	12	441,380	380,376
Lease liabilities	3	104,466	-
Derivative financial instruments		-	349
Provisions	13	18,617	16,191
Total non-current liabilities		564,463	396,916
Total liabilities		852,145	631,119
Net assets		737,826	722,187
Equity			
Issued capital	15	629,737	623,536
Reserves		7,769	7,308
Retained profits		98,216	89,110
Equity attributable to the owners of Bapcor Limited		735,722	719,954
Non-controlling interest		2,104	2,233
Total equity		737,826	722,187

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Bapcor Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained profits $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2019	631,697	(8,161)	7,308	89,110	2,233	722,187
Adjustment for change in accounting policy (note 3)	-	-	-	(9,156)	-	(9,156)
Balance at 1 July 2019 - restated	631,697	(8,161)	7,308	79,954	2,233	713,031
Profit/(loss) after income tax expense for the half-year	-	-	-	45,193	(192)	45,001
Other comprehensive income for the half-year, net of tax	-	-	(141)	-	63	(78)
Total comprehensive income for the half-year	-	-	(141)	45,193	(129)	43,982
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 15)	7,274	-	-	-	-	7,274
Share-based payments	-	-	602	-	-	602
Treasury shares (note 15)	-	(1,073)	-	-	-	(1,073)
Dividends paid (note 16)	-	-	-	(26,931)	-	(26,931)
Balance at 31 December 2019	638,971	(9,234)	7,769	98,216	2,104	737,826

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained profits $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2018	610,951	(4,495)	(3,645)	37,138	2,397	642,346
Profit/(loss) after income tax expense for the half-year	-	-	-	45,494	(213)	45,281
Other comprehensive income for the half-year, net of tax	-	-	7,651	-	139	7,790
Total comprehensive income for the half-year	-	-	7,651	45,494	(74)	53,071
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	15,189	-	-	-	-	15,189
Share-based payments	-	-	2,000	-	-	2,000
Treasury shares	-	(3,666)	-	-	-	(3,666)
Dividends paid (note 16)	-	-	-	(23,821)	-	(23,821)
Balance at 31 December 2018	626,140	(8,161)	6,006	58,811	2,323	685,119

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Bapcor Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		773,539	707,210
Payments to suppliers and employees (inclusive of GST)		(680,715)	(662,030)
		92,824	45,180
Payments for new store initial inventory purchases		(2,028)	(7,557)
Borrowing costs		(5,692)	(5,792)
Transaction costs relating to acquisition of business		(592)	(839)
Income taxes paid		(18,885)	(18,086)
Net cash from operating activities		65,627	12,906
Cash flows from investing activities			
Payments for purchase of business, net of cash and cash equivalents	17	(53,189)	(38,237)
Payments for deferred settlements		(15,242)	(17,576)
Payments for property, plant and equipment	10	(12,444)	(10,151)
Payments for intangibles	11	(4,306)	(4,792)
Proceeds from disposal of property, plant and equipment		385	549
Proceeds from disposal of business, net of expenses		-	15,907
Net cash used in investing activities		(84,796)	(54,300)
Cash flows from financing activities			
Purchase of treasury shares	15	(1,073)	(3,666)
Net proceeds from borrowings		60,516	75,100
Dividends paid	16	(19,657)	(17,781)
Repayment of lease liabilities		(25,530)	-
Net cash from financing activities		14,256	53,653
Net increase/(decrease) in cash and cash equivalents		(4,913)	12,259
Cash and cash equivalents at the beginning of the financial half-year		47,610	40,151
Effects of exchange rate changes on cash and cash equivalents		294	1,092
Cash and cash equivalents at the end of the financial half-year		42,991	53,502

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

This consolidated financial report for the interim half-year reporting period ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the AASB 16 *Leases* standard issued by the Australian Accounting Standards Board ('AASB') and was mandatory for the current reporting period commencing 1 July 2019. Refer to note 3 for further details.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half-year reporting period ended 31 December 2019.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as disclosed in the 30 June 2019 financial statements. Refer to note 3 for the critical accounting judgements, estimates and assumptions relating to the adoption of AASB 16 *Leases.*

Note 3. Adoption of AASB 16 *Leases*

This note explains the impact of the adoption of AASB 16 *Leases* on the consolidated entity's financial statements and discloses the new accounting policies and critical accounting judgements, estimates and assumptions that have been applied from 1 July 2019.

Leasing activities and how these are accounted for
The consolidated entity leases various properties, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to 1 July 2019, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charge to the income statement, within occupancy expenses.

From 1 July 2019, the consolidated entity applied a single recognition and measurement approach for all leases of which it is the lessee, except for low-value assets. The consolidated entity recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the consolidated entity. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Impact on financial statements
The consolidated entity has adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019, and has not restated comparatives, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

In applying AASB 16 *Leases* for the first time, the consolidated entity has used the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of the initial application;
- the accounting for operating leases for low value leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of AASB 16 *Leases*, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.0%.

The associated right-of-use assets for leases were measured on a retrospective basis as if the AASB 16 *Leases* standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Note 3. Adoption of AASB 16 *Leases* (continued)

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	Consolidated 1 Jul 2019 $'000
Assets	
Property, plant and equipment	(691)
Deferred tax assets	3,909
Right-of-use assets	145,064
Total assets	148,282
Liabilities	
Trade and other payables	862
Provisions	1,349
Lease liabilities	(159,649)
Total assets	(157,438)
Equity	
Retained earnings	(9,156)

The recognised right-of use assets relate to the following types of assets:

	Consolidated 31 Dec 2019 $'000	1 Jul 2019 $'000
Properties	142,252	142,250
Motor vehicles	2,546	2,814
	144,797	145,064

A reconciliation of the operating leases commitments note provided in the 30 June 2019 accounts to the adopted lease liability is as follows:

	Consolidated 1 Jul 2019 $'000
Operating lease commitments as at 1 July 2019	(138,967)
Add: adjustments as a result of a different treatment of options included	(31,293)
Less: discounting impact	18,532
Add: adjustments for changes in underlying lease composition	(7,921)
Lease liability on adoption	(159,649)
Of which are:	
Current lease liabilities	(53,013)
Non-current lease liabilities	(106,636)

Note 3. Adoption of AASB 16 *Leases* (continued)

Segment EBITDA, assets and liabilities for December 2019 all increased as a result of the change in accounting policy. The following table shows the impact on the half-year of the adoption of the change:

Consolidated - 31 Dec 2019	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail $'000	Unallocated / Head Office $'000	Total $'000
EBITDA	8,522	3,602	4,827	10,283	-	27,234
Intersegment EBITDA						-
Depreciation and amortisation						(23,824)
Finance costs						(2,964)
Acquisition costs						-
Profit before income tax expense						446
Income tax expense						(134)
Profit after income tax expense						312
Assets						
Segment assets	36,941	19,827	22,576	66,229	3,838	149,411
Total assets						149,411
Liabilities						
Segment liabilities	41,667	20,517	23,530	72,541	-	158,255
Total liabilities						158,255

Earnings per share decreased by 0.11 cents per share for the six months to 31 December 2019 as a result of the adoption of AASB 16 *Leases*.

Significant accounting policies

Right-of-use assets

The consolidated entity recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. 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. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of useful life and lease term.

Lease liabilities

At the commencement date of the lease, the consolidated entity 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 and variable lease payments that depend on an index or rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the consolidated entity and payments of penalties for terminating a lease, if the lease term reflects the consolidated entity exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the consolidated entity uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. 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 if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Note 3. Adoption of AASB 16 *Leases* (continued)

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT and other office equipment.

Critical accounting judgements, estimates and assumptions

In determining the lease term, the consolidated entity considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed on an ongoing basis as well as 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) any option to renew.

Note 4. Segment information

Description of segments
The consolidated entity has identified four operating segments based on the internal reports that are reviewed and used by the CEO and Managing Director (who is identified as the Chief Operating Decision Maker ('CODM')) and is supported by the other members of the Board of Directors where required in assessing performance and in determining the allocation of resources including capital allocations.

The operating results of the consolidated entity are currently reviewed by the CODM and decisions are based on four operating segments which also represent the four reporting segments, as follows:

Trade	Represents the trade focused automotive aftermarket parts distribution to independent and chain mechanic workshops. Includes the operations of Burson Auto Parts and Precision Automotive Equipment.
Bapcor NZ	Represents the operations of Brake & Transmission, Autolign, and HCB Technologies.
Specialist Wholesale	Includes the specialised wholesale distribution areas of the organisation that focus on a specific automotive area. Includes the operations of AAD, Baxters, Bearing Wholesalers, MTQ Engine Systems, Roadsafe, Diesel Distributors, Federal Batteries, JAS Oceania, Premier Auto Trade, Toperformance, Commercial Truck Parts group including the recently acquired operations of Diesel Drive and Truckline.
Retail	Represents the retail focused accessory stores that are positioned as the first choice destination for both the everyday consumer and automotive enthusiast as well as the service areas of Bapcor. Includes the operations of Autobarn, Autopro, Sprint Auto Parts, Midas and ABS.

The consolidated entity's Thailand based operations have been included in the Unallocated/Head Office supporting segment as they are considered immaterial in nature for the half-year financial period.

Segment revenue
Intersegment transactions are carried out at arm's length and eliminated on consolidation. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

Segment EBITDA
Segment performance is assessed on the basis of segment EBITDA. Segment EBITDA comprises expenses which are incurred in the normal trading activity of the segments and excludes the impact of depreciation, amortisation, interest, share-based payments and other items which are determined to be outside of the control of the respective segments.

Note 4. Segment information (continued)

Operating segment information

AASB 16 *Leases* was adopted using the modified retrospective approach and as such the comparatives have not been restated (refer to note 3). Therefore, the current and comparative operating segment information are not directly comparable.

Consolidated - 31 Dec 2019	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	279,276	84,285	235,382	137,391	2,033	738,367
Total segment revenue	279,276	84,285	235,382	137,391	2,033	738,367
Intersegment sales						(35,882)
Total revenue						702,485
EBITDA	46,109	14,855	29,379	24,908	(7,104)	108,147
Intersegment EBITDA						(1,465)
Depreciation and amortisation						(32,970)
Finance costs						(9,659)
Acquisition costs						(592)
Profit before income tax expense						63,461
Income tax expense						(18,460)
Profit after income tax expense						45,001
Assets						
Segment assets	349,021	269,393	549,466	375,050	47,041	1,589,971
Total assets						1,598,971
Liabilities						
Segment liabilities	145,407	58,607	90,794	126,289	431,048	852,145
Total liabilities						852,145

Note 4. Segment information (continued)

Consolidated - 31 Dec 2018	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	257,430	79,769	196,308	134,994	147	668,648
Total segment revenue	257,430	79,769	196,308	134,994	147	668,648
Intersegment sales						(32,520)
Total revenue						636,128
EBITDA	36,894	11,098	20,533	14,186	(1,107)	81,604
Intersegment EBITDA						(1,336)
Depreciation and amortisation						(8,406)
Finance costs						(7,111)
Acquisition costs						(839)
Profit before income tax expense						63,912
Income tax expense						(18,631)
Profit after income tax expense						45,281
Consolidated - 30 Jun 2019						
Assets						
Segment assets	306,765	244,890	461,586	299,144	40,921	1,353,306
Total assets						1,353,306
Liabilities						
Segment liabilities	101,946	39,954	70,161	48,145	370,913	631,119
Total liabilities						631,119

	Geographical non-current assets	
	31 Dec 2019 $'000	**30 Jun 2019 $'000**
Australia	773,305	626,801
New Zealand	192,923	169,858
Other	1,144	1,075
	967,372	797,734

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets and balances such as intercompany and investments that are eliminated on consolidation.

Note 5. Revenue

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from contracts with customers		
Sales revenue	702,485	636,128
Total revenue	702,485	636,128

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Geographical regions		
Australia	652,048	588,732
New Zealand	84,285	79,769
Thailand	2,034	147
Intersegment sales	(35,882)	(32,520)
	702,485	636,128
Timing of revenue recognition		
Goods transferred at a point in time	729,728	659,816
Services transferred over time	8,639	8,832
Intersegment sales	(35,882)	(32,520)
	702,485	636,128

Revenue is allocated to geographical segments on the basis of where the sale is recorded.

Note 6. Other income and gains

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Gain on settlement of deferred consideration	-	4,053
Rental income	1,714	-
Other income and gains	1,714	4,053

In the prior half-year the consolidated entity completed the Baxters acquisition deferred settlement which resulted in a gain of $4,053,000 being recognised in the statement of comprehensive income.

The current half-year rental income relates to rental recoveries from franchise locations. This was previously offset against rental expense within occupancy expenses pre-adoption of AASB 16 *Leases*.

Note 7. Expenses

	Consolidated	
	31 Dec 2019	**31 Dec 2018**
	$'000	**$'000**
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment	5,155	4,668
Motor vehicles	2,268	2,094
Right-of-use assets	23,824	-
Amortisation	1,496	1,453
Make good provision	227	191
	32,970	8,406
Acquisition and divestment costs		
Professional consultant costs	409	819
Other transaction costs	183	20
	592	839
Finance costs		
Interest and finance charges paid/payable	6,695	7,111
Interest and finance charges paid/payable on lease liabilities	2,964	-
	9,659	7,111
Operating leases		
Minimum lease payments	438	20,769
Superannuation expense		
Defined contribution superannuation expense	9,993	8,849

Income tax expense
Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average tax rate used for the half-year to 31 December 2019 is 29.1%, compared to 29.2% for FY19.

Note 8. Trade and other receivables

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Current assets		
Trade receivables	152,420	143,352
Less: Allowance for credit notes	(1,380)	(1,325)
Less: Allowance for expected credit losses (trade receivables)	(6,094)	(5,560)
	144,946	136,467
Customer loans	758	933
Less: Allowance for expected credit losses (customer loans)	(324)	(605)
	434	328
Other receivables	20,138	18,268
Prepayments	12,634	7,431
	32,772	25,699
	178,152	162,494
Non-current assets		
Customer loans	-	118
Less: Allowance for expected credit losses (customer loans)	-	(70)
	-	48
	178,152	162,542

Allowance for expected credit losses (including specific debtor provisions)
The total allowance for expected credit losses of trade receivables and customer loans is $6,418,000 (30 June: $6,235,000). This includes specifically identified provisions of $5,527,000 (30 June: $5,471,000) and an estimated credit loss provision on the remaining trade receivables and customer loan balances of $891,000 (30 June: $764,000).

Note 9. Inventories

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets		
Stock in transit - at cost	19,054	14,341
Stock on hand - at cost	406,263	355,453
Less: Provision for slow moving inventory	(50,946)	(43,647)
	355,317	311,806
	374,371	326,147

Total stock on hand and in transit has increased by $55.5M since 30 June 2019, of which new greenfield stores, business acquisitions, absorption costing and foreign currency translation account for $46.2M. The remaining $9.3M relates to investment in new and existing ranges and the impact of cyclical purchases as discussed in the 'Operating and financial review' section of the Directors' Report.

Excluding the impact of new greenfield stores, business acquisitions, absorption costing and foreign currency translation, inventory has decreased $3.5M compared to 31 December 2018.

Movements in provision for slow moving inventory:

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Opening balance	(43,647)	(46,839)
Additional provisions recognised against profit	(202)	(580)
Additions through business combinations	(8,051)	(3,505)
Inventory written off against provision	990	4,155
Foreign currency translation	(36)	236
Derecognised on divestment	-	2,886
Closing balance	(50,946)	(43,647)

Note 10. Property, plant and equipment

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Non-current assets		
Plant and equipment - at cost	83,274	76,415
Less: Accumulated depreciation	(37,371)	(35,065)
	45,903	41,350
Motor vehicles - at cost	36,103	34,093
Less: Accumulated depreciation	(15,078)	(14,698)
	21,025	19,395
	66,928	60,745

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2019	41,350	19,395	60,745
Adjustment for change in accounting policy (note 3)	-	(691)	(691)
Restated balance at 1 July 2019	41,350	18,704	60,054
Additions	7,816	4,628	12,444
Additions through business combinations (note 17)	827	289	1,116
Disposals	(2)	(338)	(340)
Foreign currency translation	40	10	50
Transfers in/(out)	1,027	-	1,027
Depreciation expense	(5,155)	(2,268)	(7,423)
Balance at 31 December 2019	45,903	21,025	66,928

Note 11. Intangibles

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Non-current assets		
Goodwill	664,656	646,442
Trademarks	59,225	59,194
Customer contracts	25,873	25,606
Less: Accumulated amortisation	(7,569)	(6,688)
	18,304	18,918
Software	20,024	17,010
Less: Accumulated amortisation	(7,633)	(7,035)
	12,391	9,975
	754,576	734,529

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill $'000	Trademarks $'000	Customer contracts $'000	Computer software $'000	Total $'000
Balance at 1 July 2019	646,442	59,194	18,918	9,975	734,529
Additions	-	-	265	4,041	4,306
Additions through business combinations (note 17)	17,307	-	-	-	17,307
Foreign currency translation	907	31	3	16	957
Transfers in/(out)	-	-	-	(1,027)	(1,027)
Amortisation expense	-	-	(882)	(614)	(1,496)
Balance at 31 December 2019	664,656	59,225	18,304	12,391	754,576

Impairment testing update
All CGUs and brands have been assessed for indicators of impairment without any being identified as requiring an impairment adjustment. However, as disclosed in the 30 June 2019 financial report, the Retail CGU and Autopro brand were relatively more sensitive to changes in trading conditions. The following are updates on the Retail CGU and Autopro brand.

Retail CGU impairment update
The following key assumptions have been used for cash flow projection and pre-tax discount rates:

- Cash flow projections were based on management forecast expectations which has been compiled based on past experience, current performance and market position as well as structural changes and economic factors which have been derived based on external data and internal analysis;
- Pre-tax discount rate: 12.66% (2019: 12.71%[1]) which has reduced due to the inclusion of the finance leases into the gearing calculation from the adoption of AASB 16 *Leases*
- Terminal value growth rate beyond five years (set at current CPI): 1.70% (2019: 1.80%)
- Forecast year on year revenue growth range of 2.0% - 3.5% (2019: 2.4% - 2.8%) and EBITDA margin growth of 0.1 percentage points (2019: 0 – 0.3 percentage points)

The recoverable amount of the Retail CGU is estimated to exceed its carrying amount at 31 December 2019 by $5.1M (2019: $12.2M). An updated sensitivities analysis is presented below:

Financial metric	+ 5% change	- 5 % change
Discount rate	Impairment of $11.4M	Increase headroom to $23.8M
Revenue growth (average)	Increase headroom to $7.1M	Decrease headroom to $3.1M
EBITDA margin (average)	Increase headroom to $20.6M	Impairment of $10.4M
Terminal growth rate	Increase headroom to $7.2M	Decrease headroom to $3M

Autopro brand impairment update
There was no significant change to the headroom or sensitivities presented in the 30 June 2019 financial report, which have been included below as reference:

Financial metric	+ 5% change	- 5 % change
Discount rate	Impairment of $0.4M	Increase headroom by $0.4M
Revenue growth (average)	No material change	Impairment of $0.2M
Terminal growth rate	No material change	Impairment of $0.1M

[1] The 2019 Annual Report disclosed a pre-tax discount rate of 11.81%. The difference is due to a computational error in converting the 2019 discount rate from post-tax to pre-tax for disclosure purposes only.

Note 12. Borrowings

	Consolidated	
	31 Dec 2019 $'000	**30 Jun 2019 $'000**
Non-current liabilities		
Secured bank loans	443,625	382,960
Less: unamortised transaction costs capitalised	(2,245)	(2,584)
	441,380	380,376

Bapcor has a $520M debt facility with ANZ, Westpac, MUFG Bank, HSBC and MetLife. The debt facility comprises funding in three, five and seven year tranches commencing from June 2019 as follows:

- $200M three year tranche, available for general corporate purposes;
- $150M five year tranche, available for general corporate purposes;
- $100M seven year tranche, available for general corporate purposes; and
- $70M three year tranche, available for working capital purposes

The facility is secured by way of a fixed and floating charge over Bapcor's assets.

Net debt reconciliation

	Consolidated	
	31 Dec 2019 $'000	**30 Jun 2019 $'000**
Cash and cash equivalents	42,991	47,610
Finance leases	(158,255)	-
Borrowings excluding unamortised transaction costs capitalised	(443,625)	(382,960)
Net debt	(558,889)	(335,350)
Add: Finance leases	158,255	-
Less: Cash and cash equivalents relating to non-controlling interest	(426)	(1,019)
Add/(less): Net derivative financial instruments	(2,021)	54
Pro-forma net debt as per debt facility agreement	(403,081)	(336,315)

Note 13. Provisions

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current liabilities		
Employee benefits	33,254	29,464
Deferred settlements	1,726	16,946
Onerous lease provision	-	798
	34,980	47,208
Non-current liabilities		
Employee benefits	5,242	4,065
Deferred settlements	2,451	2,434
Make good provision	10,924	9,141
Onerous lease provision	-	551
	18,617	16,191
	53,597	63,399

The movement during the financial half-year in the current deferred settlement provision relates to the payment of the Don Kyatt (Qld) light commercial truck group acquisition deferred settlement amount of $15M.

Onerous lease provisions are now accounted for under AASB 16 *Leases* and have been reclassified on adoption of the standard. Refer to note 3 for further details.

Note 14. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's financial instruments, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Consolidated - 31 Dec 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	119	-	119
Total assets	-	119	-	119
Liabilities				
Derivative financial instruments	-	2,140	-	2,140
Deferred consideration	-	-	4,177	4,177
Total liabilities	-	2,140	4,177	6,317

Consolidated - 30 Jun 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	897	-	897
Total assets	-	897	-	897
Liabilities				
Derivative financial instruments	-	843	-	843
Deferred consideration	-	-	19,380	19,380
Total liabilities	-	843	19,380	20,223

There were no transfers between levels during the financial half-year.

Derivative financial instruments carried at fair value are forward foreign exchange contracts and floating interest rate to fixed interest rate swaps. These are considered to be Level 2 financial instruments because their measurement is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Deferred consideration is considered to be a Level 3 financial instrument because inputs in valuing this instrument are not based on observable market data. The fair value of this instrument is determined based on an estimated discounted cash flow analysis.

Note 15. Issued capital

	Consolidated			
	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $'000	30 Jun 2019 $'000
Ordinary shares	284,535,589	283,480,597	638,971	631,697
Treasury shares	-	-	(9,234)	(8,161)
	284,535,589	283,480,597	629,737	623,536

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2019	283,480,597	631,697
Issue for Dividend Reinvestment Plan	26 September 2019	1,054,992	7,274
Balance	31 December 2019	284,535,589	638,971

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 2019	-	(8,161)
Purchase of treasury shares	9-12 September 2019	(154,875)	(1,073)
Utilisation of treasury shares for LTI	17 September 2019	154,875	-
Balance	31 December 2019	-	(9,234)

The average purchase price of treasury shares during the financial half year period was $6.94 (2019: $7.48) per share.

Note 16. Dividends

Dividends
Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Final dividend for the year ended 30 June 2019 (2018: 30 June 2018) of 9.5 cents (2018: 8.5 cents) per ordinary share */**	26,931	23,821

* $7,274,000 of the final dividend for the year ended 30 June 2019 was settled under the Dividend Reinvestment Plan.
** $6,039,000 of the final dividend for the year ended 30 June 2018 was settled under the Dividend Reinvestment Plan.

Franking credits

	Consolidated	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	84,912	80,460

The above amounts represent the balance of the franking account as at the end of the financial half-year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 17. Business combinations

Current financial half-year acquisitions
The consolidated entity acquired the net assets of the following business:

- Autobarn Coffs Harbour
- Autobarn Shepparton
- Autobarn Wagga Wagga
- Autobarn Warriewood
- Autopro Emerald
- Australian Fuel Injection South
- Brakeforce
- Brookers
- Diesel Drive
- Truckline

These acquisitions were made to strengthen the Bapcor offering as well as increase the company store network presence.

The assets and liabilities recognised as a result of these acquisitions are set out below. The store and smaller business combinations have been aggregated. These are provisional at the time of this report and the fair values are to be finalised within the acquisition period of twelve months from acquisition date.

	Truckline Fair value $'000	Diesel Drive Fair value $'000	Other acquisitions Fair value $'000	Total $'000
Cash and cash equivalents	18	-	2	20
Trade and other receivables	12,583	1,559	361	14,503
Inventories	23,126	5,444	1,961	30,531
Plant and equipment	422	230	175	827
Motor vehicles	-	283	6	289
Deferred tax asset	2,633	728	963	4,324
Trade and other payables	(8,813)	(333)	(1,074)	(10,220)
Provisions	(2,683)	(225)	(490)	(3,398)
Net assets acquired	27,286	7,686	1,904	36,876
Goodwill	1,324	11,091	4,892	17,307
Acquisition-date fair value of the total consideration transferred	28,610	18,777	6,796	54,183
Representing:				
Cash paid	28,610	18,758	5,841	53,209
Debt forgiven	-	19	955	974
	28,610	18,777	6,796	54,183
Cash used to acquire business, net of cash acquired:				
Cash consideration	28,610	18,758	5,841	53,209
Less: cash and cash equivalents	(18)	-	(2)	(20)
Net cash used	28,592	18,758	5,839	53,189

Goodwill in relation to these acquisitions relates to the anticipated future probability of their contribution to the consolidated entity's total business.

Note 17. Business combinations (continued)

The Diesel Drive acquisition contributed revenue of $829,000 and net profit after tax of $105,000 to the consolidated group since acquisition on 2 December 2019. Based on historical management results that have not been reviewed or audited and excluding any transitional impacts, the contribution to revenue and net profit after tax if the Diesel Drive acquisition had occurred on 1 July 2019 is estimated to have been $6,576,000 and $980,000 respectively.

The Truckline acquisition contributed revenue of $7,061,000 and net loss after tax of $11,000 to the consolidated group since acquisition on 2 December 2019. Based on historical management results that have not been reviewed or audited and excluding any transitional impacts, the contribution to revenue and net profit after tax if the Truckline acquisition had occurred on 1 July 2019 is estimated to have been $50,853,000 and $1,317,000 respectively.

Each of the other acquisitions took place on different dates and are heavily integrated into the consolidated entity's operations and as such it is impractical to disclose the amount of revenue or profit since acquisition date.

Refer to note 7 for details on acquisition related costs incurred.

Prior financial half year acquisitions
No material changes have occurred to the prior financial half-year acquisitions.

Note 18. Share-based payments

The Long Term Incentive ('LTI') plan is intended to assist in the motivation, retention and reward of nominated senior executives. The LTI is a payment contingent on three year performance and the payments are rights to acquire shares ('Performance Rights'). Refer to the 30 June 2019 audited Remuneration Report within the Directors' Report for further information on the LTI.

In relation to the FY20 year an offer to participate in the LTI was made to nine of Bapcor's senior executives. These allocated Performance Rights have a performance period that ends on 30 June 2022 at which time the performance hurdles are tested. A summary of the terms for the Performance Rights granted in the current financial half-year is in the following table:

Grant date	6/9/19		1/11/19	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/7/19 to 30/6/22		1/7/19 to 30/6/22	
Test date	30/6/22		30/6/22	
Expiry date	Once tested		Once tested	
Quantity granted	177,794	177,794	104,780	104,780
Exercise price	Nil		Nil	
Fair value at grant date[1]	$4.87	$6.32	$5.13	$6.61
Other conditions	Restriction on sale to 30/6/23		Restriction on sale to 30/6/23	
Share price on valuation date	$6.78		$7.04	
Volatility	25.52%		25.21%	
Dividend yield	2.51%		2.41%	
Risk free rate	0.83%		0.79%	

1. The fair value represents the value used to calculate the accounting expense as required by accounting standards.

Relative total shareholder return ('TSR') hurdle

Fifty per cent of the Performance Rights granted to a participant will vest subject to a TSR performance hurdle that assesses performance by measuring capital growth in the share price together with income returned to shareholders, measured over the performance period against a Comparator Group of companies. The Performance Rights will vest by reference to Bapcor's TSR performance ranking against this Comparator Group of companies, as follows:

Note 18. Share-based payments (continued)

Bapcor's TSR relative to the Comparator Group over the performance period	Percentage of TSR Rights vesting
Less than 50th percentile	Nil
Equal to 50th percentile	50%
Greater than 50th percentile and less than 75th percentile	Pro-rata straight-line vesting
Equal to or greater than 75th percentile	100%

Earnings per share ('EPS') growth

Fifty per cent of the Performance Rights granted to a participant will vest by reference to an EPS performance hurdle that measures the basic EPS on a normalised basis over the performance period. Each tranche of Performance Rights subject to an EPS hurdle will vest as follows:

Bapcor's compound annual EPS growth over the performance period	Percentage of EPS Rights Vesting
Less than 7.5%	Nil
7.5%	20%
Greater than 7.5% and less than 15%	Pro-rata straight-line vesting
Equal to or greater than 15%	100%

Performance Rights issued up to 30 June 2017 are exercised as soon as the vesting conditions are met. If vesting conditions are met, Performance Rights will automatically convert into fully paid ordinary shares of the Company.

For Performance Rights issued on or after 1 July 2017, if the vesting conditions are met, the Performance Rights are converted into fully paid ordinary shares of the Company at the election of the Participant.

There is no specific expiry date, however the Performance Rights lapse if vesting condition are not met once tested.

Shares will be subject to a restriction on sale for twelve months from vesting of the Performance Rights.

Set out below are summaries of Performance Rights granted under the LTIP:

31 Dec 2019

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
20/12/2016	30/06/2019	$0.00	182,220	-	(66,073)	(116,147)	-
04/12/2017	30/06/2019	$0.00	177,603	-	(88,802)	(88,801)	-
04/12/2017	30/06/2020	$0.00	466,097	-	-	-	466,097
26/09/2018	30/06/2021	$0.00	226,195	-	-	-	226,195
29/10/2018	30/06/2021	$0.00	170,886	-	-	-	170,886
06/09/2019	30/06/2022	$0.00	-	355,588	-	-	355,588
01/11/2019	30/06/2022	$0.00	-	209,560	-	-	209,560
			1,223,001	565,148	(154,875)	(204,948)	1,428,326

Employee Salary Sacrifice Share Plan
During the financial half-year, Bapcor issued shares to employees via an Employee Salary Sacrifice Share Plan ('ESSSP'). The ESSSP allowed eligible employees to acquire up to $1,000 of shares from their pre-tax wages. The value of this share-based payment transaction is deemed immaterial to the financial statements.

Note 19. Contingent liabilities and capital commitments

Commitments
During the financial half-year Bapcor entered into a supply of equipment contract with Schaefer Systems International Pty Ltd. As at 31 December 2019, the total $19,566,000 balance of this contract was not yet paid.

Contingent liabilities
There are no contingent liabilities as at 31 December 2019 (30 June 2019: nil). The divestment of the non-core businesses of Footwear and Contract Resources and the TRS business performed in the prior financial years includes standard indemnity and warranty clauses as is customary in these type of transactions.

Note 20. Net tangible assets

A large proportion of the consolidated entity's assets are intangible in nature, consisting of goodwill, customer contracts and trademarks acquired on business combination as well as software. These assets as well as any deferred taxes are excluded from the calculation of net tangible assets per share.

Net tangible assets per share at 31 December 2019 was (15.3) cents per share (30 June 2019: (10.9) cents per share). Excluding the impact of AASB 16 *Leases*, the net tangible assets per share at 31 December 2019 was (10.5) cents per share.

Net assets per share at 31 December 2019 was $2.50 (30 June 2019: $2.48) per share. Excluding the impact of AASB 16 *Leases*, the net assets per share at 31 December 2019 was $2.55 per share.

Note 21. Events after the reporting period

Apart from the interim dividend declared and the announcement of the new distribution centre in Tullamarine, Victoria, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Andrew Harrison
Chairman

Darryl Abotomey
Chief Executive Officer and Managing Director

12 February 2020
Melbourne

Independent auditor's review report to the members of Bapcor Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Bapcor Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bapcor Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bapcor Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
12 February 2020