Bapcor Limited

ABN 80 153 199 912

Appendix 4D and Interim Financial Report for the half year ended 31 December 2016

Lodged with the ASX under Listing Rule 4.2A

Bapcor Limited ABN 80 153 199 912

(the **Company** or **Bapcor**)

Half year ended: 31 December 2016 ("H1 FY2017")
Previous corresponding period: Half year ended 31 December 2015 ("H1 FY2016")

Results for Announcement to the Market

Result Summary

		$'000	%		$'000
Revenue	Up	110,745	34.1	to	435,118
Statutory:					
Earnings before interest, taxes, depreciation and amortisation	Up	11,126	32.2	to	45,630
Net profit after tax	Up	5,936	30.7	to	25,253
Earnings per share - basic (cents per share)	Up	1.69 cps	21.2	to	9.66 cps
Pro-forma:					
Earnings before interest, taxes, depreciation and amortisation	Up	14,651	42.5	to	49,155
Net profit after tax	Up	8,506	44.0	to	27,823
Earnings per share – basic (cents per share)	Up	2.66 cps	33.4	to	10.64 cps

Revenue and net profit after tax for the half year to 31 December 2016 ("H1 FY2017") increased by 34.1% and 30.7% respectively compared to the half year to 31 December 2015 ("H1 FY2016").

After adjusting statutory net profit after tax for transaction costs relating to the Company's takeover offer of Hellaby Holdings Limited ("Hellaby") and the impact of the associated equity raising, pro-forma net profit after tax increased by 44.0% reflecting the impact of the acquisitions of Bearing Wholesalers, Precision Automotive Equipment, Sprint Auto Parts, Baxters Pty Ltd, Roadsafe Automotive Products and MTQ Engine Systems (Aust) Pty Ltd; as well as continued strong performance of Bapcor's existing business.

Earnings per share for H1 FY2017 was 10.64 cents per share, up 33.4% compared to H1 FY2016 (based on pro-forma NPAT).

Bapcor had a positive net cash and debt balance of $20.7M which included $179.5M in equity raising proceeds less expenses paid relating to the Hellaby acquisition. Excluding the Hellaby acquisition related transactions, debt net of cash would have been $158.8M representing a leverage ratio of 1.75X (Net debt : EBITDA) and of 1.61X on an annualised EBITDA basis (allowing for a full twelve months of trading for acquisitions completed during H1 FY2017).

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half year ended 31 December 2016 and the accompanying Directors' Report.

Dividends / distributions

	Amount per security[1]	Franked amount per security
2016 interim dividend	5.0 cents	5.0 cents
2016 final dividend	6.0 cents	6.0 cents
2017 interim dividend (declared after balance date but not yet paid)	5.5 cents	5.5 cents

Record date for determining entitlements to the dividend	17 March 2017
Date dividend payable	21 April 2017

Bapcor has initiated its Dividend Reinvestment Plan for the FY2017 interim dividend. Shareholders electing to participate must nominate by 24 March 2017.

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the accompanying Interim Financial Report for the half year ended 31 December 2016.

[1] Based on the number of securities at the time the dividend was declared.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Bapcor Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as "Bapcor" or the "Group") consisting of Bapcor Limited (the "Company") and the entities it controlled at the end of, or during, the financial half year ending 31 December 2016 ("H1 FY2017").

1. DIRECTORS

The following persons were Directors of the Company at any time during H1 FY2017, or since the end of H1 FY2017 up to the date of this report:

Current Directors	
Robert McEniry	Independent, Non-Executive Chairman
Darryl Abotomey	Chief Executive Officer and Managing Director
Andrew Harrison	Independent, Non-Executive Director
Therese Ryan	Independent, Non-Executive Director
Margaret Haseltine	Independent, Non-Executive Director

2. OPERATING AND FINANCIAL REVIEW

Bapcor recorded another period of strong performance and recorded growth across all its business segments. The key highlights of Bapcor's financial results for H1 FY2017 were:

- Revenue increased by 34.1% compared to H1 FY2016, from $324.4M to $435.1M
- Pro-forma EBITDA increased by 42.5% to $49.2M with all business segments making a positive contribution
- Statutory NPAT increased by 30.7% compared to H1 FY2016, from $19.3M to $25.3M
- Pro-forma NPAT increased by 44.0% compared to H1 FY2016, from $19.3M to $27.8M
- Pro-forma EPS increased by 33.4% compared to H1 FY2016 to 10.64 cents per share
- At the end of December 2016 Bapcor had positive net cash balance of $20.7M which included $179.5M in equity raising proceeds less expenses paid relating to the Hellaby acquisition. Excluding the Hellaby acquisition related transactions, net debt would have been $158.8M representing a leverage ratio of 1.75X (Net debt : EBITDA) and of 1.61X on an annualised EBITDA (allowing for a full twelve months of trading for acquisitions completed during H1 FY2017)

The table below reconciles the pro-forma result to the statutory result for H1 FY2017 and H1 FY2016.

		Consolidated	
	Notes	H1 FY2017 $'M	H1 FY2016 $'M
Statutory Net Profit after Tax		**25.3**	**19.3**
Costs associated with the acquisition of Hellaby	1	3.5	-
Finance costs adjustment	2	(0.8)	-
Tax effect	3	(0.2)	-
Pro-forma Net Profit after Tax		**27.8**	**19.3**

Notes on pro-forma adjustments:

1. Acquisition costs H1 FY2017 – relates to transaction costs incurred up to 31 December 2016 in relation to the Hellaby acquisition. These costs consist of professional advisory fees and other related costs. This adjustment excludes Hellaby related transaction costs anticipated to be incurred post 31 December 2016 of $5.2M.
2. Finance costs adjustment H1 FY2017 – this adjustment relates to the additional interest expense that would have been incurred by the Group if the Hellaby related capital raising did not occur.
3. Tax effect H1 FY2017 – relates to the tax effect of the Hellaby transaction costs and finance costs adjustments. The effective income tax rate applicable to Bapcor is approximately 30%, which is equivalent to the Australian corporate tax rate of 30%.

Note: The Directors' Report includes references to pro-forma results to exclude the impact of the acquisition costs in the current half year as 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 EBITDA by segment is as follows:

	Revenue			EBITDA		
	H1 FY2017 $'M	H1 FY2016 $'M	Change %	H1 FY2017 $'M	H1 FY2016 $'M	Change %
Trade	230.4	202.9	13.6%	30.9	23.4	32.0%
Retail	117.8	82.5	42.9%	15.0	10.6	42.5%
Specialist Wholesale	97.3	43.2	125.3%	10.6	4.3	144.8%
Unallocated / Head Office	(10.4)	(4.1)	(150.6%)	(7.0)	(3.6)	(95.1%)
	435.1	**324.5**	**34.1%**	**49.5**	**34.7**	**42.7%**
Non-Hellaby acquisition costs				(0.3)	(0.2)	(94.9%)
Total				**49.2**	**34.5**	**42.5%**

The business segments of Trade, Retail and Specialist Wholesale all recorded significant increases in sales and EBITDA compared to the prior year.

Contributing to the increase in revenue and profit in the Retail and Specialist Wholesale segments was an additional month of results included in H1 FY2017 related to the acquisition of Aftermarket Network Australia Pty Ltd ("ANA") which completed on 31 July 2015, compared to 5 months of results for ANA included in H1 FY2016. In addition, H1 FY2017 Retail results include the acquisition of Sprint Auto Parts which completed at the end of April 2016. The results of Specialist Wholesale reflect the acquisitions of Bearing Wholesalers which completed at the end of March 2016, Baxters Pty Ltd ("Baxters") and Roadsafe Automotive Products ("Roadsafe") which completed at the end of July 2016 and MTQ Engine Systems (Aust) Pty Ltd ("MTQES") which completed at the end of October 2016.

The integration of ANA and other acquired businesses has progressed smoothly. Bapcor's program to realise optimisation benefits arising from the acquisitions, such as direct and indirect procurement savings, has met expectations. The development of a warehouse optimisation strategy is well underway.

Further details of the operating and financial performance of each business segment follows below.

2.1. Operating and financial review –Trade

The Trade segment 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 vehicles;
- Automotive workshop equipment such as vehicle hoists and scanning equipment, including servicing of the equipment; and
- Automotive accessories and maintenance products to do-it-yourself vehicle owners.

Trade increased its revenue by 13.6% in H1 FY2017 with same store growth contributing over 5.0% (compared to 4.5% in H1 FY2016). During H1 FY2017, Burson Auto Parts continued to expand its store network with the number of stores increasing from 145 at 30 June 2016 to 156 at 31 December 2016. The increase of 11 stores comprised 3 individual store acquisitions (including 1 Autopro) and 8 greenfield store developments (including 1 Autopro and 2 ABS store conversions). The average cost per new greenfield store including inventory was $560,000. The new stores are located as follows:

- Acquisitions – Raymond Terrace in New South Wales; Gladstone in Queensland; and Colac in Victoria.
- Greenfields – Oxenford in Queensland; Grafton, Griffith, Hornsby, Morisset and Taree in New South Wales; and Joondalup and Midvale in Western Australia.

Gross margin percentage increased by 1.0 percentage points in H1 FY2017 compared to H1 FY2016 due to a continued focus on profitable sales throughout the business as well as the benefit of the optimisation projects. Cost of doing business ("CODB") decreased by 0.9% predominately due to improved labour management and the settling in of the Brisbane Distribution Centre. As a result of the increase in sales, gross margin expansion and cost control, Trade's EBITDA in H1 FY2017 was $30.9M, 32.0% above H1 FY2016.

2.2. Operating and financial review – Retail

The Retail segment consists of business units that are retail customer focused, and includes Autobarn, Autopro, Sprint Auto Parts and Car Parts retail store brands, and the Midas and ABS workshop service brands.

The Retail segment performed well during H1 FY2017 with sales and EBITDA up by 42.9% and 42.5% respectively.

In addition to the extra month for the ANA businesses and the Sprints acquisition, the increase in sales reflected the growth in Autobarn company owned store sales. There were 23 Autobarn company owned stores at the end of December 2016 compared to 15 at June 2016, reflecting Bapcor's strategy of growing the number of company owned stores. The 8 new Autobarn stores consisted of 5 new stores and 3 franchise conversions, with total Autobarn stores now at 119, a net increase of 5.

Autobarn recorded same store sales growth of 2.8% in H1 FY2017 (compared to 5.8% in H1 FY2016). The level of same store growth tapered in the last 3 months of H1 FY2017 as competitors were very aggressive with price discounting and advertising, and lower than expected Christmas/New Year sales.

The number of Autopro stores decreased by 8 to 98 stores at 31 December 2016 due to transfer to Trade stores (2) and the closure of stores (6). An independent franchise chain is actively pursuing Autopro stores to join their network group and have been successful with 4 stores. This provides an opportunity for Bapcor to open retail stores in territories previously held by franchisees.

Sprint Auto Parts was acquired at the end of April 2016 and has performed ahead of expectations and in line with strategy has grown its level of purchases from Group businesses.

The Service business performed well in H1 FY2017 recording increased EBITDA. A third party consultant has completed a strategic review of the Service business and has provided a recommendation which is currently under review by management.

2.3. Operating and financial review – Specialist Wholesale

The Specialist Wholesale segment consists of the operations that specialise in automotive aftermarket wholesale and at the end of December 2016 included the Australian Automotive Distribution ("AAD") and Opposite Lock businesses (acquired as art of the ANA acquisition at the end of July 2015), as well as the acquisitions of Bearing Wholesalers, Baxters, Roadsafe and MTQES.

The Specialist Wholesale business sales were $97.3M in H1 FY2017, up 125.3% compared to H1 FY2016. Including the impact of acquisitions undertaken during H1 FY2017, Specialist Wholesale currently has an annualised sales run rate of approximately $230M, above the previous stated target of $200M.

Specialist Wholesale EBITDA in H1 FY2017 was $10.6M, an increase of 144.8% compared to H1 FY2016.

AAD, which is made up of the historical ATAP, IBS, Partco and Garmax businesses, is experiencing relatively flat revenue as growth in intercompany sales through vertical integration has been offset by some sales leakage with the change in ownership to Bapcor. Gross margin percentage was above H1 FY2016 by 2.0 percentage points reflecting a focus on price management as well as the benefit of a stronger and more stable Australian dollar.

Opposite Lock is an Australia wide 4WD specialty equipment and accessories business that has 67 predominantly franchise stores (including 12 store within a store) and a further 8 stockists. Opposite Lock also supplies wholesale equipment and accessories to dealerships and to overseas markets. Opposite Lock has experienced some challenges with trade show and export sales being below expectations.

Bearing Wholesalers was acquired by Bapcor at the end of March 2016. Bearing Wholesalers is the largest bearings reseller in Australia, specialising in bearing kits, gearbox kits, differential kits and timing belt kits, and currently has 8 branches across Australia. Bearing Wholesalers has continued to perform very strongly since being acquired by the Group.

The businesses acquired by Bapcor during H1 FY2017 have been performing in line with expectations.

Baxters, which was acquired at the end of July 2016, is a specialist distributor of rotating electrical, electrical accessories and lighting to workshops, fleets, original equipment manufacturers and defence. Baxters, which has industry leading brands and a strong history of innovation and product development, represents Bapcor's first step into the auto electrical category.

Roadsafe was also acquired by Bapcor at the end of July 2016, and is a specialist distributor of steering and suspension products, along with 4x4 spare parts and accessories. This business complements Bapcor's existing specialist categories of suspension and four wheel drive.

MTQES was acquired at the end of October 2016 and is Australia's largest diesel and turbo aftermarket sales and service provider. MTQES is principally engaged in the sales and service of turbochargers and diesel fuel injection products and services through a network of 10 branches in Australia, and has fully equipped service centres nationwide staffed with highly skilled trades' technicians. The specialist products and services are supplied to the automotive, mining, marine, rail, earth moving, transport, agriculture and power generation industries.

2.4. 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. Unallocated costs increased from $3.6M in H1 FY2016 to $7.0M in H1 FY2017, primarily due to an additional $1.8M of intercompany profit in stock eliminations and an increase in share-based payments expense of $0.4M. Additional resources were also employed in the head office due to the significant increase in size of the Group's business.

Following the acquisition of ANA in July 2015, Bapcor commenced an optimisation program aimed at delivering synergy benefits to the Group from procurement, overheads, intercompany sales and other expenses. In the full FY17 year, the program is delivering the expected benefits with $7M to be achieved in FY17.

2.5. Hellaby Holdings Limited takeover

On 27 September 2016, Bapcor announced a cash takeover offer for 100% of the shares in Hellaby Holdings Limited (NZX: HBY), and launched an equity raising to partially fund the Hellaby acquisition.

Hellaby is a publicly listed entity on the New Zealand stock exchange, and trades as an investment holding company with operations in automotive distribution and wholesaling in Australia and New Zealand. In addition, Hellaby owns businesses in contract resource services and footwear retailing.

The initial cash offer made by Bapcor to Hellaby shareholders was NZD $3.30 per Hellaby share; Bapcor increased this offer price to NZD $3.60 per Hellaby share on 5 December 2016. Subsequent to the reporting period on 10 January 2017, Bapcor, having received offer acceptances from Hellaby shareholders representing more than 50% of Hellaby's share capital, waived the 90% minimum acceptance offer condition. On 13 January 2017, Bapcor declared the offer unconditional and extended the offer period to 7 February 2017.

As at 16 February 2017, Bapcor owned over 90% of the shares on issue in Hellaby, and is currently undertaking a process to compulsorily acquire all remaining shares on issue in Hellaby. Upon completion of this process, Bapcor will own 100% of Hellaby's share capital, and Hellaby will be delisted from the NZ stock exchange in March 2017.

The Hellaby acquisition will be fully funded by a combination of current cash and debt facilities, a new acquisition facility with the Australia and New Zealand Banking Group, and $181.3M raised in H1 FY2017 via a placement of shares to institutional investors, and a share purchase plan offer to existing Bapcor shareholders.

Through to 31 December 2016, Bapcor had incurred approximately $7.8M in costs in relation to the Hellaby transaction, of which $3.5M was included in the statutory income statement and a further $4.3M capitalised into equity. It is expected that further costs of approximately $5.2M will be incurred in H2 FY2017 the vast majority which will flow through the statement of comprehensive income.

3. OUTLOOK

Bapcor expects to continue to see continued strong profit growth in H2 FY2017 due to a number of factors as follows:

- Incremental results will be included for the various acquisitions undertaken during H1 FY2017
- Continued store network growth and solid performance in the underlying businesses
- Inclusion of Hellaby business in results, though this will partially offset by further acquisition costs

Overall market conditions are expected to be similar to H1 FY2017.

Bapcor anticipates that pro-forma Net Profit after Tax (before Hellaby acquisition and related transaction costs) for FY2017 will be between $57M and $59M.

4. MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

Apart from the acquisition of Hellaby as outlined in section 2.5 of this report, no matter or circumstance has occurred subsequent to the half year end that has significantly affected, or may significantly affect, the operations of Bapcor, the results of those operations or the state of affairs of Bapcor or economic entity in subsequent financial years.

5. 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.

6. ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts. In accordance with that Class Order amounts in the Directors' Report and Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors,

Robert McEniry
Chairman

Darryl Abotomey
Chief Executive Officer and Managing Director

Melbourne
16 February 2017

Auditor's Independence Declaration

As lead auditor for the review of Bapcor Limited for the half-year ended 31 December 2016, 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.

Daniel Rosenberg
Partner
PricewaterhouseCoopers

Melbourne
16 February 2017

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Consolidated statement of comprehensive income

For the half year ended 31 December 2016

	Notes	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Revenue	3	**435,118**	**324,373**
Cost of goods sold		(239,411)	(183,370)
Employee benefits expense		(85,619)	(62,887)
Occupancy expenses		(15,222)	(10,991)
Freight		(6,365)	(5,839)
Other expenses	4	(38,978)	(26,593)
Acquisition costs	4	(3,893)	(189)
Depreciation and amortisation expense	4	(5,995)	(4,856)
Finance costs	4	(2,677)	(1,852)
Profit before income tax		**36,958**	**27,796**
Income tax expense	5(a)	(11,705)	(8,479)
Profit for the half year attributable to the Owners of Bapcor Limited		**25,253**	**19,317**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		1,390	(483)
Other comprehensive income for the half year, net of tax		**1,390**	**(483)**
Total comprehensive income for the half year attributable to the Owners of Bapcor Limited		**26,643**	**18,834**

Earnings per share for profit attributable to the ordinary equity holders of the Company:

		Cents	Cents
Basic earnings per share	18	9.66	7.97
Diluted earnings per share	18	9.61	7.95

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

Consolidated statement of financial position

As at 31 December 2016

	Notes	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Assets			
Current assets			
Cash and cash equivalents		35,461	22,392
Trade and other receivables	7	100,907	87,304
Derivative financial instruments		794	-
Inventories	8	194,360	163,020
Total current assets		**331,522**	**272,716**
Non-current assets			
Trade and other receivables	7	630	573
Property, plant and equipment	9	42,969	36,213
Deferred tax assets		25,924	20,614
Intangible assets	10	381,247	348,840
Other non-current assets	11	4,336	4,466
Total non-current assets		**455,106**	**410,706**
Total assets		**786,628**	**683,422**
Liabilities			
Current liabilities			
Trade and other payables	12	139,598	121,507
Current tax liabilities		4,007	6,236
Derivative financial instruments		-	420
Provisions	13	37,971	26,607
Total current liabilities		**181,576**	**154,770**
Non-current liabilities			
Borrowings	14	14,222	148,184
Derivative financial instruments		603	1,374
Provisions	13	31,230	12,874
Total non-current liabilities		**46,055**	**162,432**
Total liabilities		**227,631**	**317,202**
Net assets		**558,997**	**366,220**
Equity			
Contributed equity	15	596,314	416,427
Other reserves	16(a)	3,263	845
Retained earnings/(accumulated losses)	16(b)	(40,580)	(51,052)
Total equity		**558,997**	**366,220**

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

Consolidated statement of changes in equity

For the half year ended 31 December 2016

Attributable to owners of Bapcor Limited

Consolidated	Notes	Contributed equity $'000	Other equity $'000	Reserves $'000	Retained earnings/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2015		337,390	-	441	(70,906)	266,925
Profit for the period		-	-	-	19,317	19,317
Other comprehensive income		-	-	(483)	-	(483)
Total comprehensive income for the period		-	-	(483)	19,317	18,834
Transactions with owners in their capacity as owners:						
Dividends and distributions provided for or paid	17	-	-	-	(11,497)	(11,497)
Share based payments		-	-	755	-	755
Contributions of equity, net of transaction costs and tax	15	73,345	-	-	-	73,345
		73,345	**-**	**755**	**(11,497)**	**62,603**
Balance at 31 December 2015		**410,735**	**-**	**713**	**(63,086)**	**348,362**
Balance at 1 July 2016		416,427	-	845	(51,052)	366,220
Profit for the period		-	-	-	25,253	25,253
Other comprehensive income		-	-	1,390	-	1,390
Total comprehensive income for the period		-	**-**	**1,390**	**25,253**	**26,643**
Transactions with owners in their capacity as owners:						
Dividends and distributions provided for or paid	17	-	-	-	(14,781)	(14,781)
Share based payments		-	-	1,028	-	1,028
Treasury shares	15	-	(1,896)	-	-	(1,896)
Contributions of equity, net of transaction costs and tax	15	181,783	-	-	-	181,783
		181,783	**(1,896)**	**1,028**	**(14,781)**	**166,134**
Balance at 31 December 2016		**598,210**	**(1,896)**	**3,263**	**(40,580)**	**558,997**

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

Consolidated statement of cash flows

For the half year ended 31 December 2016

	Notes	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		477,546	354,979
Payments to suppliers and employees (inclusive of GST)		(437,428)	(327,591)
		40,118	27,388
Borrowing costs		(2,293)	(1,211)
Transaction costs relating to acquisitions (excluding Hellaby)		(368)	-
Transaction costs relating to Hellaby transaction		(1,393)	-
Income taxes paid		(15,232)	(10,530)
Net cash inflow from operating activities		**20,832**	**15,647**
Cash flows from investing activities			
Payments to acquire businesses		(29,415)	(270,883)
Payments for property, plant and equipment and software		(8,183)	(6,725)
Proceeds from sale of property, plant and equipment		527	316
Net cash outflow from investing activities		**(37,071)**	**(277,292)**
Cash flows from financing activities			
Proceeds from issues of ordinary shares		184,075	54,306
Transaction costs relating to issue of share capital		(3,957)	(1,068)
Dividends paid		(14,781)	(11,497)
Payments for treasury shares		(1,896)	-
Proceeds/(repayment) of borrowings		(134,000)	134,000
Transaction costs relating to borrowings		(935)	(324)
Net cash inflow from financing activities		**28,506**	**175,417**
Net increase/(decrease) in cash and cash equivalents		**12,267**	**(86,228)**
Cash and cash equivalents at the beginning of the financial year		**22,392**	107,896
Cash acquired from business acquisitions		802	6,264
Cash and cash equivalents at end of half year		**35,461**	**27,932**

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Bapcor Limited ('Bapcor') and its subsidiaries ('the Group').

(a) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Bapcor is a for-profit entity for the purpose of preparing interim financial statements.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Bapcor Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Comparative information has been reclassified where appropriate to enhance comparability.

(i) New and amended standards adopted

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(ii) New and amended standards not yet adopted

Title of standard	Nature of change	Impact	Application date
AASB 15 *Revenue from Contracts with Customers*	This new standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the transfer of control replaces the existing notion of the transfer of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	Management is currently assessing the effects of the new standard on the Group's financial statements. At this stage the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months.	Mandatory for financial years beginning on or after 1 January 2018. Expected date of adoption by the Group: 1 January 2018.

Title of standard	Nature of change	Impact	Application date
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	Management is currently assessing the effects of the new standard on the Group's financial statements. At this stage the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group is currently assessing whether it should adopt AASB 9 before its mandatory date.
AASB 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has net operating lease commitments of $74.8M. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bapcor Limited ('the Company' or 'parent entity') as at 31 December 2016 and the results of all subsidiaries for the half year then ended. Bapcor Limited and its subsidiaries together are referred to in this Financial Report as Bapcor or 'the Group' or 'the consolidated entity'.

Subsidiaries are all entities (including special purpose entities) over which Bapcor has control. Bapcor controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

Bapcor applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Bapcor Limited.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management personnel. Bapcor has three operating business segments. Refer to note 6 for further information.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of Bapcor's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Bapcor Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Bapcor recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Bapcor's activities as described below. Bapcor bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

A sale is recorded when goods have been delivered to the customer, the customer has accepted the goods and collectability of the related receivables is probable.

(ii) Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iii) Rendering of services – franchise fees and advertising

Revenue from the provision of franchise and advertising services is recognised on an accruals basis.

Revenue from the provision of accounting and information technology support is recognised on a periodical as-delivered basis.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Bapcor's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation legislation

The Company and all its wholly-owned Australian entities are part of a tax-consolidated group under Australian taxation law. Bapcor Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised by the members of the tax consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(g) Leases

Leases of property, plant and equipment where Bapcor, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. 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 property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Bapcor will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Bapcor as lessee are classified as operating leases.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Bapcor. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days. They are presented as current assets unless collection is not expected for more than 12 months after the end of the reporting period.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Inventories

Inventory is valued at lower of cost and net realisable value on an average cost basis. Cost comprises direct material and an appropriate proportion of variable and fixed overhead expenditure along with any applicable rebates and discounts.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- *Plant and equipment* *2-15 years*
- *Motor vehicles* *3-7 years*
- *Leasehold improvements* *5-7 years*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

(n) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

(ii) Software

Costs incurred in acquiring, developing and implementing new software are recognised as intangible assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, licenses and direct labour. Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of software over their estimated useful lives, which is two and a half to four years.

(iii) Brands and trademarks

Brands and trademarks are recognised as intangible assets where a registered trademark is acquired with attributable value. Trade names are valued using a relief from royalty method. Trade names are considered indefinite life intangibles and are not amortised unless there is an intention to discontinue use of the name in which case it is amortised over its estimated remaining useful life.

(iv) Customer Contracts

Contractual customer relationships are recognised as intangible assets when the criteria specified in the relevant accounting standards have been met. These are assessed to have a finite life and are amortised over the assets useful life. Customer contracts are currently amortised between three and twenty years.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to Bapcor prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date or specific event, are classified as liabilities.

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

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is amortised on a straight-line basis over the term of the facility.

(q) Provisions

Provisions are recognised when Bapcor has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the *Long-Term Incentive Plan* (LTIP). The fair value of performance rights granted under the LTIP is recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the rights and options with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights and options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest which are revised at the end of each reporting period. The impact of the revision to original estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

The fair value is measured at grant date and the expense recognised over the life of the plan. The fair value is independently determined using a Black-Scholes or similar option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Once exercised, the difference between the accumulated fair value and their historical on-market purchase price is recognised in retained earnings.

(s) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

(i) Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss. When the hedged item is closed out, the cumulative gain or loss that was previously reported in equity is immediately reclassified to profit and loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(t) Contributed equity

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Treasury shares

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Bapcor Limited as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Bapcor Limited.

(u) Earnings per share (EPS)

(i) Basic EPS

Basic EPS is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted EPS

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Critical accounting estimates

The preparation of this interim financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this interim financial report, are disclosed in the annual report for the year ended 30 June 2016.

2 Fair value measurements

The following table detail the consolidated Groups fair values of financial instruments categorized by the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the financial year.

Derivative financial instruments carried at fair value are forward foreign exchange contracts and floating interest rate to fixed interest rate swaps.

(a) Foreign exchange contracts

The Group consider the foreign exchange contracts to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets and liabilities, either directly (as prices) or indirectly (derived from prices).

As at 31 December 2016 Bapcor had various foreign exchange contracts in place to be settled subsequent to the end of the financial period. Bapcor is committed to pay A$22.7M and receive US$16.8M and JPY$8.4M at various dates subsequent to 31 December 2016.

(b) Interest rate swaps

The Group consider the interest rate swap contracts to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets and liabilities, either directly (as prices) or indirectly (derived from prices).

As at 31 December 2016 Bapcor had various interest rate swap contracts to convert part of the borrowing facility’s floating interest rate to a fixed interest rate. These contracts are in place to be settled subsequent to the end of the financial period. Bapcor is committed to pay a monthly fixed rate on $60.0M and receive a monthly floating rate on $60.0M.

(c) Deferred consideration

The Group consider contingent consideration 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. Refer note 23(c) for more information.

The Group consider that the carrying amount of other financial assets and liabilities recorded in the financial statements to approximate their fair values.

3 Revenue

	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Sales revenue	435,118	324,373
	435,118	**324,373**

4 Expenses

Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense:		
Plant and equipment	2,261	1,982
Motor vehicles	1,778	1,255
Amortisation	1,809	1,440
Make good provision	147	179
	5,995	**4,856**
Acquisition costs:		
Relating to the Hellaby acquisition:		
Professional consultants costs	1,596	-
Other transaction costs	1,929	-
Relating to other acquisitions:		
Professional consultants costs	320	189
Other transaction costs	48	-
	3,893	**189**
Other expenses include:		
Motor vehicles	3,587	3,226
IT and communication	5,372	4,385
Advertising	11,930	9,056
Administration	18,089	9,926
	38,978	**26,593**
Finance costs - interest and finance charges paid/payable	2,677	1,852
Net loss/(gain) on disposal of property, plant and equipment	(136)	21
Rental expense relating to operating leases - minimum lease payments	13,325	9,845
Defined contribution superannuation expense	6,106	3,886

5 Income tax

(a) Income tax expense

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Current tax	12,766	8,170
Deferred tax	(1,061)	186
Under provision in prior years	-	123
	11,705	**8,479**

The entire income tax expense relates to profit from continuing operations.

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

Profit from ordinary activities before income tax expense	36,958	27,796
Income tax calculated at 30% (2016: 30%)	11,087	8,339
Tax effect of amounts that are not deductible/(taxable) in calculating income tax:		
Entertainment	7	4
Acquisition costs	626	-
Other	(15)	13
	618	17
Income tax adjusted for permanent differences:		
Under provision in prior year	-	123
Income tax expense attributable to profit from ordinary activities	**11,705**	**8,479**

6 Segment information

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker ('CODM') in assessing performance and in determining the allocation of resources. Based on the organisational structure and the operation of the Board, it has been determined that the Board of Director's are the CODM of the Group.

The operating results of the Group are regularly reviewed by the CODM and decisions around capital allocation and assessment of performance are performed based on three operating segments which also represent the three reporting segments, as follows:

- Trade, which represents the Burson Auto Parts and Precision Automotive Equipment operations.
- Retail, which represents the Autobarn, Autopro, Sprints and other retail focused brands as well as merchandising and distribution activities associated with the support of these retail operations.
- Specialist Wholesale, which represents the specialised wholesale distribution areas of the organisation that focus on a specific automotive area including Opposite Lock.

All segments operate in one geographical segment, Australia.

Segment revenue
Sales between segments are carried out at arm's length and are 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.

(b) Segment financial information

Half year ended	Trade $'000	Retail $'000	Specialist Wholesale $'000	Unallocated / Head Office $'000	Consolidated Total $'000
31 December 2016					
Segment revenue	230,406	117,806	97,288	(10,382)	435,118
Consolidated revenue	**230,406**	**117,806**	**97,288**	**(10,381)**	**435,118**
Segment EBITDA	**30,865**	**15,042**	**10,579**	**(6,963)**	**49,523**
Acquisition expenses					(3,893)
Depreciation and amortisation expense					(5,995)
Finance costs					(2,677)
Profit before income tax					**36,958**
Income tax expense					(11,705)
Profit after income tax					**25,253**
Total segment assets	**280,934**	**265,490**	**193,220**	**46,984**	**786,628**
Total segment liabilities	**84,554**	**37,069**	**40,131**	**65,877**	**227,631**
31 December 2015					
Segment revenue	202,885	82,454	43,176	(4,142)	324,373
Consolidated revenue	**202,885**	**82,454**	**43,176**	**(4,142)**	**324,373**
Segment EBITDA	**23,384**	**10,555**	**4,322**	**(3,568)**	**34,693**
Acquisition costs					(189)
Depreciation and amortisation expense					(4,856)
Finance costs					(1,852)
Profit before income tax					**27,796**
Income tax expense					(8,479)
Profit after income tax					**19,317**
Total segment assets	**244,193**	**262,054**	**99,505**	**27,948**	**633,700**
Total segment liabilities	**78,418**	**49,938**	**14,479**	**142,503**	**285,338**

7 Trade and other receivables

	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Current trade and other receivables		
Trade receivables	91,919	80,489
Provision for impairment of trade receivables	(7,171)	(6,963)
	84,748	**73,526**
Customer loans	1,389	2,040
Provision for impairment of customer loans	(748)	(840)
	641	**1,200**
Other receivables	9,901	9,086
Prepayments	5,617	3,492
	100,907	**87,304**
Non-current trade and other receivables		
Customer loans	1,154	1,065
Provision for impairment of customer loans	(524)	(492)
	630	**573**

8 Inventories

Finished goods - at cost	222,131	181,213
Provision for obsolete inventory	(35,200)	(24,689)
	186,931	**156,524**
Goods in transit	7,429	6,496
	194,360	**163,020**

9 Property, plant and equipment

Consolidated	**Plant and equipment $'000**	**Motor vehicles $'000**	**Total $'000**
Cost or fair value			
At 1 July 2015	26,997	15,184	42,181
Additions	7,334	4,686	12,020
Acquisition of businesses	7,122	1,712	8,834
Disposals	(456)	(1,928)	(2,384)
At 30 June 2016	**40,997**	**19,654**	**60,651**
Additions	4,760	2,869	7,629
Acquisition of businesses	2,146	1,410	3,556
Disposals	(190)	(1,676)	(1,866)
At 31 December 2016	**47,713**	**22,257**	**69,970**
Depreciation and impairment			
At 1 July 2015	(12,951)	(6,173)	(19,124)
Depreciation charge for the year	(4,593)	(2,604)	(7,197)
Impairment	-	-	-
Disposals	370	1,513	1,883
At 30 June 2016	**(17,174)**	**(7,264)**	**(24,438)**
Depreciation charge for the half year	(2,261)	(1,778)	(4,039)
Impairment	-	-	-
Disposals	91	1,385	1,476
At 31 December 2016	**(19,344)**	**(7,657)**	**(27,001)**
Net book value			
At 30 June 2016	**23,823**	**12,390**	**36,213**
At 31 December 2016	**28,369**	**14,600**	**42,969**

10 Intangible assets

Consolidated	Computer software $'000	Customer contracts $'000	Trade names $'000	Goodwill $'000	Total $'000
Cost or fair value					
At 1 July 2015	3,563	-	-	98,317	101,880
Additions	2,069	56	24	-	2,149
Acquisition of businesses	1,724	25,487	44,557	177,547	249,315
Disposals	(50)	-	-	-	(50)
At 30 June 2016	**7,306**	**25,543**	**44,581**	**275,864**	**353,294**
Additions	554	1	-	-	555
Acquisition of businesses	-	-	4,220	29,441	33,661
Disposals	-	-	-	-	-
At 31 December 2016	**7,860**	**25,544**	**48,801**	**305,305**	**387,510**
Amortisation and impairment					
At 1 July 2015	(2,026)	-	-	-	(2,026)
Amortisation charge for the year	(957)	(1,519)	-	-	(2,476)
Impairment	-	-	-	-	-
Disposals	48	-	-	-	48
At 30 June 2016	**(2,935)**	**(1,519)**	**-**	**-**	**(4,454)**
Amortisation charge for the half year	(949)	(860)	-	-	(1,809)
Impairment	-	-	-	-	-
Disposals	-	-	-	-	
At 31 December 2016	**(3,884)**	**(2,379)**	-	-	**(6,263)**
Net book value					
At 30 June 2016	**4,371**	**24,024**	**44,581**	**275,864**	**348,840**
At 31 December 2016	**3,976**	**23,165**	**48,801**	**305,305**	**381,247**

11 Other non-current assets

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Make good asset	1,152	941
Employee loans	3,184	3,525
	4,336	**4,466**

Employee loans relate to loans made to key management personnel and other personnel to assist in the purchase of shares and are secured by the underlying shares acquired. The loans are interest bearing and are repayable on the earlier of sale of the underlying shares, termination of employment or 5 years from the date of the loan.

12 Trade and other payables

Trade payables	111,187	95,871
Accrued expenses	28,411	25,636
	139,598	**121,507**

13 Provisions

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Current provisions		
Employee benefits	23,234	20,124
Onerous lease provision	955	913
Deferred settlements	13,758	5,570
Other	24	-
	37,971	**26,607**
Non-current provisions		
Employee benefits	2,536	1,821
Onerous lease provision	861	1,363
Deferred settlements	23,827	7,178
Make good provision	4,006	2,512
	31,230	**12,874**

14 Borrowings

Secured		
Bank loans - Westpac	7,400	74,400
Bank loans - ANZ	7,400	74,400
Total secured borrowings	**14,800**	**148,800**
Less: unamortised borrowing costs capitalised	(578)	(616)
	14,222	**148,184**

Bapcor has a joint facility provided by a syndicate comprising Westpac Banking Corporation and ANZ of $250,000,000 which is repayable on 31 July 2018. The structure is a secured senior debt facility. Key features of this facility include:

- Tranche A: $171,000,000 for funding the Metcash Automotive acquisition and general corporate purposes (including funding of acquisitions) and capital expenditure,
- Tranche B: $29,000,000 for working capital and general corporate purposes,
- Tranche C: $50,000,000 for general corporate purposes, capital expenditure and acquisitions

As part of the Hellaby transaction, Bapcor has an additional acquisition facility held with ANZ of $200,000,000 which is repayable in October 2017.

15 Contributed equity

(a) Share capital

	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 $'000	30 Jun 2016 $'000
Fully paid				
Ordinary Shares	277,816,771	245,857,351	598,210	416,427
Treasury Shares	(200,000)	-	(1,896)	-
	277,616,771	**245,857,351**	**596,314**	**416,427**

(b) Movements in ordinary share capital

Date	Details	Number of shares	$'000
30 June 2016	**Opening Balance**	**245,857,351**	**416,427**
3 August 2016	Issue of acquisition of Baxters Pty Ltd	500,000	2,780
9 September 2016	Exempt Employee Share Scheme offer	138,519	734
30 September 2016	Issue of Hellaby Insto placement (net of costs)	28,205,129	161,051
4 December 2016	Issue of Hellaby Retail placement (net of costs)	3,115,772	16,288
31 December 2016	Other Hellaby transaction costs		(367)
31 December 2016	Hellaby Transaction deferred tax adjustment		1,297
31 December 2016	**Closing Balance (including Treasury Shares)**	**277,816,771**	**598,210**
16 December 2016	Less Treasury Shares held	(200,000)	(1,896)
31 December 2016	**Closing Balance (excluding Treasury Shares)**	**277,616,771**	**596,314**

(c) Movements in treasury shares

30 June 2016	**Opening Balance**	**-**	**-**
16 December 2016	Treasury shares purchased	(351,344)	(1,896)
16 December 2016	Allocation as part of the FY14 LTI	151,344	-
31 December 2016	**Closing Balance**	**(200,000)**	**(1,896)**

The average purchase price of treasury shares during the period was $5.40 per share.

16 Other reserves and retained earnings/(accumulated losses)

(a) Other reserves

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Share based payment reserve	3,129	2,101
Cash flow hedge reserve	134	(1,256)
	3,263	845

(i) Movements

Cash flow hedge reserve		
Opening balance	(1,256)	-
Revaluation	1,986	(1,794)
Tax associated with cash flow hedges	(596)	538
Cancellation of hedge released to profit and loss	-	-
Closing balance	**134**	**(1,256)**
Share based payments reserve		
Opening balance	2,101	441
Option expense	923	1,081
Tax associated with share schemes	105	579
Closing balance	**3,129**	**2,101**

(ii) Nature and purpose of reserves

Cash flow hedges reserve: is used to record gains/losses on the revaluation of the hedging instrument that are recognised directly in equity as described in note 1(s)(i).

Share-based payments reserve: is used to hold the amortised fair value of unexercised performance rights as described in note 1(r)(iii).

(b) Retained earnings/(accumulated losses)

Opening balance	(51,052)	(70,906)
Net profit/(loss) for the period	25,253	43,582
Dividends paid	(14,781)	(23,728)
Closing balance	**(40,580)**	**(51,052)**

17 Dividends

	Payment date	Amount per share	Franked amount per share	Total dividend $'000
Year 2016				
2015 Final dividend	30 September 2015	$0.047	$0.047	11,497
2016 Interim dividend	8 April 2016	$0.050	$0.050	12,231
Year 2017				
2016 Final dividend	30 September 2016	$0.060	$0.060	14,781
Dividends paid or declared by the Company after the current reporting period:				
2017 Interim dividend (declared but not paid)	21 April 2017	$0.055	$0.055	15,269

(a) Franked dividends

The franked portions of the dividends recommended on or after 31 December 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 30 June 2017.

	Consolidated 31 Dec 2016 $'000	30 June 2016 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (December 2016: 30%)	34,149	28,480

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax,
(b) franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of the reporting period.

18 Earnings per share (EPS)

All shares are fully paid and have been included in both the Basic EPS and the Diluted EPS. Refer to the Director's Report for information on pro-forma EPS outcomes.

	31 Dec 2016 cents per share	31 Dec 2015 cents per share
Basic EPS	9.66	7.97
Diluted EPS	9.61	7.95

(a) Weighted average number of shares used as the denominator

	31 Dec 2016 Number	31 Dec 2015 number
Weighted average number of shares used as the denominator in calculating basic EPS	261,401,501	242,454,964
Weighted average number of options	1,263,052	649,616
Weighted average number of shares used as the denominator in calculating diluted EPS	262,664,553	243,104,580

(b) Reconciliation of earnings used in calculating EPS

	31 Dec 2016 $'000	31 Dec 2015 $'000
Earnings used in calculating basic EPS	25,253	19,317
Earnings used in calculating diluted EPS	25,253	19,317

19 Net tangible asset backing

	31 Dec 2016 cents per share	30 June 2016 cents per share
Net tangible asset backing per share	0.640	0.071
Net assets per share	2.014	1.490

A large proportion of the Group's assets are intangible in nature, consisting of goodwill relating to businesses acquired, and software. These assets are excluded from the calculation of net tangible assets per security, which results in the negative outcome.

Net assets per share at 31 December 2016 was $2.012 (30 June 2016: $1.490) cents per share.

20 Contingencies

(a) Guarantees

As part of the syndicated debt facility Bapcor has guarantees to the value of $2,867,000 at 31 December 2016 (30 June 2016: $3,455,000).

(b) Contingent liabilities

Bapcor had no significant contingent liabilities at 31 December 2016 (30 June 2016: nil).

21 Commitments

(a) Capital commitments

There are no capital commitments outstanding as at the 31 December 2016 (30 June 2016: nil).

22 Related party transactions

(a) Key management personnel

During the half year ending 31 December 2016, a total of 283,663 options were granted to 6 key management personnel.

23 Business combinations

(a) Summary of acquisitions

During H1 FY2017 the Group acquired the net assets of the following businesses:

- Roadsafe Automotive Products (‘Roadsafe’)
- Autopro Raymond Terrace
- Autopro Gladstone
- Autopro Colac
- Autopro Gawler
- Autobarn Burleigh Heads
- Autobarn Beenleigh

During H1 FY2017 the Group also acquired the following companies:

- Baxters Pty Ltd (‘Baxters’)
- MTQ Engine Systems (Aust) Pty Ltd (’MTQ’)

Details of the purchase consideration, the net assets acquired and goodwill are as follows (details are provisional at the time of this report for all acquisitions):

			Consolidated 31 Dec 2016		
	Roadsafe $’000	**Baxters $’000**	**MTQ $’000**	**Other $’000**	**Total $’000**
Purchase consideration (refer to note 23(b) below):					
Cash paid	11,267	2,124	11,899	3,198	28,488
Working capital adjustment	-	-	-	(67)	(67)
Deferred and contingent consideration	-	19,731	7,650	-	27,381
Shares issued	-	2,780	-	-	2,780
	11,267	**24,635**	**19,549**	**3,131**	**58,582**

The assets and liabilities recognised as a result of the acquisitions are as follows:

			Fair value		
Cash	3	(316)	1,112	3	802
Trade and other receivables	1,340	4,873	4,512	184	10,909
Inventories	1,432	8,294	8,686	1,062	19,474
Plant and equipment	200	1,177	2,132	46	3,555
Deferred tax asset	410	1,428	1,610	222	3,670
Intangible assets	1,886	1,772	562	-	4,220
Trade and other payables	(592)	(4,024)	(3,741)	(384)	(8,741)
Provisions	(446)	(1,144)	(2,637)	(521)	(4,748)
Net identifiable assets acquired	**4,233**	**12,060**	**12,236**	**612**	**29,141**
Add: goodwill	7,034	12,575	7,313	2,519	29,441
Net assets acquired	**11,267**	**24,635**	**19,549**	**3,131**	**58,582**

Goodwill in relation to these acquisitions is related to the anticipated future profitability of their contribution to Bapcor’s total business. Each of the business acquisitions took place on different dates and are integrated into the overall group and as such it is impractical to disclose the amount of revenue and profit since acquisition date.

In the previous financial year the Group made the following acquisitions:

- Aftermarket Network Australia Pty Ltd ('ANA') (formerly Metcash Automotive Holdings Pty Ltd)
- Bearing Wholesalers
- DB's Auto One
- Precision Equipment
- Illawarra Auto Spares
- Revvin's Auto Parts
- QAH North Geelong
- Sprint Auto Parts
- Manning River Autoparts

No material change to the business combination of these occurred during the half year period ending 31 December 2016.

(b) Purchase consideration – cash outflow

	Roadsafe $'000	Baxters $'000	MTQ $'000	Other $'000	Total $'000
Outflow of cash to acquire businesses, net of cash acquired:					
Cash consideration	11,267	2,124	11,899	3,131	28,421
Less: balances acquired	(3)	316	(1,112)	(3)	(802)
	11,264	**2,440**	**10,787**	**3,128**	**27,619**

(c) Deferred and contingent consideration

A contingent consideration has been estimated and provided for on the Baxters acquisition and is currently accrued at $19,952,000. This payment is due to the vendor if certain future targets are met. Deferred considerations were provided for on the acquisition of MTQ and is currently accrued at $7,650,000.

(d) Acquisition-related costs

Acquisition-related costs of $368,000 (2015: $96,000) are included in other transaction costs in profit and loss and in operating cash flows in the consolidated statement of cash flows.

24 Events occurring after the reporting period

On 27 September 2016, Bapcor announced a cash takeover offer for 100% of the shares in Hellaby Holdings Limited (NZX: HBY), and launched an equity raising to partially fund the Hellaby acquisition. .

Hellaby is a publicly listed entity on the New Zealand stock exchange, and trades as an investment holding company with operations in automotive distribution and wholesaling in Australia and New Zealand. In addition, Hellaby owns businesses in contract resource services and footwear retailing.

The initial cash offer made by Bapcor to Hellaby shareholders was NZD $3.30 per Hellaby share; Bapcor increased this offer price to NZD $3.60 per Hellaby share on 5 December 2016. Subsequent to the reporting period on 10 January 2017, Bapcor, having received offer acceptances from Hellaby shareholders representing more than 50% of Hellaby's share capital, waived the 90% minimum acceptance offer condition. On 13 January 2017, Bapcor declared the offer unconditional and extended the offer period to the 7 February 2017.

As at 16 February 2017, Bapcor owned over 90% of the shares in Hellaby and is currently undertaking a process to compulsorily acquire all remaining shares on issue in Hellaby. Upon completion of this process, Bapcor will own 100% of Hellaby's share capital, and Hellaby will be delisted from the NZ stock exchange in March 2017.

The Hellaby acquisition will be fully funded by a combination of current cash and debt facilities, a new acquisition facility with the Australia and New Zealand Banking Group, and $181.3M raised in H1 FY2017 via a placement of shares to institutional investors, and a share purchase plan offer to existing Bapcor shareholders.

No other matters or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:
- Bapcor's operations in future financial years, or
- the results of those operations in future financial years, or
- Bapcor's state of affairs in future financial years.

Directors' declaration

In the Directors' opinion:

a) the financial statements, comprising; the consolidated statement of comprehensive income; consolidated statement of financial position; consolidated statement of changes in equity; consolidated statement of cash flows; and accompanying notes, are in accordance with the *Corporations Act 2001*, including:

   i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that Bapcor Limited will be able to pay its debts as and when they become due and payable; and

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

On behalf of the Board of Bapcor Limited,

Robert McEniry
Chairman

Melbourne
16 February 2017

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), which comprises the consolidated statement of financial position as at 31 December 2016, 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 explanatory notes and the directors' declaration for Bapcor Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

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 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 consolidated entity's financial position as at 31 December 2016 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*.

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

Report on the Half-Year Financial Report (continued)

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 consolidated entity's financial position as at 31 December 2016 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*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2016 included on Bapcor Limited's web site. The company's directors are responsible for the integrity of the Bapcor Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

Daniel Rosenberg
Partner

Melbourne
16 February 2017

Corporate information

Directors
Robert McEniry (Chairman)
Darryl Abotomey (Chief Executive Officer & Managing Director)
Andrew Harrison (Independent, Non-Executive Director)
Therese Ryan (Independent, Non-Executive Director)
Margaret Haseltine (Independent, Non-Executive Director)

Company Secretary
Gregory Fox

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Auditor
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Stock exchange listing
Bapcor Limited shares are listed on the Australian Securities Exchange (ASX: BAP)

Website
www.bapcor.com.au