Bapcor Limited

ABN 80 153 199 912

Appendix 4D and Financial Report
for the half-year ended 31 December 2018

Lodged with the ASX under Listing Rule 4.2A

1. Company details

Name of entity:	Bapcor Limited
ABN:	80 153 199 912
Reporting period:	For the half-year ended 31 December 2018 ('H1 FY19')
Previous period:	For the half-year ended 31 December 2017 ('H1 FY18')

2. Results for announcement to the market

			$'000s	%		$'000s
Revenue from continuing operations	Statutory	Up	19,996	3.2	to	636,128
Earnings before interest, taxes, depreciation and amortisation from continuing operations	Statutory	Up	9,234	13.2	to	79,429
	Pro-forma*	Up	5,782	8.2	to	75,977
Net profit after tax from continuing operations **	Statutory	Up	5,089	12.6	to	45,494
	Pro-forma*	Up	2,673	6.6	to	43,078
Net profit after tax **	Statutory	Up	1,786	4.1	to	45,494
Earnings per share - basic (cents per share)	Statutory	Up	0.54 cps	3.4	to	16.20 cps
	Pro-forma*	Up	0.86 cps	5.9	to	15.34 cps

* Pro-forma results include adjustments from statutory results for mergers, acquisitions and restructuring activities and any unusual one off transactions to reflect the underlying performance of the business.
TRS which was divested 3 July 2018 was defined as a continuing operation and is therefore included in H1 FY18. In H1 FY18 TRS revenue was $12.9M and net profit after tax was $1.0M (refer note 7 of the financial statements)
** Net profit after tax attributable to the members of Bapcor Limited

Statutory revenue and net profit after tax from continuing operations for H1 FY19 increased by 3.2% and 12.6% respectively compared to H1 FY18.

Pro-forma net profit after tax from continuing operations increased by 6.6%.

TRS was divested on 3 July 2018. Excluding TRS from H1 FY18, the pro-forma results from continuing operations are as follows:

			$'000s	%		$'000s
Revenue from continuing operations	Pro-forma	Up	32,911	5.5	to	636,128
Earnings before interest, taxes, depreciation and amortisation from continuing operations	Pro-forma	Up	7,161	10.4	to	75,977
Net profit after tax from continuing operations	Pro-forma	Up	3,626	9.2	to	43,078

The increase in this pro-forma revenue and net profit after tax after adjusting for the TRS divestment reflects the profit growth of Bapcor's ongoing businesses.

Earnings per share for H1 FY19 was 15.34 cents per share, up 5.9% compared to H1 FY18 (based on pro-forma NPAT from continuing operations).

2. Results for announcement to the market (continued)

Net debt at 31 December 2018 was $350.9M representing a leverage ratio of 2.1X (Net Debt : last twelve months EBITDA). The level of debt represents an increase of $61.4M compared to 30 June 2018 and reflects the investment in the Commercial Truck Parts group on 31 November 2018. In addition, inventory increased since 30 June 2018 due to acquisitions, network growth, investment in new and existing ranges and the impact of cyclical purchases.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half-year ended 31 December 2018 and the accompanying Directors' Report.

3. Dividends

	Amount per security Cents	Franked amount per security Cents
2018 Final dividend	8.5	8.5
2019 Interim dividend (declared after balance date but not yet paid)	7.5	7.5

Record date for determining entitlements to the dividend	28 February 2019
Date dividend payable	12 April 2019

4. Dividend reinvestment plans

Bapcor operates a Dividend Reinvestment Plan ('DRP'), which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the Company. The DRP will be in operation for the 2019 interim dividend.

Shareholders who elect to participate in the DRP for the 2019 interim dividend will be issued shares at a DRP issue price which will be the average of the daily market price of Bapcor's shares over the period of ten trading days between 22 March 2019 and 4 April 2019 ('Pricing Period'), less a 1.5% discount.

The timetable in respect of the 2019 interim dividend and DRP is as follows:

Event / Action	Date*
Record Date	28 February 2019
Election Date: Last date for shareholders to make an election to participate in the DRP	5.00 pm (Melbourne time) on 15 March 2019
Pricing Period Commencement Date	22 March 2019
Last day of Pricing Period	4 April 2019
Announcement of DRP issue price	5 April 2019
Dividend Payment Date / Issue of DRP shares	12 April 2019

**All dates are subject to change*

Details of the DRP can be downloaded from http://www.bapcor.com.au/dividends. In order to participate in the DRP for the 2019 interim dividend, shareholders should ensure that their DRP Election Form is received, or an online election is made, by no later than 5.00 pm (Melbourne time) on 15 March 2019. An online election can be made by visiting www.investorcentre.com.

5. Attachments

The Financial Report of Bapcor Limited for the half-year ended 31 December 2018 is attached.

General information

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

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

61 Gower Street, Preston VIC 3072 AUSTRALIA

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 February 2019. The directors have the power to amend and reissue the financial statements.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Bapcor Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018 ('H1 FY19').

Directors

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

Andrew Harrison	Independent Non-Executive Chairman
Darryl Abotomey	Chief Executive Officer and Managing Director
Therese Ryan	Independent, Non-Executive Director
Margaret Haseltine	Independent, Non-Executive Director
Jennifer Macdonald	Independent, Non-Executive Director (appointed 1 September 2018)

Principal activities

The principal activities of Bapcor were the sale and distribution of motor vehicle aftermarket parts and accessories, automotive equipment and services, and motor vehicle servicing.

Bapcor is one of the largest automotive aftermarket parts, accessories, equipment and services supplier in Australasia with a store network covering over 800 sites.

Review of operations

Bapcor achieved a record first half revenue, net profit after tax ('NPAT') and earnings per share ('EPS') result in H1 FY19.

*Pro-forma from continuing operations – **excluding TRS** in H1 FY18:*
- Revenue from continuing operations increased by 5.5% from $603.2M to $636.1M
- Pro-forma earnings before interest, taxes, depreciation and amortisation ('EBITDA') from continuing operations increased by 10.4% to $76.0M
- Pro-forma NPAT from continuing operations increased by 9.2% to $43.1M
- Pro-forma EPS based on NPAT from continuing operations increased by 8.5% to 15.34 cents per share

Pro-forma from continuing operations:
- Revenue from continuing operations increased by 3.2% from $616.1M to $636.1M
- Pro-forma EBITDA from continuing operations increased by 8.2% to $76.0M
- Pro-forma NPAT from continuing operations increased by 6.6% to $43.1M
- Pro-forma EPS based on NPAT from continuing operations increased by 5.9% to 15.34 cents per share

Statutory:
- Statutory NPAT increased by 4.1% to $45.5M
- Statutory EPS increased by 3.4% to 16.20 cents per share
- Net debt at 31 December 2018 was $350.9M representing a leverage ratio of 2.1X (Net Debt : last twelve months EBITDA).

The table below reconciles the pro-forma result to the statutory result for H1 FY19 and H1 FY18.

		Consolidated			
$'M	**Note**	**H1 FY19**	**H1 FY18 Continuing Operations**	**H1 FY18 Discontinued Operations**	**H1 FY18 Total**
Statutory NPAT	1	**45.5**	**40.4**	**3.3**	**43.7**
Other gains adjustment	2	(4.1)	-	-	-
Depreciation and amortisation adjustment	3	-	-	(3.8)	(3.8)
Net reserve release to profit and loss	4	-	-	(1.5)	(1.5)
Other activities	5	0.6	-	-	-
Tax adjustment	6	1.1	-	2.6	2.6
Pro-forma NPAT		**43.1**	**40.4**	**0.6**	**41.0**
TRS	7	-	1.0	-	1.0
Pro-forma NPAT exc. TRS		**43.1**	**39.4**	**0.6**	**40.0**

Notes:

Pro-forma adjustments relate to mergers and acquisition and restructuring activities as well as unusual once off transactions as per the below.

1. NPAT attributable to members of Bapcor Limited.
2. The current period other gains adjustment relates to a one off gain realised on the Baxters acquisition final deferred settlement payment.
3. The prior period depreciation and amortisation adjustment relates to the depreciation and amortisation that would have occurred in the Resource Services and Footwear divisions that was not recorded due to their held for sale status.
4. The prior period net reserve release relates to the release of net investment hedge and foreign currency reserves to the profit and loss on divestment of Contract Resources and Footwear.
5. The current year other activities relates to one off consulting costs incurred relating to acquisitions that did not proceed.
6. The tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.
7. TRS was divested 3 July 2018. In H1 FY18 TRS had revenue of $12.9M, EBITDA $1.3M and NPAT $1.0M. Refer to note 7 of the financial statements.

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

Pro-forma revenue and EBITDA by segment is as follows:

	Revenue			EBITDA		
Pro-forma	**H1 FY19 $'M**	**H1 FY18 $'M**	**Change %**	**H1 FY19 $'M**	**H1 FY18[2] $'M**	**Change %**
Trade	257.4	245.5	4.8%	36.9	34.1	8.2%
Bapcor NZ (exc. TRS)	79.8	75.3	6.0%	11.1	9.2	21.8%
Bapcor NZ – TRS	-	12.9	(100.0%)	-	1.3	(100.0%)
Specialist Wholesale	196.3	182.1	7.8%	20.5	18.4	11.4%
Retail & Service	135.0	124.1	8.8%	14.2	14.2	0.0%
Unallocated / Head Office[1]	(32.4)	(23.8)	(36.3%)	(6.7)	(7.0)	3.9%
Total continuing operations	**636.1**	616.1	**3.2%**	**76.0**	70.2	8.2%

Notes:

1. Revenue relates to intersegment sales eliminations. EBITDA also includes intersegment EBITDA and acquisition costs.
2. Reclassifications in H1 FY18 between segments have occurred to ensure comparability with the presentation of H1 FY19, as previously disclosed to the ASX on 20 July 2018.

Operating and financial review – Trade

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

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

The Trade segment had a successful H1 FY19, and compared to H1 FY18, recorded revenue growth of 4.8% and EBITDA growth of 8.2%.

The increase in revenue of 4.8% included same store sales growth of 2.1% (compared to 3.4% in H1 FY18). Trade's EBITDA to revenue percentage was 0.4 percentage points above H1 FY18 reflecting the impact of margin management initiatives.

During H1 FY19, Burson Auto Parts continued to expand its store network with the number of stores increasing from 170 at 30 June 2018 to 178 at 31 December 2018. The increase of 8 stores consisted of 4 greenfield store developments and 4 acquisitions. The average cost per new store including inventory was $688,000.

The new stores are located in Mitchell in the Australian Capital Territory; Batemans Bay, Five Dock, Katoomba, Lithgow and Nowra in New South Wales; Devonport in Tasmania and Ravenhall in Victoria.

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

Operating and financial review – Bapcor NZ (excluding TRS)

Bapcor NZ consists of Trade and Specialist Wholesale businesses based in New Zealand operating across 79 locations.

BNT is the predominant business with 58 stores supplying automotive parts and accessories to workshops, plus truck and trailer parts through the Truck and Trailer Parts brand. BNT is similar in nature to Bapcor's Burson Auto Parts business in Australia.

Bapcor NZ also includes the specialist wholesale businesses of HCB – batteries, Autolign – steering and suspension specialists and JAS – auto electrical. The H1 FY18 result also included TRS, a tyre and wheel business predominantly supplying the agricultural market which was divested on 3 July 2018.

Bapcor NZ performed strongly achieving revenue growth of 6.0% and EBITDA growth of 21.8% compared to H1 FY18. EBITDA to revenue percentage was 1.8 percentage points above H1 FY18.

As Bapcor NZ's largest business, BNT achieved same store sales growth of 4.2% reflecting market share growth due to the success of organisation changes, range expansion and people engagement initiatives. During H1 FY19, BNT continued to expand its store network with the number of stores increasing from 56 at 30 June 2018 to 58 at 31 December 2018. The increase of 2 stores related to greenfield store developments. The average cost per new store including inventory was $312,000.

During the half-year, inventory holdings increased by $4.2M (excluding new stores and adjusted for foreign currency) due to the build-up pre the introduction of new product ranges and expansion of existing ranges.

Operating and financial review – Specialist Wholesale

The Specialist Wholesale segment consists of operations that specialise in automotive aftermarket wholesale and include AAD, Bearing Wholesalers, Opposite Lock, Baxters, MTQ, Roadsafe, JAS Oceania, Premier Auto Trade, Federal Batteries, Diesel Distributors, AADi as well as the Commercial Truck Parts group that commenced with the acquisitions of Don Kyatt Spare Parts (Qld), He Knows Truck Parts, I Know Parts and Wrecking, Commercial Parts and Commercial Spares at the end of November 2018.

The Specialist Wholesale segment achieved revenue growth of 7.8% and EBITDA growth of 11.4% compared to H1 FY18. EBITDA to revenue percentage was 0.4 percentage points above H1 FY18. Continued progress was made during the financial half-year to increase the volume and product groups that the Specialist Wholesale segment sells into other Bapcor group businesses and this will continue with growing the level of intercompany sales being a key business strategy.

During the half-year, inventory holdings increased by $17.1M (excluding acquisitions) due to the build-up pre the introduction of new product ranges in air conditioning, batteries and other new products and cyclical purchasing.

Operating and financial review – Retail & Service

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

Revenue for the Retail & Service segment in H1 FY19 increased by 8.8% compared to H1 FY18 which includes the impact of a higher ratio of company owned stores versus franchise operations. Autobarn same store sales growth for franchise stores was approximately 0.2% and for company owned stores approximately 4%. As a result of the higher mix of company owned stores generating a higher level of sales relative to profit, EBITDA to revenue percentage 0.9 percentage points below H1 FY18. EBITDA in H1 FY19 was flat compared to H1 FY18, impacted by competitive pressure, economic conditions, new stores and lower wholesale sales.

Bapcor has continued to grow the number of company owned Autobarn stores via both greenfield Autobarn stores as well as some select conversion of franchise stores to company owned stores. The total number of Autobarn stores at 31 December 2018 was 131 stores, a net increase of 3 stores since 30 June 2018. The number of company owned stores increased from 48 to 61, with the 13 new stores consisting of 6 greenfield stores, the conversion of 8 franchise operations and the closure of 1 store. The percentage of company owned Autobarn stores at 31 December 2018 was 47%, up from 38% at 30 June 2018.

At 31 December 2018 the total number of company owned and franchise stores in the Retail segment was 370 consisting of Autobarn 131 stores, Autopro 78 stores, Sprint Auto Parts 37 stores and Midas and ABS 124 stores.

During the half-year, inventory holdings increased by $1.8M (excluding new stores) due to seasonal fluctuations.

Unallocated / Head Office

The Unallocated / Head Office segment consists of all elimination and head office costs or adjustments that are not in the control of the other segments, as well as the Thailand operations. It also includes the elimination of intercompany sales. Unallocated costs decreased from $7.0M in H1 FY18 to $6.7M in H1 FY19.

Intercompany sales increased by 37% during the period, reflecting a higher proportion of sourcing product internally and increasing the volume of “own brand” product.

During the half-year, inventory holdings for the Thailand based operations increased by $0.8M.

Financial Position - Capital Raising and Debt

In September 2018, Bapcor issued 830,414 shares to participating shareholders under its Dividend Reinvestment Plan, in respect of the FY18 final dividend. In December 2018, Bapcor issued 1,396,952 shares as part consideration for the Commercial Truck Parts acquisition. As a result of these issues, ordinary shares on issue increased from 280,244,752 as at 30 June 2018 to 282,472,118 as at 31 December 2018.

Net debt at 31 December 2018 was $350.9M representing a leverage ratio of 2.1X (Net Debt : last twelve months EBITDA).

Likely development and expected results of operations

Bapcor is forecasting FY19 pro-forma NPAT of circa 9% above FY18, which will deliver a record full year result in revenue, earnings and earnings per share. Whilst being at the lower end of previous guidance, this reflects the market conditions that Bapcor is experiencing resulting from a general decline in consumer confidence, falling housing prices, share market performance and political uncertainty as well as increased competition.

Matters subsequent to the end of the financial half-year

In January 2019, Bapcor completed the acquisition of the business of Toperformance Products for a consideration of $2.5M. Toperformance Products is the exclusive distributor of Koni shock absorbers for truck, bus, vehicle, 4WD and motorsport applications in Australia.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

Rounding of amounts

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

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

On behalf of the directors

Andrew Harrison	Darryl Abotomey
Chairman	Chief Executive Officer and Managing Director

12 February 2019
Melbourne

Auditor's Independence Declaration

As lead auditor for the review of Bapcor Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
12 February 2019

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Bapcor Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue from continuing operations	5	636,128	616,132
Other gains	12	4,053	-
Expenses			
Cost of sales		(336,588)	(335,143)
Employee benefits expense		(137,698)	(129,596)
Freight		(9,671)	(10,485)
Advertising		(16,969)	(13,629)
Administration		(21,516)	(23,366)
Motor vehicles		(6,033)	(5,022)
IT & communications		(6,971)	(6,318)
Occupancy		(24,467)	(22,151)
Acquisition costs	6	(839)	(227)
Depreciation and amortisation expense	6	(8,406)	(7,441)
Finance costs	6	(7,111)	(6,133)
Profit before income tax expense from continuing operations		63,912	56,621
Income tax expense		(18,631)	(16,216)
Profit after income tax expense from continuing operations		45,281	40,405
Profit after income tax expense from discontinued operations	7	-	3,089
Profit after income tax expense for the half-year		45,281	43,494
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		7,707	(13,590)
Changes in the fair value of cash flow hedges		83	3,398
Other comprehensive income for the half-year, net of tax		7,790	(10,192)
Total comprehensive income for the half-year		53,071	33,302
Profit for the half-year is attributable to:			
Non-controlling interest		(213)	(214)
Owners of Bapcor Limited		45,494	43,708
		45,281	43,494
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest:			
Continuing operations		(74)	-
Discontinued operations		-	(214)
Total non-controlling interest		(74)	(214)
Owners of Bapcor Limited			
Continuing operations		53,145	30,213
Discontinued operations		-	3,303
Total owners of Bapcor Limited		53,145	33,516
		53,071	33,302

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

Bapcor Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Bapcor Limited			
Basic earnings per share		16.20	14.48
Diluted earnings per share		16.14	14.42
Earnings per share for profit from discontinued operations attributable to the owners of Bapcor Limited			
Basic earnings per share		-	1.18
Diluted earnings per share		-	1.18
Earnings per share for profit attributable to the owners of Bapcor Limited			
Basic earnings per share		16.20	15.66
Diluted earnings per share		16.14	15.60

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

Bapcor Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		53,502	40,154
Trade and other receivables	8	150,314	146,700
Inventories	9	328,447	287,337
Derivative financial instruments		1,299	1,720
Total current assets		533,562	475,911
Non-current assets			
Trade and other receivables		354	78
Property, plant and equipment	10	56,063	52,590
Intangibles	11	726,748	677,736
Deferred tax asset		18,084	17,755
Other		2,660	3,447
Total non-current assets		803,909	751,606
Total assets		1,337,471	1,227,517
Liabilities			
Current liabilities			
Trade and other payables		187,442	187,753
Derivative financial instruments		-	124
Income tax		205	2,442
Provisions	12	45,969	52,342
Total current liabilities		233,616	242,661
Non-current liabilities			
Borrowings	13	402,309	326,488
Derivative financial instruments		223	330
Provisions	14	16,204	15,692
Total non-current liabilities		418,736	342,510
Total liabilities		652,352	585,171
Net assets		685,119	642,346
Equity			
Issued capital	15	617,979	606,456
Reserves		6,006	(3,645)
Retained profits		58,811	37,138
Equity attributable to the owners of Bapcor Limited		682,796	639,949
Non-controlling interest		2,323	2,397
Total equity		685,119	642,346

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

Bapcor Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017	602,571	(1,896)	(202)	(17,067)	6,561	589,967
Profit/(loss) after income tax expense for the half-year	-	-	-	43,708	(214)	43,494
Other comprehensive income for the half-year, net of tax	-	-	(10,192)	-	-	(10,192)
Total comprehensive income for the half-year	-	-	(10,192)	43,708	(214)	33,302
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	4,606	-	-	-	-	4,606
Share-based payments	-	-	357	-	-	357
Treasury shares	-	(2,597)	-	-	-	(2,597)
Finalisation of prior year business combinations	-	-	-	-	(4,820)	(4,820)
Divestment of non-controlling interest (note 7)	-	-	-	-	(1,527)	(1,527)
Dividends paid (note 16)	-	-	-	(20,882)	-	(20,882)
Balance at 31 December 2017	607,177	(4,493)	(10,037)	5,759	-	598,406

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

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

Bapcor Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		707,210	675,388
Payments to suppliers and employees (inclusive of GST)		(662,030)	(606,475)
		45,180	68,913
Payments for new store initial inventory purchases		(7,557)	(2,687)
Payments associated with discontinued operations		-	(531)
Borrowing costs		(5,792)	(6,267)
Transaction costs relating to acquisition of business		(839)	(227)
Income taxes paid		(18,086)	(18,549)
Net cash from operating activities		12,906	40,652
Cash flows from investing activities			
Payments for purchase of business, net of cash and cash equivalents	20	(38,237)	(6,902)
Payments for deferred settlements		(17,576)	(6,354)
Payments for property, plant and equipment	10	(10,151)	(7,826)
Payments for intangibles	11	(4,792)	(496)
Proceeds from disposal of property, plant and equipment		549	353
Proceeds from disposal of business, net of expenses		15,907	54,340
Net cash from/(used in) investing activities		(54,300)	33,115
Cash flows from financing activities			
Share issue transaction costs		-	(414)
Purchase of treasury shares	15	(3,666)	(2,597)
Net proceeds from borrowings		75,100	(34,004)
Dividends paid	16	(17,781)	(15,986)
Borrowing transaction costs		-	(24)
Net cash from/(used in) financing activities		53,653	(53,025)
Net increase in cash and cash equivalents		12,259	20,742
Cash and cash equivalents at the beginning of the financial half-year		40,151	39,755
Effects of exchange rate changes on cash and cash equivalents		1,092	(358)
Cash and cash equivalents at the end of the financial half-year		53,502	60,139

Note: the consolidated statement of cash flows represents the statement of cash flows of the continuing operations only. Discontinued operation's cash flows have been excluded as cash flow disclosures are not required for disposal groups that are classified as held for sale on acquisition in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

Note 1. Significant accounting policies

This consolidated financial report for the interim half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new amended standards as set out below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted the following new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period commencing 1 July 2018, as per below.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity. Refer to note 3 for further details.

AASB 9 *Financial Instruments*
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard 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.

AASB 15 *Revenue from Contracts with Customers*
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard introduces a five step model to determine the quantum and timing of revenue:

1) Identify whether a contract exists
2) Identify the explicit and implicit promises in the contract to deliver goods and/or services to a customer (performance obligations)
3) Determine the transaction price payable by the customer
4) Determine how to allocate the transaction price to the goods and/or services
5) Determine when to recognise revenue based on when ‘control’ over the goods and/or service transfers to a customer.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half-year reporting period ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 16 *Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 *Leases* and 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, as 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 consolidated entity will adopt this standard from 1 July 2019 and has implemented an external lease solution to consolidate the required leasing information in order to perform quantification of this change which is still underway. Given the number of operating leases in relation to warehouse and stores that the consolidated entity has in place, it is expected that this change will have a material impact on the balance sheet in particular via the recognition of the respective right-of-use asset and corresponding liability as well as the income statement. The consolidated entity will continue to work through the assessment of the quantification of this change and the impact of its adoption.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as disclosed in the 30 June 2018 financial statements.

Note 3. Adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*

Adoption of AASB 9 *Financial Instruments*
The consolidated entity has adopted AASB 9 from 1 July 2018, using the full retrospective method of adoption. No changes from the classification and measurement for financial assets were identified and the impact for changes to incorporate an expected credit losses method was not significant hence no comparatives have been restated.

The foreign currency forwards and interest rate swaps in place as at 30 June 2018 qualified as cash flow hedges under AASB 9. The consolidated entity's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

The changes to accounting policy in relation to the adoption of this standard as applied from 1 July 2018 are set out below.

<u>Trade and other receivables</u>

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for specific debtors and general expected credit losses. Trade receivables are generally due for settlement within 30 to 60 days.

Other receivables are recognised at amortised cost, less any allowance for specific debtors and general expected credit losses.

Impairment
The impairment methodology applied depends on whether there has been a significant increase in credit risk, whereby specific provision will be applied to trade and other receivables not expected to be collected and expected credit losses associated with the trade and other receivables.

Note 3. Adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* (continued)

In assessing the expected credit losses, the consolidated entity first considers any specific debtors that have objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables, taking into consideration the indicators of significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments. The consolidated entity then applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance, on the balance of receivables. To measure the expected credit losses, trade receivables have been grouped based on aging.

Adoption of AASB 15 *Revenue from Contracts with Customers*
The consolidated entity has adopted AASB 15 from 1 July 2018, using the retrospective method of adoption. On adoption of the standard, the consolidated entity reviewed the potential performance obligations under its revenue contract. As the majority of the consolidated entity's revenue is derived from over the counter sale of goods the adoption of this standard did not have a financial impact hence no comparatives have been restated.

The changes to accounting policy in relation to the adoption of this standard as applied from 1 July 2018 are set out below.

Revenue

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services - franchise and service fees
Revenue from the provision of franchise and service fees are recognised over time as the services are rendered.

Note 4. Operating segments

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

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

Note 4. Operating segments (continued)

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

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

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

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

Operating segment information

Consolidated - 31 Dec 2018	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail & Service $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	257,430	79,769	196,308	134,994	147	668,648
Total segment revenue	257,430	79,769	196,308	134,994	147	668,648
Intersegment sales						(32,520)
Total revenue						636,128
EBITDA	36,894	11,098	20,533	14,186	(1,107)	81,604
Intersegment EBITDA						(1,336)
Depreciation and amortisation						(8,406)
Finance costs						(7,111)
Acquisition costs						(839)
Profit before income tax expense						63,912
Income tax expense						(18,631)
Profit after income tax expense						45,281
Assets						
Segment assets	291,760	224,177	468,873	302,091	50,570	1,337,471
Total assets						1,337,471
Liabilities						
Segment liabilities	89,655	32,809	92,638	49,205	388,045	652,352
Total liabilities						652,352

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2017	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail & Service $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	245,553	88,166	182,058	124,114	-	639,891
Total segment revenue	245,553	88,166	182,058	124,114	-	639,891
Intersegment sales						(23,759)
Discontinued operations (note 7)						129,417
Total revenue						745,549
EBITDA	34,087	10,489	18,432	14,191	(5,799)	71,400
Intersegment EBITDA						(978)
Depreciation and amortisation						(7,441)
Finance costs						(6,133)
Acquisition costs						(227)
Discontinued operations (note 7)						6,273
Profit before income tax expense						62,894
Income tax expense						(19,400)
Profit after income tax expense						43,494
Consolidated - 30 Jun 2018						
Assets						
Segment assets	291,888	230,040	373,980	283,528	48,081	1,227,517
Total assets						1,227,517
Liabilities						
Segment liabilities	100,024	30,551	82,502	42,084	330,010	585,171
Total liabilities						585,171

	Geographical non-current assets	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Australia	622,341	561,417
New Zealand	162,655	171,946
Other	829	488
	785,825	733,851

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets and balances such as intercompany and investments that are eliminated on consolidation. It only pertains to the continuing operations of the consolidated entity.

Note 5. Revenue

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
From continuing operations		
Sales revenue	636,128	616,132

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

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Geographical regions		
Australia	588,732	551,725
New Zealand	79,769	88,166
Thailand	147	-
Intersegment sales	(32,520)	(23,759)
	636,128	616,132
Timing of revenue recognition		
Goods transferred at a point in time	659,816	630,296
Services transferred over time	8,832	9,595
Intersegment sales	(32,520)	(23,759)
	636,128	616,132

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

Note 6. Expenses

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment	4,668	3,546
Motor vehicles	2,094	2,009
Amortisation	1,453	1,677
Make good provision	191	209
	8,406	7,441
Acquisition and divestment costs		
Professional consultant costs	819	194
Other transaction costs	20	33
	839	227
Finance costs		
Interest and finance charges paid/payable	7,111	6,133
Rental expense relating to operating leases		
Minimum lease payments	20,769	19,878
Superannuation expense		
Defined contribution superannuation expense	8,849	7,934

Income tax expense
Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half-year to 31 December 2018 is 29.2%, compared to 28.5% for FY18.

Note 7. Discontinued and divested operations

Description
The discontinued operations in the prior financial period relate to the business units of Footwear and Resource Services that were acquired as part of the Hellaby Holdings Limited acquisition and deemed held for sale on acquisition and subsequently successfully divested.

The divestment in the current financial period relates to the TRS business unit of the Bapcor NZ segment that occurred 3 July 2018. This was not classified as a discontinued operation in the prior period.

Note 7. Discontinued and divested operations (continued)

Financial performance information of discontinued operations

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Footwear	-	27,245
Resource Services	-	102,172
Total revenue	-	129,417
Footwear	-	(28,135)
Resource Services	-	(96,537)
Foreign currency reserve recycle on divestment	-	(1,355)
Net investment hedge reserve recycle on divestment	-	2,883
Total expenses	-	(123,144)
Profit before income tax expense	-	6,273
Income tax expense	-	(3,184)
Profit after income tax expense from discontinued operations	-	3,089

Financial performance information of divested operations

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
TRS	-	12,915
Total revenue	-	12,915
TRS	-	(11,588)
Total expenses	-	(11,588)
Profit before income tax expense	-	1,327
Income tax expense	-	(374)
Profit after income tax expense from divested operations	-	953

There was no profit or loss contribution to the consolidated entity from the divested TRS business unit in the current financial period as the divestment occurred 3 July 2018.

Note 7. Discontinued and divested operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Assets held for sale	-	67,300
Cash and cash equivalents	1,243	-
Trade and other receivables	2,404	-
Inventories	5,497	
Derivative financial instruments	218	-
Property, plant and equipment	123	-
Intangibles	10,012	-
Deferred tax asset	943	-
Total assets	20,440	67,300
Liabilities held for sale	-	42,702
Trade and other payables	1,497	-
Income tax	709	-
Provisions	451	-
Total liabilities	2,657	42,702
Net assets	17,783	24,598

Details of the disposal

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Net cash sale consideration, net of disposal costs paid	18,238	54,340
Carrying amount of net assets disposed	(17,783)	(24,598)
Net accrued consideration to be received	-	2,253
Accrued disposal and warranty costs	-	(2,016)
Cash proceeds used to settle intercompany debt	-	(31,506)
Derecognition of non-controlling interest	-	1,527
Derecognition of equity reserves	(455)	-
Gain on disposal before income tax	-	-
Gain on disposal after income tax	-	-

Note 7. Discontinued and divested operations (continued)

Cash flow information

Cash flow disclosures are not required for disposal groups that are classified as held for sale on acquisition in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, the below table shows the cash flow information relating to the divested TRS business unit only.

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Net cash from operating activities	-	767
Net cash from investing activities	-	(86)
Net cash from financing activities	-	-
Net increase in cash and cash equivalents from divested operations	-	681

Note 8. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	125,502	134,735
Less: Allowance for credit notes	(1,161)	(1,280)
Less: Allowance for expected credit losses (trade receivables)	(5,507)	(5,971)
	118,834	127,484
Customer loans	1,203	1,352
Less: Allowance for expected credit losses (customer loans)	(500)	(805)
	703	547
Other receivables	17,417	12,586
Prepayments	13,360	6,083
	30,777	18,669
	150,314	146,700

Allowance for expected credit losses (including specific provisions)
The total allowance for expected credit losses including the amount held in non-current receivables is $6,416,000 (30 June: $6,918,000). This includes specifically identified provisions of $5,755,000 (30 June: $6,292,000) and an estimated credit loss provision on the remaining trade receivables and customer loan balances of $661,000 (30 June: $626,000).

Note 9. Current assets - inventories

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Stock in transit - at cost	16,950	15,271
Stock on hand - at cost	357,577	318,905
Less: Provision for slow moving inventory	(46,080)	(46,839)
	311,497	272,066
	328,447	287,337

Total stock on hand and in transit has increased by $40.4M since 30 June 2018, of which new greenfield stores, business acquisitions, divestments and foreign currency translation account for $13.0M. The remaining $27.4M relates to investment in new and existing ranges and the impact of cyclical purchases as discussed in the 'Operating and financial review' section of the Directors' Report.

Movements in provision for slow moving inventory:

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Opening balance	(46,839)	(53,985)
Additional provisions recognised against profit	(399)	(1,977)
Additions through business combinations	(3,473)	(1,224)
Inventory written off against provision	1,955	9,920
Foreign currency translation	(210)	427
Derecognised on divestment	2,886	-
Closing balance	(46,080)	(46,839)

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Plant and equipment - at cost	69,348	62,105
Less: Accumulated depreciation	(31,700)	(27,310)
	37,648	34,795
Motor vehicles - at cost	31,828	29,850
Less: Accumulated depreciation	(13,413)	(12,055)
	18,415	17,795
	56,063	52,590

Note 10. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2018	34,795	17,795	52,590
Additions	7,315	2,836	10,151
Additions through business combinations (note 20)	695	426	1,121
Disposals	(454)	(585)	(1,039)
Divested	(119)	(4)	(123)
Foreign currency translation	84	41	125
Depreciation expense	(4,668)	(2,094)	(6,762)
Balance at 31 December 2018	37,648	18,415	56,063

Note 11. Non-current assets - intangibles

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Goodwill	639,584	594,118
Trademarks	59,171	58,979
Customer contracts	25,607	25,520
Less: Accumulated amortisation	(5,831)	(4,960)
	19,776	20,560
Software	14,645	9,925
Less: Accumulated amortisation	(6,428)	(5,846)
	8,217	4,079
	726,748	677,736

Note 11. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Trademarks $'000	Customer contracts $'000	Computer software $'000	Total $'000
Balance at 1 July 2018	594,118	58,979	20,560	4,079	677,736
Additions	-	-	87	4,705	4,792
Additions through business combinations (note 20)	49,725	-	-	-	49,725
Divested	(9,983)	-	-	(29)	(10,012)
Disposals	-	-	-	(15)	(15)
Foreign currency translation	5,724	192	-	59	5,975
Amortisation expense	-	-	(871)	(582)	(1,453)
Balance at 31 December 2018	639,584	59,171	19,776	8,217	726,748

Note 12. Current liabilities - provisions

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Employee benefits	29,954	29,079
Deferred settlements	15,238	22,337
Onerous lease provision	777	926
	45,969	52,342

Deferred settlements movement
During the half-year ended 31 December 2018, the consolidated entity completed the Baxters acquisition deferred settlement payment for $16,926,000 which resulted in the remaining provision of $4,053,000 being released to profit. This has been presented in the statement of comprehensive income as 'Other gains'. The final deferred settlement for the Precision acquisition and the first part of the deferred settlements for the Tricor acquisition were also completed. These payments were offset by the recognition of the $15,000,000 deferred settlement provision as part of the Commercial Truck Parts acquisition (refer note 20).

Note 13. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Secured bank loans	403,910	328,391
Less: unamortised transaction costs capitalised	(1,601)	(1,903)
	402,309	326,488

Bapcor has a $500M debt facility with ANZ, Westpac, The Bank of Tokyo-Mitsubishi UFJ and The Hongkong and Shanghai Banking Corporation.

The debt facility comprises funding in three and five year tranches as follows:
- $200M three year tranche maturing June 2020, available for general corporate purposes;
- $250M five year tranche maturing June 2022, available for general corporate purposes;
- $50M three year tranche maturing June 2020, available for working capital requirements.

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

Bapcor has the objective of refinancing its three year funding tranches prior to 30 June 2019.

Net debt reconciliation

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Cash and cash equivalents	53,502	40,154
Cash and cash equivalents relating to non-controlling interest	(1,599)	(2,481)
Borrowings excluding unamortised transaction costs capitalised	(403,910)	(328,391)
Net derivative financial instruments	1,076	1,266
Net debt	(350,931)	(289,452)

Note 14. Non-current liabilities - provisions

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Employee benefits	3,773	3,459
Deferred settlements	2,098	2,067
Make good provision	9,210	8,725
Onerous lease provision	1,123	1,441
	16,204	15,692

Note 15. Equity - issued capital

	Consolidated 31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary shares	282,472,118	280,244,752	626,140	610,951
Treasury shares	-	-	(8,161)	(4,495)
	282,472,118	280,244,752	617,979	606,456

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2018	280,244,752	610,951
Issue for Dividend Reinvestment Plan	27 September 2018	830,414	6,039
Issue on acquisition	4 December 2018	1,396,952	9,150
Balance	31 December 2018	282,472,118	626,140

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 2018	-	(4,495)
Return of employee shares	1 July 2018	(800)	-
Purchase of treasury shares	12-13 September 2018	(490,201)	(3,666)
Utilisation of treasury shares for LTI	14 September 2018	491,001	-
Balance	31 December 2018	-	(8,161)

The average purchase price of treasury shares during the financial half-year period was $7.48 (2018: $5.40) per share.

Note 16. Equity - dividends

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

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Final dividend for the year ended 30 June 2018 (2017: 30 June 2017) of 8.5 cents (2017: 7.5 cents) per ordinary share */**	23,821	20,882

* $4,896,000 of the final dividend for the year ended 30 June 2017 was settled under the Dividend Reinvestment Plan.
** $6,039,000 of the final dividend for the year ended 30 June 2018 was settled under the Dividend Reinvestment Plan.

Note 16. Equity - dividends (continued)

Franking credits

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	77,131	51,234

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

Note 17. Net tangible assets

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

Net tangible assets per share at 31 December 2018 was (21.1) cents per share (30 June 2018: (19.0) cents per share).

Net assets per share at 31 December 2018 was $2.36 (30 June 2018: $2.25) per share.

Note 18. Fair value measurement

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

Consolidated - 31 Dec 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	1,299	-	1,299
Total assets	-	1,299	-	1,299
Liabilities				
Derivative financial instruments	-	223	-	223
Deferred consideration	-	-	17,336	17,336
Total liabilities	-	223	17,336	17,559

Note 18. Fair value measurement (continued)

Consolidated - 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	1,720	-	1,720
Total assets	-	1,720	-	1,720
Liabilities				
Derivative financial instruments	-	454	-	454
Deferred consideration	-	-	24,404	24,404
Total liabilities	-	454	24,404	24,858

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

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

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

Note 19. Contingent liabilities

There are no contingent liabilities (30 June 2018: nil).

The divestment of the non-core businesses of Footwear and Contract Resources performed in the prior financial year as well as TRS in the current financial period includes standard indemnity and warranty clauses as is customary in these type of transactions.

Note 20. Business combinations

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

- Autobarn Bundall
- Autobarn Gympie
- Autobarn Hervey Bay
- Autobarn Maryborough
- Autobarn Mile End
- Autobarn Warners Bay
- Autopro Five Dock
- Autopro Batemans Bay
- King Auto Parts

Note 20. Business combinations (continued)

The consolidated entity also acquired 100% of the shares in the following companies, collectively referred to as Commercial Truck Parts on 30 November 2018:

- Don Kyatt Spare Parts (Qld) Pty Ltd
- He Knows Truck Parts Pty Ltd
- I Know Parts and Wrecking Pty Ltd
- Commercial Parts Pty Ltd
- Commercial Spares Pty Ltd

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

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

	Commercial Truck Parts Fair value $'000	Other acquisitions Fair value $'000
Cash and cash equivalents	28,993	7
Trade and other receivables	5,604	829
Inventories	6,421	1,730
Plant and equipment	588	107
Motor vehicles	354	72
Deferred tax asset	1,407	412
Trade and other payables	(1,817)	(54)
Provisions	(1,675)	(563)
Net assets acquired	39,875	2,540
Goodwill	46,744	2,981
Acquisition-date fair value of the total consideration transferred	86,619	5,521
Representing:		
Cash paid	62,469	4,768
Shares issued	9,150	-
Deferred and contingent consideration	15,000	-
Debt forgiven	-	753
	86,619	5,521
Cash used to acquire business, net of cash acquired:		
Cash consideration	62,469	4,768
Less: cash and cash equivalents	(28,993)	(7)
Net cash used	33,476	4,761

Note 20. Business combinations (continued)

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

The Commercial Truck Parts acquisition contributed revenue of $2,291,000 and net profit after tax of $169,000 to the consolidated group since acquisition on 30 November 2018. Based on management results that have not been reviewed or audited, the contribution to revenue and net profit after tax if the Commercial Truck Parts acquisition had occurred on 1 July 2018 is estimated to have been $18,640,000 and $2,930,000 respectively.

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

Refer to note 6 for details on acquisition related costs incurred.

Deferred consideration
A deferred consideration has been estimated and provided for on the Commercial Truck Parts acquisition and is accrued at $15,000,000 as at 31 December 2018 and is payable 30 November 2019.

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

Note 21. Events after the reporting period

In January 2019, Bapcor completed the acquisition of the business of Toperformance Products for a consideration of $2.5M. Toperformance Products is the exclusive distributor of Koni shock absorbers for truck, bus, vehicle, 4WD and motorsport applications in Australia.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 22. Share-based payments

The Long Term Incentive ('LTI') plan is intended to assist in the motivation, retention and reward of nominated senior executives. The LTI is a payment contingent on three year performance and the payments are rights to acquire shares ('Performance Rights'). Refer to the 30 June 2018 audited Remuneration Report within the Directors' Report for further information on the LTI.

In relation to the FY19 year an offer to participate in the LTI was made to seven of Bapcor's senior executives. These allocated Performance Rights have a performance period that ends on 30 June 2021 at which time the performance hurdles are tested.

Note 22. Share-based payments (continued)

A summary of the terms for the Performance Rights granted in the current financial half-year are set out in the following table:

Grant date	26 September 2018		29 October 2018	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/7/18 to 30/6/21		1/7/18 to 30/6/21	
Test date	30 June 2021		30 June 2021	
Expiry date	Once tested		Once tested	
Quantity granted	113,096	113,099	85,443	85,443
Exercise price	Nil		Nil	
Fair value at grant date [1]	$4.860	$7.010	$3.970	$6.140
Other conditions	Restriction on sale to 30/6/22		Restriction on sale to 30/6/22	
Share price on valuation date	$7.48		$6.53	
Volatility	24.47%		24.86%	
Dividend yield	2.35%		2.35%	
Risk free rate	2.13%		2.01%	

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

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

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

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

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

Note 22. Share-based payments (continued)

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

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

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

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

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

31 Dec 2018

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
01/07/2015	30/06/2018	$0.00	223,734	-	(223,734)	-	-
01/08/2015	30/06/2018	$0.00	146,574	-	(146,574)	-	-
01/07/2016	30/06/2018	$0.00	122,849	-	(122,849)	-	-
01/07/2016	30/06/2019	$0.00	412,247	-	-	(52,424)	359,823
01/07/2017	30/06/2020	$0.00	567,067	-	-	(100,970)	466,097
01/07/2018	30/06/2021	$0.00	-	397,081	-	-	397,081
			1,472,471	397,081	(493,157)	(153,394)	1,223,001

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

Bapcor Limited
Directors' declaration
31 December 2018

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Andrew Harrison
Chairman

Darryl Abotomey
Chief Executive Officer and Managing Director

12 February 2019
Melbourne

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bapcor Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Bapcor Limited. The Group comprises the Company and the entities it controlled during that 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 Group's financial position as at 31 December 2018 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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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
12 February 2019