Bapcor Limited

ABN 80 153 199 912

Appendix 4E and Financial Report - 30 June 2023

Lodged with the ASX under Listing Rule 4.2A

Bapcor Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Bapcor Limited
ABN:	80 153 199 912
Reporting period:	For the year ended 30 June 2023 ('FY23')
Previous period:	For the year ended 30 June 2022 ('FY22')

2. Results for announcement to the market

			$'000s	%		$'000s
IFRS financial measures						
Revenue	Statutory	Up	179,230	9.7	to	2,021,135
Net profit after tax[1]	Statutory	Down	-19,311	-15.4	to	106,448
Earnings per share - basic (cents per share)	Statutory	Down	5.69 cps	-15.4	to	31.36 cps
Non-IFRS financial measures[2]						
Earnings before interest, taxes, depreciation and amortisation	Statutory	Down	-12,205	-4.3	to	273,996
	Pro-forma[3]	Up	7,107	2.4	to	298,627
Net profit after tax[1]	Pro-forma[3]	Down	-6,330	-4.8	to	125,308
Earnings per share - basic (cents per share)	Pro-forma[3]	Down	-1.87 cps	-4.8	to	36.92 cps

(1) Net profit after tax attributable to the members of Bapcor Limited.
(2) The directors believe the presentation of non-IFRS financial measures are useful for the users of the financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review. Refer to the directors' report for further details.
(3) Pro-forma results include adjustments from statutory results for transition costs associated with the Distribution Centre consolidation projects and for transformation costs associated with the 'Better than Before' program. Refer to reconciliations provided in the directors' report.

Revenue in FY23 increased by 9.7% compared to FY22. Pro-forma earnings before interest, taxes, depreciation and amortisation ('EBITDA') in FY23 increased by 2.4% and pro-forma net profit after tax ('NPAT') in FY23 decreased by 4.8% compared to FY22.

Pro-forma earnings per share for FY23 was 36.92 cents per share, down 4.8% compared to FY22.

During the year, Bapcor successfully refinanced $150.0M of debt facilities due to mature in July 2024, with two new tranches totalling $250.0M split into tenors maturing in July 2027 and July 2028. Bapcor has access to a total debt facility of $620.0M. Pro-forma net debt at 30 June 2023 was $251.7M representing a leverage ratio of 1.12X (pro-forma net debt / last twelve months pro-forma EBITDA[1]). The level of debt represents a decrease of $10.3M compared to 30 June 2022 and reflects the strong Operating Cash Flow ('OCF') conversion during 2H23.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the year ended 30 June 2023 and the accompanying Directors' Report.

(1) Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position. Pro-forma EBITDA excludes any impact of AASB16. This approach is consistent with banking covenant requirements. Refer to note 16 of the financial report for a reconciliation between statutory and pro-forma net debt.

3. Dividends

Record date for determining entitlements to the dividend: 31 August 2023
Date dividend payable: 19 September 2023

	Amount per security Cents	Franked amount per security Cents
2022 Interim dividend	10.0	10.0
2022 Final dividend	11.5	11.5
2023 Interim dividend	10.5	10.5
2023 Final dividend (declared after balance date but not yet paid)	11.5	11.5

4. Dividend reinvestment plan

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. Given the financial strength of Bapcor, the Board decided to, in accordance with the DRP rules, continue to suspend the DRP for the 2023 final dividend.

5. 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, right-of-use assets and lease liabilities are excluded from the calculation of net tangible assets per share.

	2023 Cents	2022 Cents
Net tangible assets per ordinary security	96.8	91.7

6. Status of audit

The financial statements have been audited and an unmodified opinion has been issued.

7. Attachments

The Financial Report of Bapcor Limited for the year ended 30 June 2023 is attached.

The Directors present their report, together with the financial statements, on the consolidated entity ('consolidated entity') consisting of Bapcor Limited ('company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023 ('FY23').

Directors

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

Margaret Haseltine	Independent, Non-Executive Chair
Noel Meehan	Managing Director (appointed 1 September 2022) and Chief Executive Officer
Mark Bernhard	Independent, Non-Executive Director
Mark Powell	Independent, Non-Executive Director
Brad Soller	Independent, Non-Executive Director (appointed 1 November 2022)
Kathryn Spargo	Independent, Non-Executive Director (appointed 1 March 2023)
James Todd	Independent, Non-Executive Director
Therese Ryan	Independent, Non-Executive Director (retired 30 September 2022)
Jennifer Macdonald	Independent, Non-Executive Director (retired 19 October 2022)

Principal activities

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

Bapcor is one of the largest suppliers of vehicle parts, accessories, equipment, service and solutions in Asia Pacific with an operational network covering c. 1,000 locations and employing c. 5,500 team members.

Significant changes in the state of affairs

At the Bapcor Investor Day held on 22 November 2022, Bapcor announced the 'Better than Before' program – a strategic multi-year transformation program to enable additional, sustainable growth with a goal of at least $100M net earnings before interest and tax benefit by FY25[1], a further improved return on invested capital to greater than 12% (3 year simple average of FY23 – FY25) and an enhanced employee engagement. During FY23, Bapcor completed the diagnostics and planning phases and moved into implementation and execution of this ambitious program.

During FY23, the delivery of a state-of-the-art distribution centre in Redbank, Queensland continued with construction of the building achieving practical completion early in 2H23 and the official opening held on 2 March. Installation of the Goods to Person (GTP) system commenced in 2H23. The new facility will consolidate seven existing distribution centres into one.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

[1] Discrete Better than Before program target benefits do not indicate / guide on overall FY25 financial outcomes, which are subject to business-as-usual trading and general market conditions

Dividends

Fully franked dividends paid during the financial year were as follows:

$M	$M	Cents per Share
Final dividend FY22 on 16 September 2022	39.0	11.5
Interim dividend FY23 on 17 March 2023	35.6	10.5

The Board has declared a final dividend in respect of FY23 of 11.5 cents per share, fully franked. The final dividend will be paid on 19 September 2023 to shareholders registered on 31 August 2023.

The final dividend takes the total dividends declared in relation to FY23 to 22.0 cents per share, fully franked, representing an increase of dividends paid of 2.3% compared to the prior financial year. Dividends paid and declared in relation to FY23 represent 59.6% of pro-forma net profit after tax.

Review of operations

In FY23, Bapcor has delivered record revenue of $2.0BN, up 9.7% on FY22, with growth across all segments demonstrating the resilience of Bapcor's diversified business model. While Bapcor was subject to temporary margin compression due to input cost inflation and capability build in FY23, operating margins in all Trade and Wholesale segments improved in 2H23 versus 1H23, with only the Retail market facing ongoing macro headwinds. Pro-forma EBITDA of $298.6M was up 2.4% on FY23. Higher finance costs due to higher interest rates and a higher average debt balance, as well as higher depreciation and amortisation resulted in a 4.8% decline in Pro-forma NPAT to $125.3M, in line with market guidance.

Revenue growth was supported by continued network expansion with 2 new stores in Trade, 11 new stores in Specialist Wholesale, 16 additional company owned stores in Retail and 2 additional stores in New Zealand (all new location numbers including acquisitions and franchise conversions, and excluding effects from network consolidations). Concurrently, Bapcor continued to improve its distribution supply rates from the Distribution Centre Victoria ('DCV') and achieved practical completion of the new Distribution Centre Queensland ('DCQ'), including commencing the installation of the Good to Person system and transitioning initial operations into DCQ at the end of FY23.

During the year, the Better than Before transformation progressed significantly, and $19.9M of one-off operating costs relating to the program were incurred, which is in line with previously communicated targets. These costs include planning, implementation and execution cost associated with the multi-year transformation program.

Statutory (versus FY22):

- Revenue increased by 9.7% from $1,842M to $2,021M
- Statutory earnings before interest, taxes, depreciation and amortisation ('EBITDA') decreased by 4.3% to $274.0M
- Statutory NPAT decreased by 15.4% to $106.4M and statutory earnings per share ('EPS') decreased by 15.4% to 31.36 cents per share ('cps')

Pro-forma (versus FY22):

- Revenue increased by 9.7% from $1,842M to $2,021M
- Pro-forma EBITDA increased by 2.4% to $298.6M
- Pro-forma NPAT decreased by 4.8% to $125.3M and pro-forma EPS decreased by 4.8% to 36.92 cps

Net debt:

- Pro-forma net debt at 30 June 2023 was $251.7M representing a leverage ratio of 1.12X (Pro-forma net debt : last twelve months pro-forma EBITDA[2]), which is an improvement compared to pro-forma net debt of $262.0M and a leverage ratio of 1.18X at 30 June 2022.

[2] Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position. Pro-forma EBITDA excludes any impact of AASB16. This approach is consistent with banking covenant requirements. Refer to note 16 of the financial report for a reconciliation between statutory and pro-forma net debt.

The tables below, which are subject to rounding, reconcile the FY23 and FY22 pro-forma results to the statutory results.

		Consolidated	
$M	**Note**	**FY23**	**FY22**
Statutory NPAT	**1**	**106.4**	**125.8**
DC consolidations	2	7.0	8.4
Transformation activities	3	19.9	-
Tax adjustment	4	(8.0)	(2.5)
Pro-forma NPAT		**125.3**	**131.6**

- Note 1: NPAT attributable to members of Bapcor Limited.
- Note 2: DC consolidations relate to the significant transition costs incurred in relation to DCV and DCQ.
- Note 3: Transformation activities in current period relate to one-off costs incurred as part of the 'Better than Before' transformation.
- Note 4: Tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.

		Consolidated	
$M	**Note**	**FY23**	**FY22**
Statutory NPBT		**148.4**	**178.1**
Add depreciation and amortisation		96.7	88.8
Add finance costs		28.9	19.3
Statutory EBITDA		**274.0**	**286.2**
DC consolidations	1	4.7	5.3
Transformation activities	2	19.9	-
Pro-forma EBITDA		**298.6**	**291.5**

- Note 1: DC consolidations relate to the significant transition costs incurred in relation to DCV and DCQ.
- Note 2: Transformation activities in current period relate to one-off costs incurred as part of the 'Better than Before' transformation.

The table below, which is subject to rounding, reconciles the statutory and pro-forma results for FY23 and FY22 to the earnings per share.

		Consolidated			
		FY23		FY22	
$M	**Note**	**Statutory**	**Pro-forma**	**Statutory**	**Pro-forma**
NPAT	**1**	**106.4**	**125.3**	**125.8**	**131.6**
Weighted average number of ordinary shares		339.4	339.4	339.4	339.4
Earnings per share (cps)		**31.36**	**36.92**	**37.05**	**38.78**

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.

Operating and financial review – Segment Overview

The table below, with amounts subject to rounding and change percentages based on non-rounded values, presents revenue and pro-forma EBITDA by segment.

		Revenue			Pro-forma EBITDA		
$M	**Note**	**FY23**	**FY22**	**Change**	**FY23**	**FY22**	**Change**
Trade		763.2	685.6	11.3 %	124.2	115.1	7.9%
Specialist Wholesale		766.0	699.5	9.5%	102.9	102.0	0.9%
Retail		426.2	393.5	8.3%	67.6	66.5	1.7%
New Zealand		176.1	171.0	3.0%	29.9	32.8	(8.9 %)
Unallocated / Head Office	1	(110.4)	(107.7)	-	(26.0)	(24.9)	-
Total		**2,021.1**	**1,841.9**	**9.7 %**	**298.6**	**291.5**	**2.4 %**

- Note 1: Revenue relates to intersegment sales eliminations. EBITDA relates to Bapcor head office costs, intersegment EBITDA elimination and profit from associates.

Operating and financial review – Trade

Bapcor's Trade segment is Australia's leading distributor of vehicle parts and equipment solutions for the Trade market. It consists of the Burson Auto Parts, Precision Automotive Equipment and Independents business units in Australia as well as the Thailand operations. 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 achieved revenue growth of 11.3% compared to FY22, largely driven by same store sales growth of 8.8% (2.7% in FY22) and supported by various targeted customer relationship initiatives. Bapcor Trade's EBITDA grew 7.9% year on year, with EBITDA margins improving in 2H23 driven by the successful implementation of category and pricing initiatives, and supported by growth in own brand sales leveraging Bapcor's internal supply chain.

Trade continued to expand its store network in FY23 with the number of stores increasing from 224 at 30 June 2022 to 226 at 30 June 2023. Two greenfield stores were opened during FY23 strengthening Bapcor Trade's customer offerings in Morley, Western Australia and Ballina, New South Wales.

Operating and financial review – Specialist Wholesale

Bapcor's Specialist Wholesale segment is a leader in both the Australian truck and specialist wholesale markets; and acts as aggregator and importer for One Bapcor. It consists of the Specialist Networks business including the Commercial Vehicle Group comprising Truckline as well as the auto electrical businesses of JAS Oceania and Baxters/MTQ; and the Wholesale business that is a specialised leader in automotive aftermarket wholesale operations through brands such as AAD, Bearing Wholesalers, Roadsafe, Premier Auto Trade, Federal Batteries, Diesel Distributors, and AADi.

The Specialist Wholesale segment achieved revenue growth of 9.5%, particularly driven by strong same store growth in regional truck markets and truck-adjacent mining & agricultural sectors, and supported by organic and M&A network expansion; with EBITDA growth of 0.9% compared to FY22. While FY23 EBITDA margins softened temporarily compared to previous year, in 2H23 margins improved to above longer-term averages through leveraging growth, improved own brand performance and successfully piloting integrated "light truck – heavy truck" offerings.

In FY23, the Specialist Wholesale network remained at 168 locations with 11 new sites in the commercial vehicle and Electrical businesses offset by 8 site consolidations and 3 site closures in other businesses. Three acquisitions were made during the year in the truck and commercial vehicle business: Absolute Spares, New South Wales, MJF Truck and Trailer Parts, Victoria and E-Max, Victoria.

Operating and financial review – Retail

Bapcor's Retail segment is one of Australia's leading full-offer retailer and service centre providing best-in-class omni-channel customer experiences. It consists of business units that are retail customer focused, and include the Autobarn, Autopro and Opposite Lock brands as well as the Midas and ABS workshop service brands. This segment is comprised of mostly company-owned flagship stores in the Autobarn channel, with a mix of company-owned and franchised stores and workshops across Retail's other brands.

The Retail segment achieved revenue growth of 8.3% year on year driven by solid same store sales, notwithstanding during FY23 the overall Retail market became increasingly impacted by macro headwinds which led to growth slowing down in 2H23. While EBITDA in FY23 increased 1.7% compared to FY22, EBITDA margins reduced by ~100 basis points due to the deterioration in the macro retail environment leading to cost of living pressures on consumer discretionary spending, that were only partially offset by increased own brand sales and disciplined seasonal range reviews.

Bapcor Retail has continued to grow the number of company owned stores via both greenfield stores as well as conversion of some franchise stores to company owned stores. The total number of company-owned stores at 30 June 2023 was 118 stores, an increase of 11 from the 107 as at 30 June 2022.

Operating and financial review – New Zealand

Bapcor's New Zealand segment is the leading integrated trade and wholesale group providing parts and equipment solutions across New Zealand. It consists of Trade and Specialist Wholesale businesses based in New Zealand operating across 89 locations, as well as 127 Battery Town and Shock Shop locations. Brake & Transmission ('BNT') is the predominant business supplying automotive parts and accessories to workshops, as well as truck and trailer parts through the Truck and Trailer Parts brand. New Zealand also includes the Specialist Wholesale businesses of HCB – batteries, Autolign – steering and suspension, JAS – auto electrical and Precision Equipment NZ – vehicle workshop equipment.

The New Zealand segment revenue increased by 3.0% (5.5% in NZD) compared to FY22, largely driven by same store sales growth of 4.1% in FY23, with revenue stabilising during FY23 and some recovery growth in 2H23. While both EBITDA and margins declined overall in FY23, mainly due input cost pressure and ongoing headwinds in the New Zealand economy, in 2H23 margins improved to above longer-term averages through market pricing disciplines.

In FY23, the overall New Zealand network expanded by 1 store to 89 locations (excluding Battery Town and Shock Shop locations), with new "Large Store" and "Superstore" pilots being trialled to test blueprints for further network expansion.

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. It also includes the elimination of intercompany sales and EBITDA. Intercompany sales increased by 2.4% compared to FY22.

Financial Position - Capital Raising and Debt

There have been no issues of new shares during the year. As a result, ordinary shares on issue remain at 339,412,500 as at 30 June 2023.

During FY23, Bapcor entered into fixed interest rate swaps to hedge the impact of rising interest rates. A total of $120.0M of swaps were entered into at an average interest rate of 3.81%. Refer to note 27 of the financial report for further details.

During FY23, Bapcor refinanced $150.0M of debt facilities due to mature in July 2024, with two new tranches totalling $250.0M maturing in July 2027 and July 2028, taking advantage of favourable market conditions and strong inbound lender interest. Following the completion of this refinancing Bapcor has access to a total debt facility of $620.0M, an increase of $100.0M on the prior year. Refer to note 16 of the financial report for details on the revised facility tranches.

AASB 16 *Leases* increases reportable net debt by the inclusion of $311.3M of lease liabilities as at 30 June 2023. Given this is excluded from a banking covenant perspective, pro-forma net debt has also been disclosed. Pro-forma net debt at

30 June 2023 was $251.7M, representing a leverage[3] ratio of 1.12X which is well within debt capacity and an improvement compared to FY22.

Strategy

Bapcor's ambition is to be Asia Pacific's most trusted and leading provider of vehicle parts, accessories, equipment, service and solutions. This strategic vision is underpinned by six strategic priorities:

- Become One Bapcor;
- Deliver capital efficient growth;
- Embed an agile 'Culture of Transformation';
- Connect though digital and data;
- Extend and optimise our customer reach; and
- Embed sustainability into our operations.

Competitive advantages

Team Members – Our team members are the key to our success. Bapcor has a strong and experienced management team and a proven record of attracting, retaining and growing key talent across the group. Training and development of team members is a priority for the group.

Diversification – Extensive breadth and depth of product range and capability across the group provides multiple revenue streams and continues to drive intercompany sales and margin improvement opportunities. Increasing the proportion of own brand products is a core target, as these products generally achieve greater margins than the alternatives.

Industry trends

The automotive aftermarket parts market in Australia, NZ and Asia continues to experience growth based on:

- Population growth;
- Increasing number of vehicles;
- Increase in total kilometres driven;
- Change in the age mix and complexity of vehicles (i.e. more vehicles in the four years or older range); and
- An increase in the value of parts sold.

Demand for automotive parts, accessories and services continues to be resilient as maintenance is critical to operating a vehicle. Vehicle servicing is predominately driven by the number of kilometres travelled, with the number of kilometres travelled by passenger and light commercial vehicles not normally significantly impacted by economic conditions. Volatility in new vehicle sales does not directly impact demand as parts distributed by Bapcor are predominantly used to service vehicles that are aged four years or older. With the impact of Covid, demand for second hand vehicles increased as people seek to ensure social distancing with reduced reliance on public transport. All of these factors lead to ongoing demand for vehicle servicing, replacement parts and maintenance.

Online channels to market are now a common medium for retail businesses albeit only a small percentage of automotive retail sales are online. Through our retail businesses, Bapcor has online sales channels, including 'click and collect' and 'click and deliver'. In the trade and wholesale channels the group offers electronic 'B2B' trading including an extensive parts catalogue. Bapcor is investing in expanding its online capabilities, including in Bapcor's eCommerce platforms.

In the trade business Bapcor's fast delivery capabilities, wide product range and knowledgeable people are the key to Bapcor's customer offering which on-line businesses cannot match at this point in time.

The car parc is always evolving driven by changes in the makes and models in Australia and New Zealand due to technical innovation and changing customer preferences, with the latest being the introduction of electric vehicles. Bapcor has always embraced changes in the car parc, including the introduction of electric vehicles, as both an opportunity and risk. Electric vehicles are adding to the size and complexity of the car parc, with the introduction of new and more makes and models to stock replacement parts for, all of which provides upside to Tier 1 automotive aftermarket providers such

[3] Leverage is calculated by dividing pro-forma net debt by the last twelve months' pro-forma EBITDA. Pro-forma net debt is excluding the impact of lease liabilities and adjusting for the net derivative financial instruments relating to forward exchange contracts position. Pro-forma EBITDA excludes any impact of AASB16. Refer to note 16 of the financial report for a reconciliation between statutory and pro-forma net debt.

as Bapcor. Bapcor has initiated "Project Zero" with the aspiration to also be a market leader in the supply of parts and technologies to Zero Emission Vehicles (ZEVs), and a significant portion of Bapcor's existing parts and accessories can already be utilised in ZEVs.

Key business risks

Bapcor is committed to maintaining and continually improving systems and processes to identify and effectively manage risk. Key risks faced by Bapcor that could have a material impact on Bapcor's financial prospects include:

Pandemic risk – As has been shown since the outbreak of Covid-19, a pandemic which results in restrictions on doing business will have impacts on Bapcor and is unpredictable by its very nature. Once such situations are evident, Bapcor will move swiftly to minimise the impact on its revenue, profitability and cash. This risk also includes post-pandemic macro headwinds such as some of the inflation- and cost-related challenges currently impacting the economy.

Delivery risk in Better than Before transformation – The BTB program may experience execution issues or may not realise the full benefits of the program due to a lack of capability or capacity to deliver all the initiatives. To mitigate this risk, a transformation office has been established with the appropriate governance and project management structures in place, as well as resourcing, change management skills and training being provided.

Changes in economic conditions – Any downturn in economic conditions globally or in the markets Bapcor operates in has the potential to impact demand for Bapcor's products and services. Economic downturns can be triggered by a variety of factors, including geopolitical instability and other whole-of-economy risks such as energy supply stability. Bapcor seeks to manage this risk by monitoring economic indicators, and by having agile processes that are able to respond to changes in demand. Changes in economic conditions include indirect impacts such as rising fuel prices which might reduce road travel.

Changes in consumer demand – Customer demand and preferences can change in response to economic conditions, changes in the type of vehicles manufactured, government legislation to reduce vehicle emissions and digital technology. These changes may impact Bapcor's revenue mix and earnings as consumers purchase electric vehicles or shift purchases online. Bapcor is targeting to mitigate these risks by increasing the aftermarket product range used in electric vehicles and the introduction of online platforms across the businesses.

Competition – The markets and industries Bapcor operates in are competitive and Bapcor may face increased pressure from existing competitors, new competitors that enter the industry, vehicle manufacturers, and new technologies or technical advances in vehicles or their parts. Increased competition could have an adverse effect on the financial performance, industry position and future prospects of Bapcor.

Bargaining power of customers – Bapcor may experience increased bargaining power from customers due to consolidation of existing workshops, greater participation of existing workshops in purchasing and buying groups, and closure of independent workshops resulting in greater market share of larger chains. This may also include changes in end-customer behaviour with regards to vehicle ownership models and changes to overall mobility behaviours. An increase in customer bargaining power may result in a decrease in prices or loss of customer accounts, which may in turn adversely affect Bapcor's sales and profitability.

Suppliers – Bapcor's business model depends on having access to a wide range of automotive parts. Factors such as changes in supplier pricing, product availability, or the quality of Bapcor's relationships with suppliers, may increase the prices at which Bapcor procures parts or limit Bapcor's ability to procure parts. Supplier risk factors can also include changes to the demand for parts due to new car construction methods or risks due to the emergence of new players in the supply chain, e.g. direct-to-customer-lifetime service strategies by technology companies entering the automotive sector. Changes in price or availability of parts may result in decreased sales or margins, which in turn may have an adverse effect on Bapcor's financial performance.

Expansion – A key part of Bapcor's growth strategy is to increase the size of its store network via store acquisitions and greenfield developments. If suitable acquisition opportunities or greenfield sites are not available this may limit Bapcor's ability to execute the growth strategy, which could negatively impact Bapcor's financial performance and growth. To mitigate this risk Bapcor senior management takes an active role in the rollout and progress of store expansion.

Managing growth and integration – The integration of acquired businesses and the continued strategy of growing the store network requires Bapcor to continually improve operational and financial systems, procedures and controls. There is a risk of an adverse impact on Bapcor if it is not able to manage its expansion and growth efficiently and effectively, or if the performance of new stores or acquisitions does not meet expectations. Bapcor senior management takes an active role in the integration of acquired businesses.

Natural events – External and unpredictable natural events such as fires and floods can cause significant disruption to businesses, including Bapcor. Bapcor seeks to manage the impact of such risks through a number of means, including robust approaches to crisis and business continuity management.

People and skills – Bapcor is a highly customer-focussed service business, and its team members and senior management are key to maintaining the level of operational service to its customers, as well as executing Bapcor's strategy. In an environment where there are high levels of employment and shortages of certain skill sets the ability to attract and retain team members takes on an increased level of importance. This risk is managed through ongoing investment in brand awareness and strength, and by strong focus on development of knowledge and skills. It is also managed through contractual obligations, succession planning, and incentives schemes.

Safety – Unlike manufacturing or resources businesses, Bapcor is not in a sector where health and safety represent a very high risk. However, Bapcor does have exposure to health and safety risks, both to team members and third parties. These risks come from areas including warehouse operations and team members travelling on Bapcor business. Bapcor's safety management system enables us to manage our health and safety processes and risk.

Information technology – Bapcor's business operations rely on information technology platforms. Weaknesses in information technology operations could result in negative outcomes including unplanned downtime, system failures or data breaches, resulting in impacts to customers and employees, and the continuity and security of operations and data. Bapcor manages such risks through IT improvement and maintenance, IT disaster recovery planning, and cyber security management processes.

Sustainability – An actual or perceived failure to address sustainability-related topics, including climate change and the transition to a net carbon zero economy, has the ability to impact Bapcor's financial performance, reputation and operations, either directly within Bapcor's business or due to changing stakeholder expectations. To address this risk, Bapcor seeks to execute its integrated approach towards economic, environmental and social sustainability. Ensuring this approach is effective means ensuring a range of practices are maintained and continually improved, including managing potential issues in our supply chain, sourcing sustainable products and packaging, and reducing carbon emissions.

Exchange rates – A large proportion of Bapcor's parts are sourced from overseas, which exposes Bapcor to potential changes in the purchase price of products due to exchange rate movements. Historically Bapcor has been able to pass on the majority of the impact of foreign exchange movements through price increases. If Bapcor is not able to recoup foreign exchange driven cost increases this may lead to a decrease in profitability. To mitigate this risk, Bapcor enters into forward exchange contracts based on expected purchases for the upcoming twelve months.

Availability of financing – Access to funding, including ongoing availability of debt finance, helps Bapcor fund business operations and growth initiatives. Any inability to fund operations and growth, for example as a result of constrained ability to maintain banking facilities, could have a negative impact on financial performance and position. Bapcor manages this risk through careful management of working capital and capital expenditure, maintaining banking facilities with differing maturities and a variety of counterparties, and ongoing monitoring of liquidity.

Franchise regulations – Bapcor has a large franchise network. Changes in franchise law or regulations may have an impact on the responsibilities of the franchisor or the operations of these franchise businesses. Bapcor senior management seek ongoing professional advice to monitor any developments and implement appropriate changes.

Legal and regulatory compliance – Bapcor is required to maintain compliance with all applicable laws and regulations. These include requirements related to Modern Slavery, consumer protection, product quality, chain of responsibility and transport safety. The nature and extent of rules relevant to Bapcor and to businesses more broadly have been increasing, and this trend is likely to continue. Failure to comply with such laws and regulations could result in regulatory action or other claims which could have an adverse impact on the Group's reputation, financial performance and profitability.

Inflation and interest rates – Increasing inflation and changes in interest rates can impact Bapcor's business and funding. Rising inflation can decrease Bapcor's profitability, however, Bapcor will target to mitigate inflation risks by passing on their impact through active category and pricing management. Increases in interest rates can increase Bapcor's cost of funding or limit the availability of funding; and to mitigate this risk, Bapcor prudently manages working capital and capital expenditure, maintenance of banking facilities with differing maturities, and ongoing monitoring of liquidity, as well as considering hedging strategies.

Likely development and expected results of operations

For FY24, Bapcor expects a solid underlying[4] performance subject to market conditions[5] and for the Better than Before program to deliver its targeted FY24 goals. This outlook is based on:

- Solid demand in Trade segment to continue, but with market growth rate to return to more normalised longer-term levels
- Specialist Wholesale segment to benefit from growth and consolidation opportunities in the Truck market
- Retail segment to face ongoing challenging market conditions and a more uncertain trading environment, with impact of loyalty program and increase in own brand sales targeted to mitigate some of these market impacts
- Underlying demand in New Zealand segment expected to improve (versus prior year)
- Macro headwinds due to ongoing temporary margin pressures from cost inflation and other external factors such as increasing payroll taxes, the investment in capability, depreciation and amortisation costs and higher interest

Director information

Margaret Haseltine (BA, GradDipTchg(Sec), FAICD)
Independent Non-executive Chair
During her career, Margaret (Margie) gained extensive leadership and human capital management skills, which she brings to her role as Chair of the Board. Margie has spent more than 30 years in various senior executive roles in FMCG, including senior roles at Mars Food Australia, a subsidiary of Mars Inc., where she was responsible for strategy, risk management, product innovation & brand launching, and implementation of new systems. From 2002 to 2007, Margie served as the CEO of Mars Food Australia, with responsibility for the APAC market and was also responsible for ensuring sustainability of the business and its supply chain.

Margaret currently serves as a non-executive director of Metcash Limited (ASX:MTS), Real Pet Food Company Pty Ltd and Kennards Hire Pty Ltd and was a director of various government and not-for-profit boards, including National Food Precinct, Central Coast Grammar School and AGRIFOOD Skills. Margaret is also a non-executive director of Tye Soon Limited (SGX:BFU), a listed Singapore company in which Bapcor owns 25%.

Noel Meehan (BSc Hons, MAICD, FCPA, AMP (HBS))
Managing Director and Chief Executive Officer
Noel joined Bapcor on 1 June 2020 as Chief Financial Officer, was appointed as Chief Executive Officer on 8 February 2022, and Managing Director and Chief Executive Officer on 1 September 2022.

Noel brings over 30 years of executive leadership experience, both in Australia and internationally, across the logistics and transport, mining services and winemaking industries. Prior to joining Bapcor, Noel has held the office of Chief Financial Officer at Toll Group Treasury, Wine Estates Limited and Orica Limited.

Noel is a non-executive director of Tye Soon Limited (SGX:BFU), a listed Singapore company in which Bapcor owns 25%.

Mark Bernhard (BBus (Acc), GAICD, MBA)
Independent Non-executive Director
During his career, Mark has gained significant board and executive management experience in the automotive industry across a range of geographies including Australia, Europe, the United States, South-East Asia and China. Mark has more than 30 years' experience in the automotive industry in Finance and various senior executive roles. From 2011 to 2015, Mark was the Chief Financial Officer and Vice-President of Shanghai General Motors, returning to Australia in 2015 as the Chairman and Managing Director of General Motors Holden Australia until 2018.

Since 2019, Mark has served as a non-executive director of Carbon Revolution Limited (ASX:CBR). Mark has also been a non-executive director of a not-for-profit, Healthy Male, since 2020 and is chair of their Audit and Risk Committee.

[4] Excludes costs / benefits from Better Than Before and DC consolidation
[5] Particularly with regards to macroeconomic volatility as well as input cost and inflationary pressures

Mark Powell (BSc (Hons), MSc, MBA, BApp. Theol, MA (Hons), GAICD, CMInstD (NZ))
Independent Non-executive Director
Mark brings over 30 years of leadership and executive experience in retail, wholesale, logistics and distribution. Mark has held executive roles at Iceland plc, Booker Wholesale and Tesco in the UK, Logistics services provider Tibbett & Britten in Spain and Canada (including running of Walmart Canada's logistics operations), and The Warehouse Group in Australia and New Zealand. Between 2009 and 2016, Mark was CEO of Warehouse Stationary and then Group CEO for NZX-listed retailer The Warehouse Group.

Mark currently serves as a non-executive director of JB Hi-Fi Group Limited (ASX:JBH), 7-Eleven Australia Pty Ltd, STIHL Pty. Ltd and My Food Bag Limited (NZX:MFB). Mark was previously a non-executive director of Kiwi Property Group Limited (NZX:KPG).

Brad Soller (B.Com, B.Acc, M.Com, CA (SA))
Independent Non-executive Director
Brad is a highly experienced executive, having held various CFO positions with public companies in both Australia and the United Kingdom. Brad was Group CFO of Metcash, a position he held for six years, and prior to that served as the CFO of David Jones and as Group CFO of Lendlease. Before moving to Australia, Brad held a number of senior financial positions in the United Kingdom including that of Chief Financial Officer at BAA McArthur Glen Limited and Director of Finance at UK listed electrical retailer, Thorn plc.

Brad is a non-executive director of Reliance Worldwide Corporation Limited (ASX: RWC) and Big River Industries Limited (ASX: BRI).

Kathryn Spargo (LLB (Hons), BA, FAICD)
Independent Non-executive Director
Kathryn (Kate) has gained broad business experience both as a legal advisor, having worked in private practice and government, and over two decades of experience as a non-executive director in the public and private sectors across various industries spanning infrastructure, energy, renewables, healthcare, engineering services, construction, retail, financial services and intellectual property.

Kate is currently a non-executive director at Sigma Healthcare Ltd (ASX: SIG), Sonic Healthcare Ltd (ASX: SHL), Adairs Ltd (ASX: ADH), CIMIC Group Limited, Geelong Football Club, Jellis Craig Corporation Pty Ltd and Future Fuels CRC Ltd.

James Todd (BCom, LLB, MAICD, F FIN)
Independent Non-executive Director
James is an experienced company director, corporate adviser, and investor. James has over 30 years' experience in finance across various entities, including Hambros Banking Group and Wolseley Private Equity. James' last executive role was as Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999 and served in until 2018. Through his extensive private equity experience, James had exposure across various sectors including retail, media, FMCG, business services, and international supply chains. His corporate transaction and investment experience has been gained across multiple markets including Australia, New Zealand and Asia (including Hong Kong, China, Singapore, Vietnam, Cambodia, Thailand, and Indonesia).

James is currently a non-executive director of IVE Group Limited (ASX:IGL) and Coventry Group Limited (ASX:CYG) and was previously a director of HRL Holdings Limited.

Note: former directorships mandatorily disclosed above are those held in the last 3 years for *listed entities only*. Directors' interests in shares are detailed in section 8.5 of the renumeration report.

Company Secretary and Officers

Stefan Camphausen (MBA, BA)
Chief Financial Officer (4 Juy 2022 – present)
Stefan commenced as Chief Financial Officer of Bapcor in July 2022, after more than 20 years in Executive Finance roles across Asia Pacific, Europe and the Americas. Prior to joining Bapcor, Stefan held various other Chief Financial Officer positions, including at ASX-listed CIMIC Group and leading Asian-Pacific contracting service providers CPB Contractors and Thiess.

George Sakoufakis (BCom, LLB, admitted to legal practice in Victoria)
General Counsel (13 May 2019 – present); Company Secretary (1 February 2021 – present)
George commenced with Bapcor on 13 May 2019 as General Counsel and was appointed as Company Secretary on 1 February 2021. George is an Australian legal practitioner and prior to joining Bapcor held various legal and governance roles at the Foster's Group including as Acting General Counsel and Legal Director at Carlton and United Breweries.

Meetings of directors

The below table shows the number of meetings of the company's Board and of each Board committee held during the year ended 30 June 2023, with 'held' representing the number of meetings held during the time the director held office or was a member of the relevant committee.

The number of meetings attended by each director were:

		Board		Nomination, Remuneration and ESG Committee		Audit and Risk Committee	
	Note	Held	Attended	Held	Attended	Held	Attended
Margaret Haseltine		9	9	-	-	-	-
Noel Meehan	1	7	7	-	-	-	-
Mark Bernhard		9	9	3	3	5	5
Mark Powell		9	9	4	4	-	-
Brad Soller	2	6	6	-	-	3	3
Kathryn Spargo	3	3	2	1	1	-	-
James Todd		9	9	3	3	5	5
Therese Ryan	4	2	2	1	1	2	2
Jennifer Macdonald	5	3	3	1	1	2	2

- Note 1: Noel Meehan was appointed as Managing Director on 1 September 2022.
- Note 2: Brad Soller was appointed as Director on 1 November 2022.
- Note 3: Kathryn Spargo was appointed as Director on 1 March 2023.
- Note 4: Therese Ryan retired as Director on 30 September 2022.
- Note 5: Jennifer Macdonald retired as Director on 19 October 2022.

The Board has two sub-committees, being the Audit and Risk Committee and the Nomination, Remuneration and ESG Committee.

The current members of the Audit and Risk Committee are Brad Soller (Chair) (appointed 1 November 2022), Mark Bernhard and James Todd. Therese Ryan and Jennifer Macdonald were members during FY23 until they retired on 30 September 2022 and 19 October 2022 respectively. Noel Meehan, whilst not a member of the Audit & Risk Committee, attended all Audit & Risk Committee meetings by invitation from the Committee.

The current members of the Nomination, Remuneration and ESG Committee are Mark Powell (Chair), Mark Bernhard, James Todd and Kathryn Spargo (appointed 1 March 2023). Therese Ryan and Jennifer Macdonald were members during FY23 until they retired on 30 September 2022 and 19 October 2022 respectively. Noel Meehan, whilst not a member of the Nomination, Remuneration and ESG Committee, attended all Nomination, Remuneration and ESG Committee meetings by invitation from the Committee.

Matters subsequent to the end of the financial year

Apart from the final dividend declared, no other matter or circumstance has arisen since 30 June 2023 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.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

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 41 of the directors' report.

Indemnity of auditor

The company has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from the company's breach of their agreement with PricewaterhouseCoopers. The indemnity stipulates that the company will meet the full amount of any such liabilities including a reasonable amount of legal costs. No liability has arisen under this indemnity.

Remuneration report

Dear Shareholder,

On behalf of the Board, I am pleased to share with you our Remuneration Report for the year ended 30 June 2023 (FY23).

FY23 has been a year of significant external macroeconomic change and internal strategic transformation at Bapcor. Our team has continued to perform well despite these challenging demands. The business landscape has been shaped by various factors, such as economic uncertainty, market volatility, rising costs and supply chain constraints. These challenges have required careful navigation to maintain our competitive edge and ensure sustainable growth.

Throughout, Bapcor has continued to demonstrate resilience and adaptability. The business has leveraged its strategic strengths, focused on operational efficiency, and capitalised on emerging opportunities. At the same time, Bapcor has not just looked to perform for the short term but to also transform for the future, with the establishment of the ambitious Better Than Before (BTB) transformation program.

Executive remuneration
The Board acknowledges the importance of aligning executive remuneration outcomes with the long-term interests of our shareholders. We are committed to ensuring our remuneration framework enables the Company to attract and retain exceptional talent, motivates executives to excel and prioritise our customers, whilst ensuring responsible remuneration practices that align with maximising shareholder returns.

Last year, changes to our executive incentive schemes were flagged that further enhance the alignment between executive remuneration and shareholder value creation. In FY23, a Short-Term Incentive (STI) Behaviours Modifier was introduced that could potentially reduce, but not increase, the level of STI earned if appropriate cultural and values expectations are not achieved. Additionally, two changes were made to the operation of the long-term incentive (LTI) plan; the introduction of Return On Invested Capital (ROIC) in place of Earnings Per Share (EPS) as a measure, and the shift to the ASX 200 peer group to assess relative Total Shareholder Return (rTSR).

Company performance and remuneration outcomes
The Board is pleased with the Company's continued returns to shareholders in FY23, despite the challenges faced. Bapcor achieved record revenue of $2.0B, up 9.7% from FY22, with growth across all segments demonstrating a robust and diversified business. Temporary margin compression and an investment in Bapcor's capability resulted in Pro-Forma Net Profit After Tax (NPAT) declining by 4.8% to $125.3M. In line with market guidance, the second half Pro-Forma NPAT was slightly ahead of the first half, while at the same time, our team has built the foundation from which we've launched the multi-year 'Better than Before' (BTB) business transformation program.

The Board has determined the team partially achieved the financial objectives and achieved the majority of the core strategic non-financial objectives.

Following a review of the financial and non-financial performance, the Board has approved the following outcomes for Executive KMP:

- FY23 STI outcomes of 23.3% of maximum opportunity for the MD & CEO and 31.1% of maximum opportunity for the CFO.
- FY21-23 LTI plan vesting outcome of 0%, indicating that the Company did not meet the threshold performance, resulting in no vested performance rights.

Fixed remuneration was also reviewed in FY23 for Executive KMP. The Board determined no changes would be made.

Change in Executive Key Management Personnel (KMP)
As noted in FY22, Stefan Camphausen was appointed as Chief Financial Officer in July 2022. In addition, as a result of restructuring due to business growth and expansion, the portfolio of the EGM Wholesale was split and a new executive appointed to lead the Specialist Networks business. As a consequence of these changes, the Board determined that Craig Magill ceased to be a KMP on 1 July 2022 and therefore his remuneration is not disclosed in the FY23 remuneration report.

Implementation of the BTB Incentive Plan

The BTB program has identified significant operational and financial efficiency potential and expects to deliver exceptional outcomes that will benefit our team members, customers, and shareholders. A BTB Incentive Plan has been implemented to align team members at all levels to the delivery of the program, and ultimately reward team members by sharing in its successful delivery. Ambitious ROIC and net EBIT targets for this plan have been set and are above and beyond targets in previously existing incentive plans. The EBIT target is net of any incentives paid under this plan and as such, the plan is self-funding. Further detail in relation to the BTB incentive plan can be found in the Q&A section on page 17.

Enhancements to the executive remuneration framework in FY24

In FY24, two enhancements are proposed to further align executive remuneration and shareholder value creation. Firstly, Group financial and non-financial measures and targets are to be introduced for all Group Leadership Team members to embed the 'One Bapcor' philosophy. Secondly, the Board intends to introduce a 'stretch-max' performance target in the LTI FY24-25 plan to reward executives for stretch outcomes. This is explained further in the following Q&A section.

Change in composition of the Board

During the 2023 financial year, Brad Soller and Kathryn Spargo joined the Board as Non-Executive Directors whilst Therese Ryan and Jennifer MacDonald retired. We thank the retiring Directors for their service and contribution to Bapcor.

In FY24, we will continue our focus on delivering Bapcor's strategic agenda to "perform and transform" and drive business growth and value for our shareholders.

We welcome shareholder feedback on this Remuneration Report and thank you for your support.

Sincerely,

Mark Powell
Chair of the Nomination, Remuneration and Environmental, Social & Governance Committee

16 August 2023
Melbourne

1 Questions and answers

The following is intended to assist readers to better understand key aspects of Bapcor's remuneration approach in FY23.

<table>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>Why is the number of KMP reducing?</td><td>The number of KMP has decreased due to the removal of the EGM Wholesale from the remuneration report from FY23. This change resulted from restructuring the role due to business growth and expansion. The EGM Wholesale portfolio was split, and a new executive was appointed to oversee the Specialist Networks business. As a result of the EGM Wholesale role's changed scale, the Board determined it no longer be considered KMP.</td></tr>
<tr><td>What changes have been made to the Remuneration Framework in FY23?</td><td>The changes to the Remuneration Framework for FY23 are as follows:
▪ STI:
- A reduction in the number of Performance Measures to enhance clarity and emphasise critical deliverables.
- The deferred component within the plan for Executive KMP was increased from 25% to 50%, creating further alignment of executive and shareholder interests.
- An STI Behaviours Modifier was introduced, highlighting the significance of the Company values. It ensures that the focus is not solely on 'what' gets achieved but also on 'how' it gets achieved, aiming to drive a positive Company culture and achieve better outcomes. The modifier is designed to potentially reduce, but not increase, the level of STI earned if appropriate cultural and values expectations are not achieved.
▪ LTI:
- A revision of performance measures resulted in Return On Invested Capital (ROIC) replacing the Earnings Per Share (EPS) measure, reflecting a stronger emphasis on both profitability and capital efficiency. This change allows executives to be rewarded for their efforts in driving strategic investments, operations excellence, and value creation throughout the Company.
- While relative Total Shareholder Return (rTSR) remains a performance measure, the Peer Group has been revised, with the ASX200 adopted as a more appropriate benchmark.</td></tr>
<tr><td>What is the BTB incentive plan and how does it interact with existing incentive plans?</td><td>In February 2023, Bapcor launched the Better Than Before (BTB) plan to drive a collective focus on the successful execution of our business transformation program. The plan will be in effect during the performance period from 22 November 2022 to 30 June 2025. It aims to reward all team members at all levels for successful delivery.

The plan is focused on achieving stretch targets for ROIC and Net EBIT measures and is self-funding, with a clear emphasis on setting targets above those within existing STI and LTI plans, ensuring there is no overlap.

<table><tr><th>Metric</th><th>Measured By</th><th>Performance Hurdle</th><th>Rationale</th></tr><tr><td>ROIC</td><td>Simple average of the Company's ROIC as at 30 June 2023, 30 June 2024 and 30 June 2025.</td><td>Threshold > 12.0%</td><td>ROIC acts as the 'gate' to any incentive being paid.

ROIC stretch target of greater than 12.0%, above the FY23 LTI plan measures, ensuring no overlap with existing plans.</td></tr></table></td></tr>
</table>

Net EBIT benefit	The net EBIT benefit at 30 June 2025 from initiatives included in Better than Before and after deducting the costs for this incentive program.	Threshold $100m which can lead to a Maximum payout of 100% of fixed remuneration.	Aligned to communication to the market on 22 November 2022, an ambitious target net of any incentives payable. Straight line pro-rata vesting.

Are further changes to the remuneration approach being considered?

In FY24, further enhancements to Bapcor's remuneration approach are under consideration. These include:

➢ STI:

- Group financial and non-financial measures and targets to be introduced for all within the Group Leadership Team, emphasising the importance of collaborative decision-making and to foster an environment where collective achievements are prioritised over individual segment performance.

➢ LTI:

The Board intends to introduce a 'stretch-max' performance level within the FY24 plan. The stretch-max is designed to incentivise executives to achieve outstanding performance, leading to exceptional benefits for shareholders. To achieve the stretch-max target, an extraordinary improvement in ROIC and rTSR would be required. As such, the CEO's maximum earning potential would increase from 100% to 150%. The Group Leadership Team's maximum earning potential would rise from 50% to 75%. Both the threshold and stretch-max targets build further on any achievement of the Better than Before targets in FY25.

An outline of the plan, including targets, is summarised in the table below:

Measure	Measured By	Performance Hurdle	Rationale
ROIC (50% of total Rights)	Simple average over the preceding three years during the performance period.	Threshold 12.5% **Stretch-max 13.5%** Straight line pro-rata vesting	Significant stretch compared to the ROIC achieved at 30 June over the previous five years: FY19 10.2% FY20 9.3% FY21 11.6% FY22 10.6% FY23 10.4%

	rTSR (50% of total Rights)	ASX 200	Threshold 50^{th} percentile **Stretch-max ≥ 87.5^{th*}** percentile Vesting scale: Between 50^{th} to 75^{th} percentile – straight line pro-rata vesting for each percentile movement in outcomes. Between 75^{th} to 87.5^{th} percentile – straight line pro-rata vesting for each percentile movement in outcomes. Straight line pro-rata vesting.	Attaining the 87.5^{th} percentile presents a substantial stretch for executives. Vesting accelerates when the 75% percentile is reached.

Remuneration report 2023

In this section

The information provided in this Remuneration Report, which forms part of the Directors' Report, has been audited as required by section 308(3C) of the *Corporations Act 2001*.

1. Key Management Personnel

This Report outlines Bapcor's remuneration approach and outcomes for Key Management Personnel (KMP), who have the authority and responsibility for planning, directing and controlling the activities of the Company during FY23.

Name	Position
Non-Executive Directors (NEDs)	
Margaret Haseltine	Non-Executive Chair
Mark Powell	Non-Executive Director
James Todd	Non-Executive Director
Mark Bernhard	Non-Executive Director
Brad Soller	Non-Executive Director (from 1 November 2022)
Kathryn Spargo	Non-Executive Director (from 1 March 2023)
Therese Ryan	Non-Executive Director (until 30 September 2022)
Jennifer Macdonald	Non-Executive Director (until 19 October 2022)
Executive Director	
Noel Meehan	Managing Director (from 1 September 2022) and Chief Executive Officer (from 8 February 2022)
Executive KMP	
Stefan Camphausen	Chief Financial Officer (from 4 July 2022)
Former Executive KMP	
Craig Magill[1]	Executive General Manager Wholesale (until 30 June 2022)

[1] Craig Magill ceased to be a KMP following operational and role accountability changes. As a result, the role is no longer considered KMP.

2. Nomination, Remuneration and Environment, Social & Governance Committee

The Nomination, Remuneration and Environment, Social and Governance Committee (NRESGC) operates under the delegated authority of the Board of Directors. The NRESGC charter is included on the Bapcor website (www.bapcor.com.au). The Non-Executive Directors who were members of the NRESGC are as follows:

Mark Powell	Committee Chair
James Todd	Committee Member (from 1 October 2022)
Mark Bernhard	Committee Member (from 1 October 2022)
Kathryn Spargo	Committee Member (from 1 March 2023)
Therese Ryan	Committee Member (until 30 September 2022)
Jennifer Macdonald	Committee Member (until 19 October 2022)

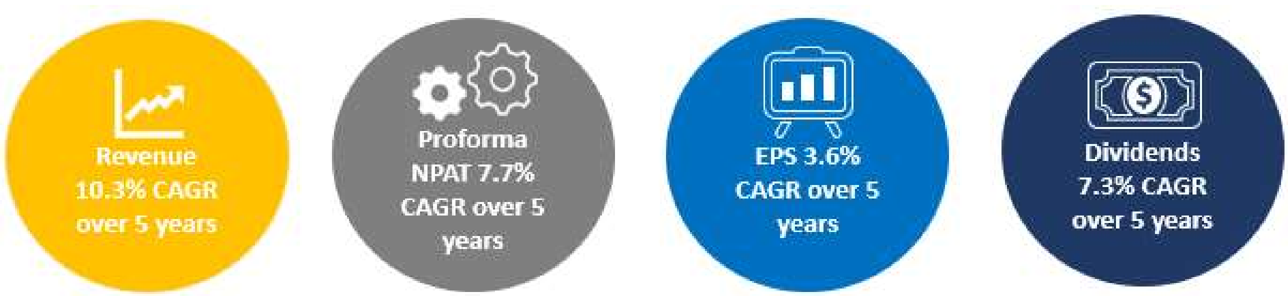
The Committee is authorised by the Board to obtain external professional advice, and to secure the attendance of advisers with relevant experience and expertise if it considers this necessary.

3. Financial performance and relationship to remuneration

The Board maintains its focus on ensuring there is a strong relationship in place between Executive performance and remuneration outcomes. This section provides an overview of Bapcor's financial performance over the past five-years and how it relates to remuneration outcomes.

3.1 Company Five-year Financial Performance

Notably, over the past five years, Bapcor's financial performance continues to strengthen, along with the returns provided to our shareholders.



The table below provides a detailed account of the Company's financial performance over a five-year period.

	2019	2020(3)	2021	2022	2023
Revenue from continuing operations $m	1,296.6	1,462.7	1,761.7	1,841.9	2,021.1
Increase/(decrease) in revenue	*4.8%*	*12.8%*	*20.4%*	*4.6%*	*9.7%*
Return on Invested Capital ('ROIC')[5]	*10.2%*	*9.3%*	*11.6%*	*10.6%*	*10.4%*
Increase/(decrease) in ROIC	*(3.4%)*	*(8.5%)*	*24.9%*	*(8.9%)*	*(1.9%)*
Pro-forma NPAT from continuing operations $m[2,3]	94.3	88.7	130.1	131.6	125.3
Increase/(decrease) in pro-forma NPAT	*9.0%*	*(5.5%)*	*46.5%*	*1.2%*	*(4.8%)*
Pro-forma EPS from continuing operations (cents)[1,3]	33.45	30.23	38.32	38.78	36.92
Increase/(decrease) in pro-forma EPS	*8.0%*	*(9.2%)*	*26.8%*	*1.2%*	*(4.8%)*
Statutory NPAT $m[2]	97	79.2	118.8	125.8	106.4
Increase/(decrease) in statutory NPAT	*2.4%*	*(18.4%)*	*50.0%*	*5.9%*	*(15.4%)*
Statutory EPS (cents)[1,3,4]	34.40	26.97	34.99	37.05	31.36
Increase/(decrease) in statutory EPS[1,3,4]	*1.5%*	*(21.6%)*	*29.8%*	*5.9%*	*(15.4%)*
Dividend declared (cents per share)	17.0	17.5	20.0	21.5	22.0
Increase/(decrease) in dividend declared	*9.7%*	*2.9%*	*14.3%*	*7.5%*	*2.3%*
Share price 30 June $	5.58	5.90	8.50	6.08	5.94
Market capitalisation $m 30 June	1,582	2,003	2,885	2,064	2,016
Relative TSR percentile achieved	40.4%	78.4%	43.7%	38%	38%

1 Where appropriate, EPS has been adjusted to take into consideration the impact of rights issues performed and the impact on the number of shares as per AASB 133 *Earnings Per Share*
2 NPAT attributable to members of Bapcor Limited
3 Excludes the impact of AASB16 *Leases* up to 2019. From 2020 the AASB *Leases* impact is included. The impact of implementing AASB *Leases* on NPAT is immaterial, being less than $0.5m.
4 Issued shares increased by 55.4m shares or 20% in April / May 2020.
5 ROIC has been calculated as Proforma EBIT after Tax on Net Debt + Equity

Five-year Remuneration Outcomes

Executive KMP remuneration outcomes are aligned to core short-term and long-term performance outcomes. The table below provides the remuneration outcomes for Executive KMP over a five-year period.

Remuneration Outcomes	FY19	FY20	FY21	FY22	FY23
STI outcome (average % of maximum)	43%	53%	89%	48%	23%
LTI vesting outcome (% of maximum)	0%	78%	0%	0%	0%

4. Remuneration governance

The following diagram outlines Bapcor's approach to remuneration governance.

Bapcor Board

- Overall accountability for Bapcor's remuneration approach
- Determines remuneration quantum and structure for Executive and Non-Executive KMP after considering recommendations made by the NRESGC.
- Discretion in determining the outcomes of incentive arrangements.
- Has discretion to exercise clawback provisions should any material financial misstatements arise.

Nomination, Remuneration and Environment, Social and Governance Committee (NRESGC)

Meets regularly to:

- Understand and review the effectiveness of remuneration arrangements.
- Review the remuneration framework to ensure it is fit for purpose and make recommendations to the Board on any changes.
- Determine recommendations to the Board regarding fixed remuneration, STI outcomes and LTI outcomes.
- Discretion, both positive and negative in determining the outcomes of incentive arrangements.
- Assess Executive KMP performance.

External Advisors

- NRESGC seeks external advice and assistance from independent remuneration consultants as it considers appropriate with protocols in place to ensure independence from Management.
- During FY23, the NRESGC engaged Godfrey Remuneration Group ('GRG') to provide benchmarking reports and remuneration recommendations (as defined in the section 9B of the Corporations Act). GRG was engaged directly by the NRESGC Chair under delegated authority from the Board with the report provided directly to the NRESGC Chair. GRG was paid $37,500 excluding GST for their services. The Board is satisfied the recommendations made are free from any undue influence.

This year, the Board has actively engaged with major shareholders and proxy advisors to enhance understanding of Bapcor's remuneration approach and decisions.

5. Executive remuneration framework and outcomes

The Executive Remuneration Framework is designed to attract, motivate and retain high calibre talent, while also supporting the delivery of the Company's strategic objectives and sustainable shareholder returns.

5.1 Remuneration Principles

Our remuneration principles serve as a guiding compass for determining the design of remuneration plans and programs, as well as informing decision-making processes regarding remuneration outcomes.

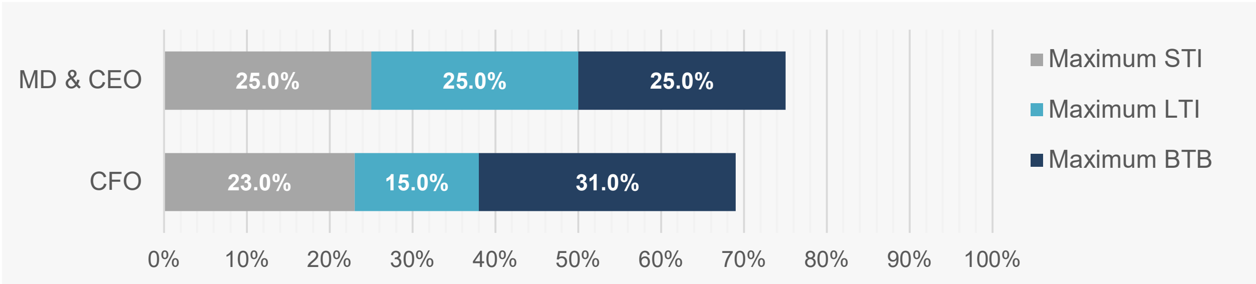
Our Remuneration Principles

Market competitive	Alignment	Fairness	Consistency
Attract, motivate and retain high calibre talent	Remuneration outcomes align with company performance and shareholder value creation	Appropriate and reasonable outcomes balanced in the best interests of shareholders and Management	Maintaining clarity and consistency of application of outcomes

5.2 Remuneration Mix

The total remuneration for Executive KMP comprises fixed remuneration, variable short-term incentives, and variable long-term incentives. The chart below illustrates the Executive KMP remuneration mix at maximum potential for FY23. Mr. Meehan's total FY23 remuneration includes a BTB award, intended to be allocated via performance rights and contingent upon shareholder approval sought during the upcoming Bapcor AGM.

FY23 Executive KMP potential maximum pay mix



From time to time the Board may give consideration to awarding additional incentives which are aligned to deliverables that create further shareholder value (eg. BTB incentive. See section 6).

5.3 Fixed remuneration

Fixed remuneration comprises base salary, superannuation, and non-cash benefits such as a motor vehicle allowance. It is reviewed annually and set competitively to attract and retain high calibre talent. Consideration is given to expertise, scope and complexity of the role, performance, internal relativities, and market changes.

An independent market benchmarking exercise was conducted in FY23. Market benchmarks are typically set with reference to relevant comparator groups, as determined by the NRESGC each year.

The table below outlines the fixed remuneration for Executive KMP in F22 and FY23.

Executive KMP	Position	FY22	FY23	% Change
N Meehan[1]	Managing Director and Chief Executive Officer	$1,073,568	$1,073,568	0.0%
S Camphausen	Chief Financial Officer	N/A	$700,000	N/A
Former Executive KMP				
C Magill	Executive General Manager, Wholesale	$605,000	N/A	N/A

1 N Meehan was appointed Acting CEO on 6 December 2021, CEO on 8 February 2022, and MD & CEO on 1 September 2022. Prior to these appointments, N Meehan undertook the CFO role with a fixed remuneration of $715,000.

5.4 Short-Term Incentive (STI) Plan

The STI is an annual incentive plan designed to motivate and reward Executive KMP for the achievement of pre-determined financial and non-financial measures, as set by the Board. These performance-based outcomes provide an appropriate link between Executive KMP remuneration and the creation of shareholder wealth.

Delivery of award	Following the performance assessment, the STI award will be delivered as 50% cash and the remaining 50% as deferred equity, until the equivalent of one year’s fixed remuneration is held in equity, in line with the minimum shareholding requirements. Should the participant hold the equivalent of one year’s fixed remuneration in equity, the award can be delivered as deferred cash (for a period of twelve months). If a participant resigns or leaves the Company before the receipt of any deferred STI, they will remain entitled to the deferred component unless it is subject to the Company’s ”clawback” policy (please refer to ‘Clawback’ section for further details). No dividends are payable until the performance rights vest into ordinary shares once the twelve-month period has concluded.

STI opportunity

The STI opportunity is set in accordance with the scope, complexity and accountability within each role. Market benchmarks are also taken into consideration.

The table below outlines the Executive KMP STI opportunity at Target and Maximum:

Role	Target STI Opportunity	Maximum STI Opportunity
MD & CEO	50% of Fixed Remuneration	100% of Fixed Remuneration
CFO	50% of Fixed Remuneration	75% of Fixed Remuneration

In the STI plan, Executive KMP must reach 115% of the target performance level to attain the maximum earning potential available under the plan. This upside earning potential beyond the target level has been set to incentivise and encourage outperformance.

Performance measures and weightings

STI outcomes are determined by the Board at the end of each financial year, based on the achievement of pre-determined financial and non-financial metrics, through a balanced scorecard. The performance measures are aligned with Group and Segment targets as well as key strategic priorities for the twelve-month period, complimenting the achievement of the Group's long term strategy.

Category	Performance Measure	Weighting
Financial	Group NPAT	40%
	Average Group Return On Invested Capital	15%
	Average Group Inventory to Sales Percentage	15%
Non-Financial	ES&G	15%
	Culture	15%
STI Behaviours Modifier - 80% to 100% of overall STI earned		

In FY23, the number of Performance Measures was reduced to steer a clearer focus on key deliverables and effectively drive Company growth. Further, the STI Behaviours Modifier was introduced, highlighting the significance of the Company values. It ensures that the focus is not solely on 'what' gets achieved but also on 'how' it gets achieved, aiming to drive a positive Company culture and achieve better outcomes. This modifier is designed to potentially reduce, but not increase, the level of STI earned if appropriate cultural and values expectations are not achieved.

Calculation of the STI award

The STI award is calculated as follows:

Fixed remuneration $ x STI Opportunity % x Performance Outcome % x Behaviours Modifier % = STI Award $

Determination of the STI award

The STI award is determined after the end of the financial year following a review of performance against the STI performance measures.

Cessation of employment

If an Executive KMP ceases employment with Bapcor prior to the STI payment being paid, the Executive KMP will forfeit any awards that were to be received for the performance period, unless the Board determines otherwise.

Should an Executive KMP be dismissed for serious misconduct post the STI payment date, any deferred amount will be forfeited in accordance with the Clawback policy.

Change of Control

In the event that a 'Change of Control' occurs or the Company sells the whole or a substantial part of Bapcor Limited, the Board may in its discretion determine whether and in what amount to pay any STI awards.

Clawback

The Board retains the discretion to adjust or forfeit an STI award or to seek recovery from an Executive after a payment or issue including, but not limited to, instances of material financial misstatements, major negligence, significant legal, regulatory and/or policy noncompliance and significant harmful act by an individual.

5.5 Short-term incentive – performance outcomes

The following tables shows the actual STI performance outcomes for Executive KMP in FY23:

Performance Measure	Objective	Scorecard Performance	FY23 Performance Level of Achievement
Financials			
Group pro-forma NPAT	Increase group pro-forma NPAT subject to market conditions	Solid underlying financial performance with record revenue growth, yet pro-forma NPAT outcome impacted by temporary margin compression and an investment in Bapcor's capability build. Below threshold. (Actual: $125.3m).	Not achieved
Average Group ROIC	Focus on capital efficiency	Disciplined financial prudence and adept capital management resulted in performance meeting threshold. (FY23 Actual: 10.4%, FY22 Actual: 10.6%).	Partially achieved
Average Group Inventory as a % of Sales	Improve performance by increasing inventory turns	Effective inventory management and optimised sales strategies led to threshold performance outcome. (Actual: 26.8%).	Partially achieved
Non-financial			
Environmental, Social and Governance (ESG)	Progress strategy as articulated in 2022 Annual Report.	Development of a carbon emission reduction roadmap for entire business, established a risk-based approach to improve supply chain transparency in relation to processes and sourcing to mitigate modern slavery risks, conducted an extensive waste management review, and reduced the Total Recordable Injury Frequency Rate (TRIFR) from 20.58 to 13.99.	Achieved
Culture	Improvement in organisation health	Bapcor's Purpose clearly defined and will be launched in H1 of FY24. An emphasis on leadership alignment to underpin this period of significant transformation has established a solid foundation for culture change.	Partially achieved

FY23 Executive KMP STI Outcomes

The following table outlines the Executive KMP FY23 STI outcomes. As per the FY23 STI plan, 50% of the awarded STI is allocated in Equity, with vesting deferred for an additional 12 months from the date of grant.

Executive KMP	Maximum STI as a % of FAR	Actual STI as a % of maximum	STI forfeited as a % of maximum	Actual STI awarded $	Deferred STI $ (50% of Actual STI)[1]
N Meehan	100.0%	23.3%	76.7%	250,141	125,071
S Camphausen	75.0%	31.1%	68.9%	163,100	81,550
Total				**413,241**	**206,621**

1 The Deferred STI expense is amortized over a period of 15 months (within table 8.1) with the expected grant date to be in October 2023.

FY22 Deferred STI Outcome

The table below provides details of the 2022 deferred shares that have vested within FY23.

Grant Date	Vesting Date	Expiry Date	Fair Value per Share Right at Grant Date	Number of Share Rights at Grant Date	% Vested
12/10/2022	12/10/2022	12/10/2022	$6.34	11,117	100

5.6 FY23 Long-Term Incentive (LTI) plan

The LTI plan acknowledges and rewards the contributions of Executive KMP in generating sustainable long-term value over a three-year performance period. The plan serves to attract and retain key executives whilst fostering a strong alignment with shareholder interests by promoting long-term growth and value creation for both the Company and its shareholders.

The key features of the FY23 LTI plan under which grants were made in FY23 are as follows:

Participants under the plan	Executives who were employed at the commencement of the financial year were invited to participate.
LTI opportunity	The LTI opportunity is set in reflection of scope, accountabilities and impact that a role would make over a three-year performance period. Market benchmarks are also taken into consideration when determining the opportunity. The maximum face value of LTI opportunity that can be granted, expressed as a percentage of Fixed Remuneration is: Role — Maximum (cap) MD & CEO — 100% of Fixed Remuneration CFO — 50% of Fixed Remuneration
Instrument	Performance rights will vest upon the Board's satisfaction of the performance conditions being met, and do not carry any voting rights or dividend entitlements. Participants with performance rights that have vested can elect to exercise these rights for a period up to 15 years from the date on which the vesting conditions were satisfied.
Allocation of Performance Rights	The number of performance rights issued to each executive is determined by dividing the participants maximum LTI value by the face value basis using a 10-day volume weighted average price (VWAP) of Bapcor shares prior to 30 June 2022.
Performance period	The performance period is three years.
Performance measures	The performance measures and their relative weightings are given below: **Performance Measure** — **Weighting %** Relative Total Shareholder Return (rTSR) — 50% Return On Invested Capital (ROIC) — 50% During FY22, the Board reviewed the Company's LTIP performance measures to further enhance alignment between executive long-term decision-making, the Company's strategy and shareholder interests. As a result, from FY23, the relative Total Shareholder Return (rTSR) comparator group was expanded to constituents of the broader S&P/ASX 200 index. The Board considers that the S&P/ASX 200 index provides a more reliable comparative basis for the purposes of measuring relative Total Shareholder Return (rather than a fixed set of comparator companies, which may be subject to significant corporate actions which may result in distortion of total shareholder return). In addition, it is a simpler to apply approach, and provides greater visibility and alignment for participants. rTSR will be tested by comparing the Company's rTSR performance over the performance period relative to the ASX 200 Index as of 30 June 2022. The test will be conducted by an independent, external provider. rTSR incorporates both share appreciation and dividends. For Bapcor and the ASX 200 Index constituents as at 30 June 2022, the share price at the start and end of the performance period will be the 10-day VWAP of the Company's shares preceding the start and end of the performance period. Dividends will be assumed to have been reinvested on the ex-dividend date.

A “Return on Invested Capital” metric has been adopted as the second performance hurdle and replaced the previously utilised Earnings per Share (“EPS”) metric. Return on Invested Capital focuses on capital efficiency and returns, which complements Bapcor’s other existing remuneration key performance indicators, including those that continue to be focused on growth and expansion.

The ROIC hurdle will be calculated as the simple average of the Company’s ROIC as at 30 June 2023, 30 June 2024 and 30 June 2025 (Average ROIC).

Vesting Scales

Measure	Performance Level	Vesting %
rTSR	Below the 50th percentile	0%
	At the 50th percentile	50%
	Between the 50th and 75th percentiles	Pro rata vesting on a straight-line basis
	At or above the 75th percentile	100%
ROIC	Below 11.5%	Nil
	At 11.5%	50%
	Between 11.5% and 12.0%	Pro rata vesting on a straight-line basis
	At and above 12.0%	100%

Amendments

To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the LTI. This includes varying the number of Performance Rights or the number of shares to which a participant is entitled upon a reorganisation of the capital of Bapcor.

Other terms

Shares acquired on the conversion of vested Performance Rights cannot be sold for a period of twelve months from the date the rights satisfied the performance hurdles. Performance Rights cannot be transferred, encumbered, or hedged.

Cessation of employment

The LTI Performance Rights are subject to the participant being employed (or contracted) for the full performance period of 3 years.

If the participant is a “good leaver”, the prorate number of months completed may vest if the performance hurdles are achieved. If the participant is not a “good leaver”, any unvested rights will automatically lapse on the date of the cessation of employment, subject to any determination otherwise by the Board in its sole and absolute discretion.

Clawback

Where, in the opinion of the Board, the participant:

- acts fraudulently, or dishonestly;
- wilfully breaches their duties to the Group; or
- is responsible for material financial misstatements, major negligence, significant legal, regulatory and/or policy non-compliance, or a significant harmful act;

the Board may, at its sole and absolute discretion, deem some or all of the unvested, or vested but unconverted, performance rights granted to that participant to be forfeited and to have lapsed. Under specific circumstances any vested equity can be clawed back from the participant.

5.7 FY21Long-term incentive plan outcomes

During FY23, the performance outcomes for the FY21-23 LTI plan were independently tested by third parties and resulted as follows:

Measure	Weighting	Threshold target	Performance outcome	Vesting outcome
rTSR	50.0%	50th percentile ranking	38th percentile ranking relative to TSR peer group.	0.0%
EPS	50%	7.5%	6.9%	0.0%

As a result of not meeting threshold targets, no vesting has occurred for the FY21 LTI plan.

6. Better Than Before (BTB) Incentive Plan

In February 2023, the BTB incentive plan was introduced to drive a collective focus on the successful execution of our business transformation program. It aims to reward all team members at all levels for successful delivery.

The plan is focused on achieving stretch targets for ROIC and Net EBIT measures and is self-funding, with a clear emphasis on setting targets above those within existing STI and LTI plans, ensuring there is no overlap.

The key features of the BTB plan in relation to Executive KMP are as follows:

BTB opportunity	The BTB opportunity is set recognising the scope, complexity, accountability and impact that a role would make over the performance period. Executive KMP are entitled to a maximum opportunity of 100% of Fixed Remuneration.
Instrument	The reward vehicle under the BTB incentive plan will be Performance Rights for Executive KMP, that will vest upon the Board's satisfaction of the performance conditions being met. Performance Rights do not carry any voting rights or dividend entitlements. In accordance with ASX Listing Rule 10.14.1, as Mr Meehan is a Director of the Company, shareholder approval is necessary for the granting of securities, including performance rights under the BTB plan. Mr. Meehan's total FY23 remuneration includes a BTB award, intended to be allocated via performance rights, contingent upon shareholder approval sought during the upcoming Bapcor AGM.
Allocation of Performance Rights	The number of Performance Rights granted has been calculating dividing the incentive opportunity by the 10-day volume weighted average share price (VWAP) prior to 22 November 2022 (Investor Day).
Performance period	22 November 2022 to 30 June 2025
Performance measures	The performance measures and their relative weightings are given below:

Performance Measure	Weighting %
Return On Invested Capital (ROIC)	50%
Net EBIT benefit	50%

Return on Invested Capital acts as the 'gate' for incentive payment under the plan, necessitatin the achievement of specified targets. Return on Invested Capital focuses on capital efficiency and returns, which complements Bapcor's other existing remuneration key performance indicators, including those that continue to be focused on growth and expansion.

The ROIC hurdle will be calculated at the end of the performance period, as the simple average of the Company's ROIC as at 30 June 2023, 30 June 2024 and 30 June 2025.

The Net EBIT Benefit will be calculated at the end of the performance period, as the EBIT benefit at 30 June 2025 from initiatives included in Better than Before and after deducting the costs for this incentive program.

Vesting Scales

Measure	Performance Level	Vesting %
ROIC	Below 12.0%	0%
	Over and above 12.0%	100%
Net EBIT benefit	Below $100m	0%
	Above $100m to Maximum	Pro rata vesting on a straight-line basis to 100%

Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the BTB Incentive. This includes varying the number of Performance Rights or the number of shares to which a participant is entitled upon a reorganisation of the capital of Bapcor.
Cessation of employment	The BTB Incentive Performance Rights are subject to the participant being employed at the end of the performance period and at the time any rights have vested. If the participant is determined to be a “good leaver”, as defined in the plan, the prorate number of months completed out of the three years may vest if the performance hurdles are achieved. If the participant is not a “good leaver”, any unvested rights will automatically lapse on the date of the cessation of employment, subject to any determination otherwise by the Board in its sole and absolute discretion.
Clawback	Where, in the opinion of the Board, the participant: • acts fraudulently, or dishonestly. • wilfully breaches their duties to the Group; or • is responsible for material financial misstatements, major negligence, significant legal, regulatory and/or policy non-compliance, or a significant harmful act; the Board may, at its sole and absolute discretion, deem some or all of the unvested, or vested but unconverted, performance rights granted to that participant to be forfeited and to have lapsed. Under specific circumstances any vested equity can be clawed back from the participant.

7. Executive KMP realised remuneration (non-statutory)

The following table provides a summary of remuneration received by Executive KMP during FY23. This information provides further transparency to give shareholders a clearer understanding of Executive KMP remuneration and is supplementary to the Statutory details of remuneration given in the subsequent section of this report.

					Previous year awards that vested during FY23			
Executive KMP	**Year**	**Fixed remuneration[1] $**	**Termination Payments[5] $**	**Cash STI[2] $**	**Prior Year deferred ST $**	**Vested and unrestricted LTI[3] $**	**Non-monetary**	**Total received $**
N Meehan[6,7]	FY23	1,073,568	-	125,071	70,482	-	-	1,269,120
	FY22	900,348	-	185,104	120,578	-	-	1,206,030
S Camphausen[4,11]	FY23	764,247	-	81,550	-	-	111,789	957,586
	FY22	N/A	-	N/A	N/A	N/A	N/A	N/A
Former KMP								
C Magill[7,8&10]	FY23	N/A	-	N/A	N/A	N/A	N/A	N/A
	FY22	605,000	-	132,684	102,494	-	-	840,178
D Abotomey[5,9]	FY23	N/A	-	N/A	N/A	N/A	N/A	N/A
	FY22	572,073	1,841,998	711,447	307,397	695,976	-	4,128,891
Total	**FY23**	**1,837,815**	**-**	**206,621**	**70,482**	**-**	**111,789**	**2,226,706**
	FY22	**2,077,421**	**1,841,998**	**1,029,235**	**530,469**	**695,976**	**-**	**6,175,099**

1 Fixed remuneration is the aggregate of cash salary, superannuation and fringe benefits.
2 FY23 cash STI is the amount accrued and payable in respect of FY23 STI opportunity. It is the cash amount to be paid in August 2023 and excludes any deferred component. It will differ to the amount in section 8.1 as it doesn't include any adjustment relating to prior year under or over accrual.
3 Vested and unrestricted LTI is the value of the vested LTI on the day it is no longer under restriction from sale. The value is the closing share price on the date the LTI is no longer subject to restriction from sale which was $6.70 per share.
4 S Camphausen receives fully paid travel and accommodation for commute from Sydney to Melbourne as an employment condition.
5 The termination payments to D Abotomey referred to here only include the payments of accrued annual and long service leave of $579,258 up to the retirement date as well as the payment of 50 weeks' in lieu of notice of $1,262,740.
6 N Meehan's fixed remuneration and FY22 cash STI pro-ratas for his role as CFO until 6 December 2021, then interim CEO until 8 February 2022 when he was appointed CEO.
7 In FY22, the deferred STI component for N Meehan and C Magill was recognised as cash settled whereas it was partially equity settled in FY23. Hence, the FY22 numbers above have been restated to reclass N Meehan by $37,021 and C Magill by $26,537 from cash STI to Equity settled
8 In FY22, C Magill fixed remuneration excludes the $30,250 allowance for higher duties included in 8.1 as it was a once off and has been accrued and not paid.
9 D Abotomey retired on 6 December 2021 and his fixed remuneration reflects the period under employment. Within the FY22 remuneration report, an amount of $711,447 was initially recorded as accrued FY22 cash STI for D Abotomey. During the AGM on October 19,2022, the resolution on the deferred STI was not carried by the AGM. Subsequently, the accrual was reversed in FY23.
10 From 1 July 2022, the role of EGM Trade was no longer considered to be a KMP. C Magill's remuneration reflects his period as KMP.
11 In FY23, S Camphausen fixed remuneration includes $70,000 allowance for higher duties and has been accrued and not paid.

8. Statutory details of remuneration

The statutory remuneration disclosures for the year ended 30 June 2023 are detailed below under the following headings and are prepared in accordance with Australian Accounting Standards (AASBs).

8.1 Remuneration of KMP

		Short term benefits[1]			Post-employment benefits	Long term benefits	Share based payments	Other		Percentage of remuneration fixed and at risk		
	Year	Cash salary and fees[2]	Cash STI[13]	Non-monetary[1,2]	Superannuation	Annual & Long service leave	Equity settled[8]	Term payments	Total	Fixed	At risk - STI	At risk – LTI
2023		**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**	**%**
NED												
M Haseltine[3,7]	FY23	274,708	-	-	19,057	-	-	-	293,765	100%	-	-
	FY22	362,774	-	-	28,987	-	-	-	391,761	100%	-	-
T Ryan[10]	FY23	35,607	-	-	3,762	-	-	-	39,369	100%	-	-
	FY22	121,629	-	-	12,163	-	-	-	133,792	100%	-	-
J Macdonald[10]	FY23	46,746	-	-	4,935	-	-	-	51,681	100%	-	-
	FY22	139,878	-	-	13,988	-	-	-	153,866	100%	-	-
J Todd	FY23	136,826	-	-	14,388	-	-	-	151,214	100%	-	-
	FY22	112,504	-	-	11,250	-	-	-	123,754	100%	-	-
M Powell	FY23	140,271	-	-	14,754	-	-	-	155,025	100%	-	-
	FY22	130,753	-	-	13,075	-	-	-	143,828	100%	-	-
M Bernhard[4]	FY23	136,826	-	-	14,388	-	-	-	151,214	100%	-	-
	FY22	35,561	-	-	3,556	-	-	-	39,117	100%	-	-
B Soller[10]	FY23	93,335	-	-	9,800	-	-	-	103,135	100%	-	-
	FY22	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
K Spargo[10]	FY23	42,232	-	-	4,434	-	-	-	46,666	100%	-	-
	FY22	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executive Director												
N Meehan[6]	FY23	1,048,275	242,321	-	25,292	21,485	403,874	-	1,741,246	63%	14%	23%
	FY22	879,288	197,140	-	23,568	39,905	235,521	-	1,375,422	63%	13%	24%
D Abotomey[5]	FY23	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	FY22	547,874	631,108	-	24,135	35,701	1,124,49[illegible]	2,318,248	4,681,558	63%	13%	24%
Other KMP												
S Camphausen[10,12]	FY23	742,031	81,550	111,789	25,292	47,055	259,712	-	1,267,430	74%	6%	20%
	FY22	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	FY23	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
C Magill[7,9,11]	FY22	631,919	118,747	-	31,334	14,038	71,422	-	849,460	78%	14%	8%
Total	**FY23**	**2,696,857**	**323,871**	**111,789**	**136,102**	**68,540**	**663,586**	**-**	**4,000,745**			
	FY22	**2,944,180**	**946,995**	**-**	**162,056**	**89,644**	**951,338**	**2,318,248**	**7,892,558**			

1 S Camphausen receives fully paid travel and accommodation for commute from Sydney to Melbourne as an employment condition. There is no non-monetary benefits to KMP in FY23 and FY22.

2 In FY23, Cash salary and fees excludes accrued annual leave and for FY22, $53,463 relating to Executive Director and other KMP have been adjusted to include annual leave accrual in the 'Annual & Long service leave' column which had previously disclosed in cash salary fees.

3 In FY22, M Haseltine was Interim Executive Chair from 6 December 2021 until 31 March 2022 and received $95,342 for these additional services.

4 M Bernhard was appointed 1 March 2022.

5 D Abotomey retired 6 December 2021. In FY22, D Abotomey had $711,447 as FY22 cash STI, $476,250 as separation payment and $480,097 in LTI performance rights accrued but only paid if approved by shareholders at the AGM on 19 October 2022. Since the resolution on the deferred STI, the separation payment, and LTI performance rights was not approved by shareholders. the accrual was subsequently reversed in FY23.

6 N Meehan was appointed Acting CEO on 6 December 2021, CEO on 8 February 2022 and MD & CEO on 1 September 2022.

7 M Haseltine and C Magill received superannuation over the cap of $23,568 due to a processing error in FY22. Amounts paid over the cap reduce FY23 remuneration accordingly.

8 Includes BTB incentive plan. The total amount expensed is determined by reference to market and non-market vesting condition having regard to the terms and conditions upon which the instruments were granted.

9 In FY22, C Magill's cash salary and fees includes a once off payment of $30,250 for higher duties for accountabilities in addition to his EGM Wholesale role during FY22. This has been accrued and cleared in FY23.

10 T Ryan and J Macdonald retired on 30 September 2022 and 19 October 2022 respectively. B Soller, K Spargo and S Camphausen commenced on 1 November 2022, 1 March 2023 and 4 July 2022 respectively.

11 From 1 July 2022, the role of EGM Trade was no longer considered to be a KMP. C Magill's remuneration reflects his period as KMP.

12 In FY23, S Camphausen fixed remuneration included $70,000 allowance for higher duties in addition to his CFO role during FY23. This has been accrued and not paid in FY23.

13 Bonus Includes any prior year variance for accrual estimate versus actual cash paid. In FY22, the deferred STI component for N Meehan and C Magill was recognised as cash settled whereas it was partially equity settled in FY23. Hence, the FY22 numbers above have been restated to reclass N Meehan by $37,021 and C Magill by $26,537 from cash STI to Equity settled.

8.2 Service agreements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements. The provisions of the agreements include:

Contract terms	MD & CEO	CFO
Commencement date	8 February 2022	4 July 2022
Term of agreement	Open ended	Open ended
Fixed annual remuneration ('FAR')	Contract specifies the FAR inclusive of superannuation, motor vehicle, non-cash benefits and FBT thereon.	Contract specifies the FAR inclusive of superannuation, motor vehicle, non-cash benefits and FBT thereon.
Review of FAR	Subject to annual review with no obligation on the company to make changes.	Subject to annual review with no obligation on the company to make changes.
Variable pay	Eligible to participate in the company's incentive arrangements that can vary from time to time. The maximum STI opportunity is 100% of the executive's FAR and the maximum LTI opportunity is 100% of the executive's FAR in FY23.	Eligible to participate in the company's incentive arrangements that can vary from time to time. The maximum STI opportunity is 75% of the executive's FAR and the maximum LTI opportunity is 50% of the executive's FAR in FY23.
Notice period	Subject to a six-month notice period both by the company and by the Executive.	Subject to a six-month notice period both by the company and by the Executive.
Confidentiality	Contract includes provisions requiring the Executive to maintain the confidentiality of company information.	Contract includes provisions requiring the Executive to maintain the confidentiality of company information.
Leave	Contract provides for leave entitlements, as a minimum, in accordance with respective legislation.	Contract provides for leave entitlements, as a minimum, in accordance with respective legislation.
Restraint of trade	Contract includes restraint of trade provision for a period of twelve months after termination of employment.	Contract includes restraint of trade provision for a period of six months after termination of employment.
Termination payments	Contract includes termination payments relating to amounts accrued and earned such as annual leave, long service leave, STI and LTI (subject to vesting conditions and Board approval).	Contract includes termination payments relating to amounts accrued and earned such as annual leave, long service leave, STI and LTI (subject to vesting conditions and Board approval).

Bapcor or the Executive KMP may terminate the employment contract by giving the other six months' written notice before the proposed date of termination, or in Bapcor's case, payment in lieu of notice. Bapcor may terminate the Executive KMP employment immediately and without payment in lieu of notice in certain circumstances including for any serious misconduct. Other than any amounts accrued and earned such as annual leave, long service leave, STI and LTI (subject to vesting conditions and Board approval) there are no termination payments included in the Executive KMP contracts.

8.3 NED remuneration

Fees and payments to NEDs reflect the demands and the responsibilities of the directors. NED fees and payments are reviewed annually by the NRESGC. The NRESGC seeks to set fees at a level that will attract and retain high calibre NEDs who have a diverse range of experience, skills and qualifications to enable effective oversight of management and the company. The NRESGC may, from time to time, receive advice from independent remuneration consultants to ensure NED fees and payments are competitive, appropriate and in line with the market. Refer section four for more details on independent remuneration consultancy received in FY23.

The maximum aggregate fee pool of $1,500,000 was approved by shareholders at the AGM on 20 October 2020.

The following fee policy for the Board and Committees took effect from 1 July 2022:

NED type[1]	Board $	NRESGC $	ARC $
Chair	300,000	30,000	30,000
Member	125,000	15,000	15,000

1 All fee amounts are inclusive of compulsory superannuation obligations.

Fees paid to NEDs in FY23 are set out in the following table. Fees are paid in cash and NEDs were not granted options or share rights. NEDs are not entitled to any payment on retirement or resignation from the Board. Directors may also be reimbursed for expenses properly incurred by the director in connection with the affairs of Bapcor including travel and other expenses whilst attending to company affairs.

NED	Financial year	Board fees $	Committee fees $	Superannuation $	Total $
M Haseltine[4]	2023	274,708	N/A	19,057	293,765
	2022	362,774	N/A	28,987	391,761
T Ryan[1]	2023	27,892	7,715	3,762	39,369
	2022	103,380	18,249	12,163	133,792
J Macdonald[1]	2023	33,716	13,030	4,935	51,681
	2022	103,380	36,498	13,988	153,866
M. Powell	2023	111,875	28,396	14,754	155,025
	2022	103,380	27,373	13,075	143,828
J. Todd[6]	2023	111,875	24,951	14,388	151,214
	2022	103,380	9,124	11,250	123,754
M Bernhard[5]	2023	111,875	24,951	14,388	151,214
	2022	35,301	260	3,556	39,117
B Soller[2]	2023	74,175	19,160	9,800	103,135
	2022	N/A	N/A	N/A	N/A
K Spargo[3]	2023	37,394	4,838	4,434	46,667
	2022	N/A	N/A	N/A	N/A

1 T Ryan retired from the Board from 30 September 2022 and J Macdonald retired from the Board from 19 October 2022.
2 B Soller was appointed as an Independent, Non-Executive Director 1 November 2022.
3 K Spargo was appointed as an Independent, Non-Executive Director 1 March 2023.
4 M Haseltine was Interim Executive Chair from 6 December 2021 until 31 Match 2022 and paid $95,342 for these additional services. M Haseltine also received superannuation over the cap of $23,568 due to a processing error in FY22. Amounts paid over the cap will reduce FY23 remuneration accordingly.
5 M Bernhard was appointed as an Independent, Non-Executive Director 1 March 2021. He became a member of the ARC from 30 May 2022, and a member of the NRESG from 1 October 2022.
6 J Todd became a member of the NRESG from 1 October 2022.

Following external benchmarking, from 1 July 2023 the fee for the Board Chair will increase to $335,000 and the Members' fees will increase to $140,000.

Shares held by NEDs

The Board has a guideline that Non-Executive Directors increase their holding of shares in the company so that within three years of appointment it reaches a minimum level of one times the base board fees. The current shareholding interests of the NEDs is set out in section 8.5.

8.4 Share-based compensation

The following table outlines the details of the LTI grants outstanding for each Executive KMP participant and other movements in performance rights in the year. As performance rights will not vest if the performance conditions are not satisfied, the minimum value of the performance right yet to vest is nil. From FY21 the weighted average face value of shares is used to calculate the number of LTI Performance Rights granted. There were no amounts paid and there were no amounts outstanding or due from KMP in relation to the grant of performance rights during the year.

KMP	Grant date	Balance at Start of Year (Number)	Granted during the year	Vest date	Exercise price	Value at grant date[1]	Quantity vested	Vested%	Quantity forfeited/ lapsed	Forfeited/ lapsed	Quantity remaining (unvested)	Value expensed this year	Maximum total value of grant yet to be expensed
					$	$				%		$ [2]	$
N Meehan	10/09/2020	71,428	-	30/06/2023	-	390,354	-	0%	-71,428	-100%	-	-38,024	N/A
	30/08/2021	51,316	-	30/06/2024	-	270,948	-	0%	-	0%	51,316	-26,000	32,158
	29/03/2022	27,040	-	30/06/2024	-	117,624	-	0%	-	0%	27,040	-14,872	12,168
	12/10/2022	-	11,117	12/10/2022	-	70,482	-11,117	100%	-	0%	-	33,461	N/A
	19/10/2022	-	184,297	30/06/2025	-	903,978	-	0%	-	0%	184,297	159,294	318,587
	8/03/2023	-	156,268	30/06/2025	-	837,596	-	0%	-	0%	156,268	193,766	644,219
S Camphausen	12/10/2022	-	60,083	30/06/2025	-	299,515	-	0%	-	0%	60,083	53,453	106,907
	8/03/2023	-	101,892	30/06/2025	-	620,318	-	0%	-	0%	101,892	143,502	476,817
Total		**149,784**	**513,657**			**3,510,815**	**-11,117**		**-71,428**		**580,896**	**504,580**	**1,590,856**

1 Value at grant date has been determined as the fair value of performance rights at grant.

2 Value expensed this year is the current year expense calculated by allocating the fair value (determined at grant), of the performance rights, over the relevant vesting period as required by the Accounting Standards.

8.5 Equity instrument disclosures relating to KMP

The numbers of ordinary voting shares in the company held during the financial year by each director and other KMP, including their personally related parties, are set out below.

	Balance at start of the year	Received during the year	Dividend reinvestment plan	Purchase of shares	Sale of shares	Resigned / ceased to be KMP	Balance at the end of the year
2023							
Directors							
M Haseltine	61,314	-		12,915			74,229
J Todd	20,000	-	-	7,500			27,500
M Powell	20,000	-	-	5,000			25,000
M Bernhard	5,000	-	-	17,500			22,500
N Meehan	43,325	-	-	37,880			81,205
K Spargo	-	-	-	10,000	-		10,000
B Soller	-	-	-	7,500	-		7,500
Other KMP							
S Camphausen	-	-	-	-			-
Prior KMP[1]							
C Magill	448,719	-	-		(50,000)	(398,719)	-
T Ryan	40,256	-	-	-	-	(40,256)	-
J Macdonald	35,013	-	-	3,000	-	(38,013)	-
Total	**673,627**			**101,295**	**(50,000)**	**(476,988)**	**247,934**

2022						
Directors						
M Haseltine	49,849	-	11,465	-	-	61,314
T Ryan	40,256	-	-	-	-	40,256
J Macdonald	30,013	-	5,000	-	-	35,013
J Todd	20,000	-	-	-	-	20,000
M Powell	13,000	-	7,000	-	-	20,000
M Bernhard	-	-	5,000	-	-	5,000
D Abotomey	1,441,154	-	-	-	(1,441,154)	-
Other KMP						
N Meehan	14,000	-	29,325	-	-	43,325
C Magill	448,719	-	-	-	-	448,719
Prior KMP[1]						
M Cooper	47,027	-	-	-	(47,027)	-
A Laing	3,000	-	-	-	(3,000)	-
T Cockayne	14,184	--	-	-	(14,184)	-
S Drummy	5,750	-	-	-	(5,750)	-
J Nicol	690	-	-	-	(690)	-
Total	**2,127,642**	**-**	**57,790**	**-**	**(1,511,805)**	**673,627**

1 Prior year KMP included in FY23 to ensure opening balance aligns with historical disclosure.

8.6 Total shares under right to KMP

Date granted	Vest date	Expiry date	Exercise price of rights	Quantity
Performance rights plans				
30/08/2021	30/06/2024	30/08/2036	-	51,316
29/03/2022	30/06/2024	29/03/2036	-	27,040
12/10/2022	12/10/2022	12/10/2037	-	60,083
19/10/2022	30/06/2025	19/10/2037	-	184,297
8/03/2023	30/06/2025	8/03/2038	-	101,892
To be determined in FY23 AGM (Not granted)				
8/03/2023	30/06/2025	8/03/2038	-	156,268
Total shares under right				**580,896**

8.7 Equity granted in the 2023 financial year.

The information provided below provides a list of performance rights granted during the 2023 financial year.

8.7.1 Long-term incentive plan

An offer to participate in the FY23 LTI plan was made to two Executive KMP. A summary of the key features of plan is in the following table:

Grant date	12/10/2022		19/10/2022	
Performance hurdle	Relative TSR	ROIC	Relative TSR	ROIC
Performance period	1/07/2022 - 30/06/2025		1/07/2022 to 30/06/2025	
Test date	30/06/2025		30/06/2025	
Expiry date	12/10/2037		19/10/2037	
Quantity granted[2]	30,042	30,041	92,148	92,149
Exercise price	Nil		Nil	
Fair value at grant date[1]	$4.18	$5.79	$4.03	$5.78
Other conditions	Sale restriction to 30/06/2026		Sale restriction to 30/06/2026	
Share price on valuation date	$6.35		$6.34	
Volatility	40.55%		40.55%	
Dividend yield	3.47%		3.47%	
Risk free rate	3.41%		3.41%	

1 The fair value represents the value used to calculate the accounting expense as required by accounting standards.
2 Due to rounding the total shares per tranche are not exactly 50/50 split but approximate that.

8.7.2 Better Than Before incentive plan – structure

An offer to participate in the BTB plan was made to Mr. Camphausen. Mr. Meehan's total FY23 remuneration includes a BTB award, intended to be allocated via performance rights, contingent upon shareholder approval sought during the upcoming Bapcor AGM. A summary of the key features of plan in the following table:

Grant date	08/03/2023		Yet to be determined	
Performance hurdle	ROIC	Net EBIT	ROIC	Net EBIT
Performance period	22/11/2022 to 30/6/2025		22/11/2022 to 30/6/2025	
Vesting date	30/06/2025		30/06/2025	
Expiry date	8/03/2038		8/03/2038	
Quantity granted	50,946	50,946	78,134	78,134
Exercise price	Nil		Nil	
Fair value at grant date[1]	$6.088		$5.36	
Other conditions			Issuance of performance rights subject to shareholder approval at the Company's 2023 Annual General Meeting	
Share price on valuation date	$6.73		$5.94	
Dividend yield	3.27%		3.53%	

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

8.8 Loans and other transactions with KMP

No loans were made to any KMP in FY23 and there are no outstanding loans to any KMP. No other transactions occurred in FY23 with any KMP.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Margaret Haseltine
Chair

16 August 2023
Melbourne

Auditor's Independence Declaration

As lead auditor for the audit of Bapcor Limited for the year ended 30 June 2023, 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 audit; and

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

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

Alison Tait Milner

Alison Tait Milner
Partner
PricewaterhouseCoopers

Melbourne
16 August 2023

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Contents

Bapcor Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Revenue	4	2,021,135	1,841,905
Share of profits of associates accounted for using the equity method	13	1,937	575
Other income	5	2,182	1,709
Expenses			
Cost of sales		(1,077,325)	(982,466)
Employee expenses		(446,749)	(392,889)
Freight		(34,839)	(27,334)
Advertising		(36,668)	(33,654)
Other expenses		(107,984)	(80,292)
Motor vehicles		(17,351)	(14,811)
IT and communications		(30,342)	(26,542)
Depreciation and amortisation expense	6	(96,657)	(88,783)
Finance costs	6	(28,932)	(19,336)
Profit before income tax expense		148,407	178,082
Income tax expense	7	(42,238)	(52,527)
Profit after income tax expense for the year		106,169	125,555
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		3,681	(6,604)
Changes in the fair value of cash flow hedges		(2,021)	3,045
Other comprehensive income for the year, net of tax		1,660	(3,559)
Total comprehensive income for the year		107,829	121,996
Profit for the year is attributable to:			
Non-controlling interest		(279)	(204)
Owners of Bapcor Limited	22	106,448	125,759
		106,169	125,555
Total comprehensive income for the year is attributable to:			
Non-controlling interest		104	(235)
Owners of Bapcor Limited		107,725	122,231
		107,829	121,996
		Cents	**Cents**
Basic earnings per share	25	31.36	37.05
Diluted earnings per share	25	31.23	36.92

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 30 June 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		78,634	80,213
Trade and other receivables	8	239,593	209,826
Inventories	9	519,659	538,688
Derivative financial instruments	18	3,381	6,393
Income tax receivable	7	17,149	6,410
Other assets		-	129
Total current assets		858,416	841,659
Non-current assets			
Right-of-use assets	10	283,775	230,199
Property, plant and equipment	11	115,218	106,924
Intangibles	12	798,740	779,788
Investments accounted for using the equity method	13	10,997	9,071
Deferred tax	7	25,229	23,934
Total non-current assets		1,233,959	1,149,916
Total assets		2,092,375	1,991,575
Liabilities			
Current liabilities			
Trade and other payables	14	259,940	236,561
Provisions	15	47,506	45,958
Lease liabilities	17	72,095	65,067
Derivative financial instruments	18	243	344
Total current liabilities		379,784	347,930
Non-current liabilities			
Provisions	15	17,164	16,744
Borrowings	16	331,138	346,702
Lease liabilities	17	239,184	187,942
Total non-current liabilities		587,486	551,388
Total liabilities		967,270	899,318
Net assets		1,125,105	1,092,257
Equity			
Issued capital	20	867,972	867,972
Reserves	21	4,458	3,149
Retained profits	22	251,665	219,888
Equity attributable to the owners of Bapcor Limited		1,124,095	1,091,009
Non-controlling interest	23	1,010	1,248
Total equity		1,125,105	1,092,257

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 year ended 30 June 2023

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained earnings $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2021	878,652	(10,680)	8,412	165,406	1,405	1,043,195
Profit/(loss) after income tax expense for the year	-	-	-	125,759	(204)	125,555
Other comprehensive income for the year, net of tax	-	-	(3,528)	-	(31)	(3,559)
Total comprehensive income for the year	-	-	(3,528)	125,759	(235)	121,996
Transactions with owners in their capacity as owners:						
Share-based payments (note 34)	-	-	(1,735)	-	-	(1,735)
Non-controlling interest capital	-	-	-	-	78	78
Dividends paid (note 24)	-	-	-	(71,277)	-	(71,277)
Balance at 30 June 2022	878,652	(10,680)	3,149	219,888	1,248	1,092,257

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained earnings $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2022	878,652	(10,680)	3,149	219,888	1,248	1,092,257
Profit/(loss) after income tax expense for the year	-	-	-	106,448	(279)	106,169
Other comprehensive income for the year, net of tax	-	-	1,619	-	41	1,660
Total comprehensive income for the year	-	-	1,619	106,448	(238)	107,829
Transactions with owners in their capacity as owners:						
Share-based payments (note 34)	-	-	(310)	-	-	(310)
Dividends paid (note 24)	-	-	-	(74,671)	-	(74,671)
Balance at 30 June 2023	878,652	(10,680)	4,458	251,665	1,010	1,125,105

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 year ended 30 June 2023

	Note	Consolidated 2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,202,621	2,008,118
Payments to suppliers and employees (inclusive of GST)		(1,881,913)	(1,822,784)
Net cash converted		*320,708*	*185,334*
Payments for new store initial inventory purchases		(14,535)	(9,347)
Payments for restructuring costs		(4,803)	(5,826)
Payments for transformation costs		(19,934)	-
Borrowing costs		(14,378)	(7,378)
Transaction costs relating to acquisition of business		(329)	(442)
Income taxes paid		(53,000)	(57,518)
Net cash from operating activities	26	213,729	104,823
Cash flows from investing activities			
Payment for purchase of business, net of cash and cash equivalents	29	(19,381)	(20,602)
Payment for deferred settlements		(1,007)	(2,047)
Payments for property, plant and equipment	11	(33,751)	(43,577)
Payments for intangibles	12	(7,594)	(13,824)
Proceeds from disposal of property, plant and equipment		2,727	15,553
Net cash used in investing activities		(59,006)	(64,497)
Cash flows from financing activities			
Net proceeds/(repayments) of borrowings		(15,000)	143,049
Dividends paid	24	(74,671)	(71,277)
Repayment of lease liabilities		(66,290)	(69,989)
Borrowing transaction costs		(1,255)	(1,012)
Net cash from/(used in) financing activities		(157,216)	771
Net increase/(decrease) in cash and cash equivalents		(2,492)	41,097
Cash and cash equivalents at the beginning of the financial year		80,213	39,598
Effects of exchange rate changes on cash and cash equivalents		914	(482)
Cash and cash equivalents at the end of the financial year		78,634	80,213

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Reclassifications in prior year
The financial statements contain some reclassifications of prior year disclosures to ensure comparability with the current year and are detailed in the respective notes where they have occurred.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bapcor Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Bapcor Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 1. Significant accounting policies (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Bapcor Limited's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

Note 1. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment of assets
Goodwill and other 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 reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the 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 tax authority, are presented as operating cash flows.

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.

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 within the next financial year are included in the following notes to the consolidated financial statements:

Note 2. Critical accounting judgements, estimates and assumptions (continued)

- Note 8 - Trade and other receivables
- Note 9 - Inventories
- Note 11 - Property, plant and equipment
- Note 12 - Intangibles
- Note 15 - Provisions
- Note 17 - Lease liabilities
- Note 29 - Business combinations
- Note 34 - Share-based payments

Note 3. Segment information

Description of segments
The consolidated entity has identified four operating segments based on the internal reports that are reviewed and used by the MD & CEO (who is identified as the Chief Operating Decision Maker ('CODM')) and is supported by the other members of the executive team and 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:

Bapcor Trade	Represents the trade focused automotive aftermarket parts distribution to independent and chain mechanic workshops. Includes the operations of Burson Auto Parts, Precision Automotive Equipment, Blacktown Auto Spares and the Thailand based operations.
Bapcor Specialist Wholesale	Includes the specialised wholesale distribution and network channel areas of the organisation that focus on a specific automotive area. Includes the operations of AAD, Baxters, Bearing Wholesalers, MTQ Engine Systems, Roadsafe, Diesel Distributors, Federal Batteries, JAS Oceania, Premier Auto Trade, Toperformance, Truckline and WANO.
Bapcor Retail	Represents the retail focused accessory stores that are positioned as the first choice destination for both the everyday consumer and automotive enthusiast as well as the service areas of Bapcor. Includes the operations of Autobarn, Autopro, Midas, ABS and Opposite Lock.
Bapcor NZ	Includes the operations of Brake & Transmission (‘BNT’), Autolign and HCB Technologies.

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, tax and other items which are determined to be outside of the control of the respective segments.

Note 3. Segment information (continued)

Operating segment information

Consolidated - 2023	Bapcor Trade $'000	Bapcor Specialists Wholesale $'000	Bapcor Retail $'000	Bapcor NZ $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	763,158	765,953	426,185	176,087	14	2,131,397
Total segment revenue	763,158	765,953	426,185	176,087	14	2,131,397
Intersegment sales						(110,262)
Total revenue						2,021,135
EBITDA	124,246	102,891	67,648	29,880	(50,368)	274,297
Intersegment EBITDA						(301)
Depreciation and amortisation						(96,657)
Finance costs						(28,932)
Profit before income tax expense						148,407
Income tax expense						(42,238)
Profit after income tax expense						106,169
Assets						
Segment assets	431,262	659,678	500,051	286,373	215,011	2,092,375
Total assets						2,092,375
Liabilities						
Segment liabilities	147,986	158,274	157,065	51,188	452,757	967,270
Total liabilities						967,270

Note 3. Segment information (continued)

Consolidated - 2022	Bapcor Trade $'000	Bapcor Specialists Wholesale $'000	Bapcor Retail $'000	Bapcor NZ $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	685,584	699,450	393,521	171,049	-	1,949,604
Total segment revenue	685,584	699,450	393,521	171,049	-	1,949,604
Intersegment sales						(107,699)
Total revenue						1,841,905
EBITDA	115,069	102,003	66,533	32,848	(27,382)	289,071
Intersegment EBITDA						(2,870)
Depreciation and amortisation						(88,783)
Finance costs						(19,336)
Profit before income tax expense						178,082
Income tax expense						(52,527)
Profit after income tax expense						125,555
Assets						
Segment assets	438,474	633,512	486,240	285,021	148,328	1,991,575
Total assets						1,991,575
Liabilities						
Segment liabilities	153,658	131,630	137,784	48,598	427,648	899,318
Total liabilities						899,318

Geographical information

	Geographical non-current assets	
	2023 $'000	**2022 $'000**
Australia	1,022,573	943,926
New Zealand	185,408	181,168
Other	734	888
	1,208,715	1,125,982

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.

Significant accounting policies

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

	Consolidated 2023 $'000	Consolidated 2022 $'000
Revenue from contracts with customers	2,021,135	1,841,905

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Geographical regions		
Australia	1,947,961	1,773,580
New Zealand	176,087	171,049
Thailand	7,349	4,975
Intersegment sales	(110,262)	(107,699)
	2,021,135	1,841,905
Timing of revenue recognition		
Goods transferred at a point in time	2,097,632	1,918,267
Services transferred over time	33,765	31,337
Intersegment sales	(110,262)	(107,699)
	2,021,135	1,841,905

Significant accounting policies

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 services is recognised over time as the services are rendered in line with the customer contract terms.

Note 5. Other income

	Consolidated	
	2023	2022
	$'000	$'000
Rental income	2,182	1,709

Rental income relates to rental recoveries from franchise locations.

Note 6. Expenses

	Consolidated	
	2023	2022
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment	16,056	15,356
Motor vehicles	7,620	6,743
Properties right-of-use assets	63,769	58,452
Motor vehicles right-of-use assets	487	936
Amortisation of intangibles	8,725	7,296
	96,657	88,783
Finance costs		
Interest and finance charges paid/payable	14,709	8,129
Interest and finance charges paid/payable on lease liabilities	14,223	11,207
	28,932	19,336
Superannuation expense		
Defined contribution superannuation expense	32,442	27,012

Note 7. Income tax

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax expense		
Current tax on profits for the year	40,758	35,606
Deferred tax expense	3,769	16,734
Adjustment recognised for prior periods	(2,289)	187
Aggregate income tax expense	42,238	52,527
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(16,254)	2,707
Increase in deferred tax liabilities	20,023	14,027
Deferred tax expense	3,769	16,734
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	148,407	178,082
Tax at the statutory tax rate of 30%	44,522	53,425
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other	454	(617)
	44,976	52,808
Adjustment recognised for prior periods	(2,289)	187
Difference in overseas tax rates	(449)	(468)
Income tax expense	42,238	52,527

Note 7. Income Tax (continued)

	Consolidated 2023 $'000	Consolidated 2022 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	2,567	2,616
Employee benefits	13,051	12,438
Trade and other receivables	2,164	2,546
Inventory	18,394	20,342
Lease liabilities	92,854	75,405
Other	11,090	6,209
	140,120	119,556
Amounts recognised in equity:		
Transaction costs on share issue	278	567
Share-based payment	620	677
	898	1,244
Deferred tax asset	141,018	120,800
Movements:		
Opening balance	120,800	117,370
Credited/(charged) to profit or loss	16,254	(2,707)
Charged to equity	(289)	(289)
Additions through business combinations	1,167	2,736
Charged to other comprehensive income	(57)	(1,254)
Adjustment recognised for prior periods	3,143	4,944
Deferred tax asset	141,018	120,800
Set-off against Deferred tax liability	(115,789)	(96,866)
Net Deferred tax asset	25,229	23,934

Note 7. Income Tax (continued)

	Consolidated 2023 $'000	Consolidated 2022 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	8,806	6,606
Customer contracts	4,685	4,135
Trademarks	17,064	17,034
Right-of-use assets	84,293	67,295
	114,848	95,070
Amounts recognised in equity:		
Cash flow hedge	941	1,796
Deferred tax liability	115,789	96,866
Movements:		
Opening balance	96,866	80,940
Charged to profit or loss	20,023	14,027
Charged to other comprehensive income	(855)	1,204
Additions through business combinations	(245)	695
Closing balance	115,789	96,866

Significant accounting policies

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets is reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 8. Trade and other receivables

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current assets		
Trade receivables	199,873	181,609
Less: Allowance for credit notes	(1,726)	(1,574)
Less: Allowance for expected credit losses (trade receivables)	(4,694)	(6,783)
	193,453	173,252
Customer loans	129	210
Less: Allowance for expected credit losses (customer loans)	(129)	(210)
	-	-
Other receivables	35,733	24,091
Prepayments	10,407	12,483
	46,140	36,574
	239,593	209,826

Trade receivables are non-interest bearing and repayment terms vary by business unit. The total allowance for expected credit losses is $4,823,000 (2022: $6,993,000).

Customer loans relate to loans with franchisees. Loans with repayment terms of less than twelve months are classified as current. Total customer loans balance of $129,000 is non-interest bearing (2022: $210,000).

Other receivables relate to rebates and other non-trading receivables which are non-interest bearing. Receivables with repayment terms of less than twelve months are classified as current. These receivables are all neither past due nor impaired.

The ageing of the net trade receivables and loans above are as follows:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current and not due	126,827	110,554
31 - 60 days	46,620	45,694
61 - 90 days	8,275	9,034
91+ days	11,731	7,970
	193,453	173,252

Note 8. Trade and other receivables (continued)

Movements in the allowance for expected credit losses of trade receivables and customer loans are as follows:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Opening balance	6,993	7,381
Net additional provisions recognised/(de-recognised)	(371)	5
Additions through business combinations	-	69
Amounts utilised for debt write-off	(1,801)	(451)
Foreign currency translation	2	(11)
Closing balance	4,823	6,993

Bapcor de-recognised $(371,000) in respect of impaired receivables during the financial year (2022: recognised $5,000).

Significant accounting policies

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.

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.

Critical accounting judgements, estimates and assumptions

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Note 9. Inventories

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current assets		
Stock in transit - at cost	23,722	46,878
Stock on hand - at cost	550,102	550,246
Less: Provision for slow moving inventory	(54,165)	(58,436)
	495,937	491,810
	519,659	538,688

Total inventories at cost have decreased by $23.3M since 30 June 2022, due to improvements in managing inventory holdings and driving better efficiencies across the Group.

Movements in provision for slow moving inventory

	Consolidated 2023 $'000	Consolidated 2022 $'000
Opening balance	(58,436)	(53,792)
Additional provisions released	4,523	(5,751)
Additions through business combinations	(2,518)	(3,594)
Inventory written off against provision	2,378	4,512
Foreign currency translation	(112)	189
Closing balance	(54,165)	(58,436)

Significant accounting policies

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

The provision for slow moving inventory represents inventory held in excess of expected sales over defined periods or where the net realisable value is expected to be negligible.

Critical accounting judgements, estimates and assumptions

The provision for slow moving inventory assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience and other factors that affect inventory obsolescence.

Note 10. Right-of-use assets

	Consolidated 2023 $'000	Consolidated 2022 $'000
Non-current assets		
Properties - right-of-use	504,785	387,719
Less: Accumulated depreciation	(221,275)	(158,149)
	283,510	229,570
Motor vehicles - right-of-use	4,531	4,626
Less: Accumulated depreciation	(4,266)	(3,997)
	265	629
	283,775	230,199

The large increase in property right-of-use assets in FY23 was primarily due to $49.5M recognised on commencement of the lease for the Distribution Centre in Queensland as well as $52.5M of option remeasurements. There was a corresponding increase to the property lease liability by the same amount. Refer to note 17.

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

Consolidated	Property $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2021	196,693	1,290	197,983
Additions	38,027	-	38,027
Additions through business combinations (note 29)	2,317	-	2,317
Disposals	(4,526)	(6)	(4,532)
Remeasurements[1]	56,155	290	56,445
Foreign currency translation	(644)	(9)	(653)
Depreciation expense	(57,899)	(936)	(58,835)
Accelerated depreciation expense[2]	(553)	-	(553)
Balance at 30 June 2022	229,570	629	230,199
Additions	66,298	-	66,298
Additions through business combinations (note 29)	816	-	816
Disposals	(3,693)	-	(3,693)
Remeasurements[1]	54,024	119	54,143
Foreign currency translation	263	5	268
Depreciation expense	(62,279)	(487)	(62,766)
Accelerated depreciation expense[2]	(1,490)	-	(1,490)
Balance at 30 June 2023	283,509	266	283,775

(1) Remeasurements occur when options to renew that were previously excluded are subsequently included or when rentals change due to non-fixed rent reviews, causing an adjustment to both right-of-use asset and lease liability balances.
(2) Accelerated depreciation relates to the DC Consolidation projects and is based on the estimated exit dates of each site.

Note 10. Right-of-use assets (continued)

Significant accounting policies
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of twelve months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 11. Property, plant and equipment

	Consolidated	
	2023	2022
	$'000	$'000
Non-current assets		
Plant and equipment - at cost	173,195	150,817
Less: Accumulated depreciation	(83,455)	(67,348)
	89,740	83,469
Motor vehicles - at cost	51,804	47,404
Less: Accumulated depreciation	(26,326)	(23,949)
	25,478	23,455
	115,218	106,924

The amount of work in progress included in plant and equipment is $10,402,000 (2022: $8,669,000) and relates to projects that are not yet completed and therefore are not being depreciated. The work in progress balance in both FY23 and FY22 predominately relate to the Queensland DC consolidation project.

Note 11. Property, plant and equipment (continued)

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

Consolidated	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2021	78,730	21,258	99,988
Additions	34,074	9,503	43,577
Additions through business combinations (note 29)	507	208	715
Disposals[1]	(14,326)	(693)	(15,019)
Foreign currency translation	(160)	(78)	(238)
Accelerated depreciation expense[2]	(822)	-	(822)
Depreciation expense	(14,534)	(6,743)	(21,277)
Balance at 30 June 2022	83,469	23,455	106,924
Additions	31,803	10,472	42,275
Additions through business combinations (note 29)	55	-	55
Disposals[3]	(9,594)	(829)	(10,423)
Foreign currency translation	60	2	62
Accelerated depreciation expense[2]	(822)	-	(822)
Depreciation expense	(15,233)	(7,620)	(22,853)
Balance at 30 June 2023	89,738	25,480	115,218

(1) Disposals for plant and equipment includes the sale of assets for $13.7M to Australia Pacific Airports (Melbourne) Pty Ltd.

(2) Accelerated depreciation relates to the DC Consolidation projects and is based on the estimated exit dates of each site.

(3) Disposals for plant and equipment includes the fit-out contribution of $8.5M for the Queensland DC.

Significant accounting policies

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity 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 is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	2-15 years
Motor vehicles	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 11. Property, plant and equipment (continued)

Critical accounting judgements, estimates and assumptions

The consolidated entity determines the estimated useful lives and related depreciation charges for its property, plant and equipment assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 12. Intangibles

	Consolidated	
	2023 $'000	2022 $'000
Non-current assets		
Goodwill	697,374	677,382
Trademarks	59,058	58,973
Less: Accumulated amortisation	(1,346)	(1,346)
	57,712	57,627
Customer contracts	25,900	25,899
Less: Accumulated amortisation	(13,891)	(12,091)
	12,009	13,808
Software	57,436	49,837
Less: Accumulated amortisation	(25,791)	(18,866)
	31,645	30,971
	798,740	779,788

The amount of work in progress included in software is $5,549,000 (2022: $12,444,000) and relates to eCommerce, inventory and rostering management projects that are not yet completed and therefore are not being amortised.

Note 12. Intangibles (continued)

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

Consolidated	Goodwill $'000	Trademarks $'000	Customer contracts $'000	Computer software $'000	Total $'000
Balance at 1 July 2021	667,879	57,741	15,636	22,628	763,884
Additions	-	-	-	13,824	13,824
Additions through business combinations (note 29)	13,582	-	-	-	13,582
Foreign currency translation	(4,079)	(114)	15	(28)	(4,206)
Amortisation expense	-	-	(1,843)	(5,453)	(7,296)
Balance at 30 June 2022	677,382	57,627	13,808	30,971	779,788
Additions	-	-	-	7,594	7,594
Additions through business combinations (note 29)	17,489	-	-	-	17,489
Disposals	-	-	-	(2)	(2)
Foreign currency translation	2,503	85	1	7	2,596
Amortisation expense	-	-	(1,800)	(6,925)	(8,725)
Balance at 30 June 2023	697,374	57,712	12,009	31,645	798,740

Impairment testing
Impairment testing of assets including goodwill and other intangible assets occurs each year on 31 March balances or when impairment indicators arise. The recoverable amount of assets including goodwill and other indefinite useful life intangible assets is determined based on value-in-use calculations at an individual or a combination of cash-generating units ('CGU') up to the operating segment level. These calculations require the use of key assumptions on which management has based its cash flow projections, as well as pre-tax discount rates. The testing was assessed up until the date of this financial report.

Cash flow projections were based on management forecast expectations based on the FY24 budget and the latest five year forecast model. This has been compiled based on past experience, current performance and market position as well as structural changes and economic factors which have been derived based on external data and internal analysis.

The following key assumptions were used in testing for impairment:

- Pre-tax discount rate: 13.00% for Australian CGUs;13.75% for New Zealand CGU (2022:12.60% for Australian CGUs and 13.40% for New Zealand CGUs)
- Terminal value growth rate beyond 5 years: 2.50% for Australian CGUs and 2.00% for New Zealand CGUs (2022: 2.65% for all CGUs)
- Forecast year on year revenue and EBITDA margin growth ranges as follows:

CGU	Revenue growth average	EBITDA margin growth average
Bapcor Trade	5.5%	0.3 percentage points
Bapcor Specialist Wholesale	5.5%	0.1 percentage points
Bapcor Retail	4.9%	0.2 percentage points
Bapcor New Zealand	5.4%	0.2 percentage points

Note 12. Intangibles (continued)

A reasonable possible change in assumptions would not cause the carrying value of any CGU to exceed its recoverable amount, except for the Bapcor Retail and Bapcor New Zealand CGUs, which remain relatively more sensitive to changes in trading conditions. The following tables show sensitivities based on a set of possible changes in assumptions to the major financial metric percentages within the calculations, and the resulting change to the headroom.

Bapcor Retail CGU

The recoverable amount of the Retail CGU is estimated to exceed its carrying amount at 30 June 2023 by $83.4M.

Financial metric	+5% change	- 5% change
Discount rate	Decrease headroom to $54.8M	Increase headroom to $116.1M
Revenue growth (average)	Increase headroom to $86.9M	Decrease headroom to $79.9M
EBITDA margin (average)	Increase headroom to $107.5M	Decrease headroom to $59.2M
Terminal growth rate	Increase headroom to $99.9M	Decrease headroom to $66.8M

Bapcor New Zealand CGU (NZD)

The recoverable amount of the Bapcor New Zealand CGU is estimated to exceed its carrying amount at 30 June 2023 by $20.2M.

Financial metric	+5% change	- 5% change	- 10% change	- 15% change
Discount rate	Decrease headroom to $4.7M	Increase headroom to $37.7M		
Revenue growth (average)	Increase headroom to $22.1M	Decrease headroom to $18.3M	Decrease headroom to $17.0M	Decrease headroom to $15.4M
EBITDA margin (average)	Increase headroom to $36.0M	Decrease headroom to $4.4M	Impairment of $6.6M	Impairment of $18.2M
Terminal growth rate	Increase headroom to $29.5M	Decrease headroom to $10.8M		

The balances of goodwill and other intangible assets excluding computer software allocated to each segment as at 30 June were:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Goodwill:		
Trade	117,048	117,048
Specialist Wholesale	286,617	273,792
Retail	146,077	141,413
Bapcor NZ	147,632	145,129
	697,374	677,382

Note 12. Intangibles (continued)

	Consolidated 2023 $'000	Consolidated 2022 $'000
Other intangible assets:		
Trade	9	26
Specialist Wholesale	18,097	18,097
Retail	46,330	48,193
Bapcor NZ	5,285	5,119
	69,721	71,435

Significant accounting policies

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Trademarks
Tradenames (including brands) are recognised as intangible assets where a registered trademark is acquired with attributable value. They are valued using a relief from royalty method and are considered indefinite life intangibles and are not amortised unless there is an intention to discontinue their use in which it is amortised over the estimated remaining useful life.

Customer contracts
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life which is currently between 10 and 20 years.

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 consolidated entity 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 is amortised on a straight-line basis over the period of their expected benefit, being their finite life which is currently between 2 and 5 years. Large scale projects are individually assessed as part of the approval process and determination of finite life may exceed this range.

Costs relating to the configuration and customisation of application software relating to a Software as a Service (‘SaaS’) arrangement are expensed when services are received, unless an asset that is under control of the consolidated entity can be separately identified.

Note 12. Intangibles (continued)

Critical accounting judgements, estimates and assumptions

The consolidated entity determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

The consolidated entity tests annually, or more frequently, if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 13. Investments accounted for using the equity method

	Consolidated	
	2023 $'000	2022 $'000
Non-current assets		
Investment in Tye Soon Limited (25% ownership)	10,997	9,071

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	2023 $'000	2022 $'000
Opening carrying amount	9,071	8,102
Profit after income tax	1,937	1,296
Other comprehensive income	(672)	(721)
Foreign currency translation	661	394
Closing carrying amount	10,997	9,071

Bapcor assessed the recoverable amount of this investment for impairment as at 30 June 2023 under the methodologies prescribed by AASB 136 *Impairment of Assets* utilising the publicly available share price on that date. The carrying value of the investment in Tye Soon is currently based on SGD $0.37 per share. The closing share price on 30 June 2023 was SGD $0.37 per share which indicates no further impairment required.

The reported total of profit after income tax and other comprehensive income of $1,265,000 (FY22: $575,000) has been estimated using the latest publicly available information on the Singapore Securities Exchange which is the Tye Soon Limited full-year financial report ended 31 December 2022.

Note 14. Trade and other payables

	Consolidated	
	2023 $'000	2022 $'000
Current liabilities		
Trade payables	210,624	176,971
Accrued expenses	49,316	59,590
	259,940	236,561

Refer to note 27 for further information on financial risk management.

Significant accounting policies

Trade payable and accrued expense amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 to 90 days of recognition.

Note 15. Provisions

	Consolidated	
	2023 $'000	2022 $'000
Current liabilities		
Employee benefits	40,940	39,154
Deferred settlements	-	1,006
Lease make good	3,675	2,884
Restructuring	2,891	2,914
	47,506	45,958
Non-current liabilities		
Employee benefits	3,649	3,661
Deferred settlements	1,125	125
Lease make good	12,390	12,958
	17,164	16,744
	64,670	62,702

Deferred settlements
This provision represents the obligation to pay consideration following the acquisition of a business. It is measured at the present value of the estimated liability.

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Restructuring
This provision represents the estimated termination costs relating to the closure of a number of locations for the Victorian and Queensland DC consolidation projects.

Note 15. Provisions (continued)

Movements in provisions
Movements in each class of provisions during the current financial year, other than employee benefits, are set out below:

Consolidated - 2023	Deferred settlements $'000	Lease make good $'000	Restructuring $'000
Carrying amount at the start of the year	1,131	15,842	2,914
Additional provisions recognised	-	408	-
Additions through business combinations (note 29)	1,000	397	-
Amounts used	(1,006)	(599)	(23)
Foreign currency translation	-	17	-
Carrying amount at the end of the year	1,125	16,065	2,891

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next twelve months.

The following amounts reflect leave that is not expected to be taken within the next twelve months:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Employee benefits obligation expected to be settled after twelve months	3,456	6,513

Significant accounting policies

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within twelve months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 15. Provisions (continued)

Critical accounting judgements, estimates and assumptions

The deferred settlements liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the provisional period is adjusted for retrospectively as part of the fair value of consideration. Thereafter, at each reporting date, the deferred settlement liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Note 16. Borrowings

	Consolidated	
	2023 $'000	2022 $'000
Non-current liabilities		
Secured bank loans	333,468	348,287
Less: unamortised transaction costs capitalised	(2,330)	(1,585)
	331,138	346,702

Refer to note 27 for further information on financial risk management.

Refinancing

In June 2023, Bapcor successfully refinanced $150M of debt facilities due to mature in July 2024, with two new tranches totalling $250M split into tenors maturing in July 2027 and July 2028. Following the completion of this debt refinance, Bapcor has access to a $620M debt facility with a staggered maturity profile of Jul-25, Jul-26, Jul-27 and Jul-28 with ANZ, Westpac, MUFG Bank, HSBC, NAB, Citi and MetLife. The revised debt facility comprises the following tranches:

- $200M three year tranche (existing), available for general corporate purposes - expires July 2025
- $100M seven year tranche (existing), available for general corporate purposes - expires July 2026
- $70M four year tranche (existing), available for working capital purpose - expires July 2026
- $135M four year tranche (revised), available for general corporate purpose - expires July 2027
- $115M five year tranche (revised), available for general corporate purposes - expires July 2028

The facility is secured by way of a fixed and floating charge over Bapcor's assets. There were no changes to the debt covenants with the net leverage ratio being less than 3.0X and the fixed cover charge ratio being greater than 1.75X (on a pre-AASB 16 basis).

Establishment costs incurred during the refinancing are capitalised and amortised over the life of the refinanced tranches (extended periods only) and will be expensed to finance costs as effective interest expense in the statement of comprehensive income. As part of the refinancing process, no pre-existing capitalised borrowing costs were required to be expensed as the refinancing costs incurred relate to the extension periods of the tranche tenor only, and as such the pre-existing capitalised borrowing costs will continue to be amortised as per the original amortisation period identified.

Note 16. Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Total facilities		
Bank loans[1]	589,100	489,200
Used at the reporting date		
Bank loans[1]	333,468	348,287
Unused at the reporting date		
Bank loans[1]	255,632	140,913

(1) Total facilities available at 30 June was $620.0M (2022: $520.0M). The amount used in the above table excludes $30.9M (2022: $30.8M) of facility which relates to bank overdraft $25.0M (2022: $25.0M), credit cards $1.1M (2022: $1.1M) and bank guarantees $4.8M (2022: $4.7M).

Net debt reconciliation

	Consolidated 2023 $'000	Consolidated 2022 $'000
Cash and cash equivalents	78,634	80,213
Lease liabilities	(311,279)	(253,009)
Borrowings excluding unamortised transaction costs capitalised	(333,468)	(348,287)
Net debt	(566,113)	(521,083)
Add: Lease liabilities	311,279	253,009
Add: Net derivative financial instruments	3,138	6,049
Pro-forma net debt as per debt facility agreement	(251,696)	(262,025)

A reconciliation of statutory net debt at the beginning and end of the current and previous financial year is set out below:

Consolidated	Cash $'000	Lease liabilities[1] $'000	Borrowings $'000	Total $'000
Balance at 30 June 2021	39,598	(226,330)	(205,472)	(392,204)
Cash flows	40,106	69,989	(143,049)	(32,954)
Other	509	(96,668)	234	(95,925)
Balance at 30 June 2022	80,213	(253,009)	(348,287)	(521,083)
Cash flows	(2,492)	66,290	15,000	78,798
Other	913	(124,560)	(181)	(123,828)
Balance at 30 June 2023	78,634	(311,279)	(333,468)	(566,113)

(1) The other movements in lease liabilities consists of recognition of new leases and remeasurements as described in note 10.

Note 16. Borrowings (continued)

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 amortised on a straight-line basis over the term of the facility.

Note 17. Lease liabilities

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Current liabilities		
Lease liability - Properties	71,863	64,544
Lease liability - Motor vehicles	232	523
	72,095	65,067
Non-current liabilities		
Lease liability - Properties	239,138	187,834
Lease liability - Motor vehicles	46	108
	239,184	187,942
	311,279	253,009

The large increase in property lease liabilities in FY23 was primarily due to $49.5M recognised on commencement of the lease for the Distribution Centre in Queensland. There was a corresponding increase to the right-of-use assets by the same amount (refer to note 10).

Refer to note 27 for further information on financial risk management.

Significant accounting policies
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Critical accounting judgements, estimates and assumptions
In determining the lease term, the consolidated entity considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) and the option is due within the next 12-24 months. The assessment is reviewed on an ongoing basis as well as if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) any option to renew.

Note 18. Derivative financial instruments

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	3,381	6,393
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	(243)	(344)
	3,138	6,049

Refer to note 27 for further information on financial risk management.

Refer to note 19 for further information on fair value measurement.

Significant accounting policies

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.

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 risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve 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.

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, the amounts recognised in equity are transferred to profit or 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, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Note 19. 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 - 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	3,381	-	3,381
Total assets	-	3,381	-	3,381
Liabilities				
Derivative financial instruments	-	243	-	243
Deferred settlements	-	-	1,125	1,125
Total liabilities	-	243	1,125	1,368

Consolidated - 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	6,393	-	6,393
Total assets	-	6,393	-	6,393
Liabilities				
Derivative financial instruments	-	344	-	344
Deferred settlements	-	-	1,131	1,131
Total liabilities	-	344	1,131	1,475

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. 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 settlements are 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.

Significant accounting policies

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 19. Fair value measurement (continued)

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 20. Issued capital

	Consolidated			
	2023 Shares	**2022 Shares**	**2023 $'000**	**2022 $'000**
Ordinary shares	339,412,500	339,412,500	878,652	878,652
Treasury shares	-	-	(10,680)	(10,680)
	339,412,500	339,412,500	867,972	867,972

There was no movement in ordinary share capital during the current year.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Treasury shares
The average purchase price of treasury shares during the period was nil (2022: nil) per share.

Significant accounting policies

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 21. Reserves

	Consolidated 2023 $'000	Consolidated 2022 $'000
Foreign currency reserve	(9,816)	(13,456)
Cash flow hedge reserve	2,232	4,253
Share-based payments reserve	12,042	12,352
	4,458	3,149

Foreign currency reserve
This reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Cash flow hedge reserve
This reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve
This reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve $'000	Cash flow hedge reserve $'000	Share-based payments reserve $'000	Total $'000
Balance at 1 July 2021	(6,883)	1,208	14,087	8,412
Revaluation	-	4,324	-	4,324
Deferred tax	-	(1,279)	(1,254)	(2,533)
Share-based payment expense	-	-	(481)	(481)
Foreign currency translation	(6,573)	-	-	(6,573)
Balance at 30 June 2022	(13,456)	4,253	12,352	3,149
Revaluation	-	(3,023)	-	(3,023)
Deferred tax	-	1,002	(51)	951
Share-based payment expense	-	-	(259)	(259)
Foreign currency translation	3,640	-	-	3,640
Balance at 30 June 2023	(9,816)	2,232	12,042	4,458

Note 22. Retained profits

	Consolidated	
	2023	2022
	$'000	$'000
Retained profits at the beginning of the financial year	219,888	165,406
Profit after income tax expense for the year	106,448	125,759
Dividends paid (note 24)	(74,671)	(71,277)
Retained profits at the end of the financial year	251,665	219,888

Note 23. Non-controlling interest

Investment in Car Bits Asia, Thailand

	Consolidated	
	2023	2022
	$'000	$'000
Opening balance	1,248	1,405
Non-controlling interest capital injection	-	78
Non-controlling interest loss for the financial year	(279)	(204)
Foreign currency translation	41	(31)
Closing balance	1,010	1,248

In March 2018, the consolidated group entered into a tri-party joint venture in Thailand of the incorporated entity Car Bits Asia., Co. Ltd for the purposes of opening Burson stores in Thailand. The consolidated group currently holds 58% of the shares and is considered to have effective control.

Investment in FiiViQ

In April 2022 Bapcor acquired a 50.5% controlling interest in FiiViQ Pty Ltd ('FiiViQ') to support Bapcor's digital strategy. Their immaterial loss has been included in the table above.

Note 24. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2023	2022
	$'000	$'000
Final dividend for the year ended 30 June 2022 of 11.5 cents (2021: 11.0 cents) per ordinary share	39,033	37,335
Interim dividend for the year ended 30 June 2023 of 10.5 cents (2022: 10.0 cents) per ordinary share	35,638	33,942
	74,671	71,277

Note 24. Dividends (continued)

The Board has declared a final dividend in respect of FY23 of 11.5 cents per share, fully franked. The final dividend will be paid on 19 September 2023 to shareholders registered on 31 August 2023.

The final dividend takes the total dividends declared in relation to FY23 to 22.0 cents per share, fully franked, representing an increase of dividends paid of 2.3% compared to the prior financial year. Dividends paid and declared in relation to FY23 represent 59.6% of pro-forma net profit after tax.

Franking credits

	Consolidated	
	2023 $'000	2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	137,742	128,681

The above amounts represent the balance of the franking account as at the end of the financial 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

Significant accounting policies

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 25. Earnings per share

	Consolidated	
	2023 $'000	2022 $'000
Profit after income tax	106,169	125,555
Non-controlling interest	279	204
Profit after income tax attributable to the owners of Bapcor Limited	106,448	125,759

	Cents	Cents
Basic earnings per share	31.36	37.05
Diluted earnings per share	31.23	36.92

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	339,412,500	339,412,500
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,389,679	1,187,271
Weighted average number of ordinary shares used in calculating diluted earnings per share	340,802,179	340,599,771

Note 25. Earnings per share (continued)

Significant accounting policies

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Bapcor Limited, 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 financial year and excluding treasury shares.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share 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.

Note 26. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2023 **$'000**	**2022** **$'000**
Profit after income tax expense for the year	106,169	125,555
Adjustments for:		
Depreciation and amortisation	96,657	88,783
Net gain on disposal of property, plant and equipment	(826)	(533)
Share of profit - associates	(1,937)	(575)
Amortisation of capitalised borrowing costs	514	669
Non-cash share-based payment expense	(259)	(481)
Lease liabilities interest unwind	14,223	11,206
Change in operating assets and liabilities:		
Increase in trade and other receivables	(18,709)	(14,711)
Decrease/(increase) in inventories	22,001	(83,415)
Decrease/(increase) in other operating assets	(6,189)	12,252
Increase/(decrease) in trade and other payables	16,841	(18,093)
Increase in other provisions	1,408	-
Decrease in other operating liabilities	(16,164)	(15,834)
Net cash from operating activities	213,729	104,823

Significant accounting policies

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

Note 27. Financial risk management

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

The consolidated entity holds the following financial instruments:

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Financial assets		
Cash and cash equivalents	78,634	80,213
Trade and other receivables[1]	229,186	197,343
Derivative financial instruments	3,381	6,393
Total financial assets	311,201	283,949
Financial liabilities		
Trade and other payables	259,940	236,561
Derivative financial instruments	243	344
Deferred settlements	1,125	1,131
Borrowings[2]	333,468	348,287
Lease liabilities	311,279	253,009
Total financial liabilities	906,055	839,332

(1) Trade and other receivables in the table excludes prepayments which are not classified as financial instruments.
(2) Borrowings excludes any unamortised transaction costs capitalised.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations, primarily with respect to the United States dollar and the New Zealand dollar.

Foreign exchange risk arises from future commercial transactions, primarily the purchase of inventory for sales, recognised financial assets and financial liabilities and net investments in foreign operations.

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 25% and 100% of anticipated foreign currency transactions for the subsequent twelve months.

The following table demonstrates the sensitivity to a change in the Australian dollar against other currencies, with all other variables held constant. The impact on profit before tax is due to changes in the fair value of monetary assets and liabilities. The pre-tax impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges as well as foreign currency loans designated as net investment hedges.

Note 27. Financial risk management (continued)

Consolidated - 2023	AUD strengthened % change	Effect on profit before tax	Effect on equity	AUD weakened % change	Effect on profit before tax	Effect on equity
Derivative financial instruments	1%	-	1,637	-	-	(775)
Other financial assets	1%	(689)	-	-	703	-
Other financial liabilities	1%	590	-	-	(602)	-
		(99)	1,637		101	(775)

Consolidated - 2022	AUD strengthened % change	Effect on profit before tax	Effect on equity	AUD weakened % change	Effect on profit before tax	Effect on equity
Derivative financial instruments	1%	-	1,182	1%	-	(1,208)
Other financial assets	1%	(602)	-	1%	614	-
Other financial liabilities	1%	576	-	1%	(588)	-
		(26)	1,182		26	(1,208)

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. The interest rate and term for bank borrowings is determined at the date of each drawdown.

Borrowings obtained at variable rates expose the consolidated entity to cash flow interest rate risk. The consolidated entity, from time to time, enters into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates to manage the risk of adverse fluctuations in the floating interest rate on its borrowings. The consolidated entity entered into interest rate swap contracts during the year ended 30 June 2023.

As at the reporting date, the consolidated entity had the following fixed and variable rate borrowings outstanding:

Consolidated	2023 Weighted average interest rate %	2023 Balance $'000	2022 Weighted average interest rate %	2022 Balance $'000
Borrowings (fixed)	3.77%	100,000	3.77%	100,000
Borrowings (variable)	4.04%	233,468	1.41%	248,287
Net exposure to cash flow interest rate risk		333,468		348,287

As at 30 June, if the weighted average interest rate of the variable bank borrowings component had changed by a factor of + / - 10%, interest expense would increase / decrease by $943,000 (2022: $350,000).

During FY23, the consolidated entity entered into interest rate swaps to hedge against risk of interest rate increases on the variable borrowings. The total notional value of these interest rate swaps was $120.0M which mature beyond 12 months from the 30 June 2023 reporting date.

Note 27. Financial risk management (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk is managed in the following ways:

1) The consolidated entity has a strict code of credit for all customers, including obtaining agency credit information, confirming references and setting appropriate credit limits.
2) Derivative counterparties and cash transactions are limited to high quality independently rated financial institutions with a minimum credit rating of 'A'.
3) Concentrations of credit risk are minimised by undertaking transactions with a large number of customers.
4) In some instances the consolidated entity holds collateral over its trade receivables and loans in the form of personal guarantees and charges under the Personal Property Securities Register.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and note 8. No trade receivables have an external credit rating, and management classify trade receivables on aging profiles.

As well as identifying specific expected credit losses, the consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses on the remaining trade receivable balances through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Bank loans[1]	255,632	140,913

(1) Total debt facilities available at 30 June was $620.0M (2022: $520.0M). The available amount applied to determine the unused amount in the above table excludes $30.9M (2022: $30.8M) of facility which relates to bank overdraft $25.0M (2022: $25.0M), credit cards $1.1M (2022: $1.1M) and bank guarantees $4.8M (2022: $4.7M). Prior year comparatives have been adjusted. Refer to note 16 for further details.

Note 27. Financial risk management (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2023	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Trade and other payables	259,940	-	-	-	259,940
Borrowings[1]	14,849	214,849	141,885	-	371,583
Deferred settlements	1,125	-	-	-	1,125
Lease liabilities	72,095	63,504	110,997	215,675	462,271
Total non-derivatives	348,009	278,353	252,882	215,675	1,094,919
Derivatives					
Forward foreign exchange contracts	243	-	-	-	243
Total derivatives	243	-	-	-	243

Consolidated - 2022	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Trade and other payables	236,561	-	-	-	236,561
Borrowings[1]	8,063	8,063	232,731	130,000	378,857
Deferred settlements	1,006	125	-	-	1,131
Lease liabilities	65,067	55,345	91,018	117,766	329,196
Total non-derivatives	310,697	63,533	323,749	247,766	945,745
Derivatives					
Forward foreign exchange contracts	344	-	-	-	344
Total derivatives	344	-	-	-	344

(1) Borrowings contractual cash flows include an interest component based on the drawn/undrawn ratio and interest rate applicable as at reporting date until maturity of the loan facility.

Fair value of financial instruments
The fair value of financial assets and liabilities disclosed in the statement of financial position do not differ materially from their carrying values.

Capital risk management
The consolidated entity's policy is to maintain a capital structure for the business which ensures sufficient liquidity and support for business operations, maintains shareholder and market confidence, provides strong stakeholder returns, and positions the business for future growth. In assessing capital management both equity and debt instruments are taken into consideration.

The ongoing maintenance of this policy is characterised by:

- ongoing cash flow forecast analysis and detailed budgeting processes which, combined with continual development of banking relationships, is directed at providing a sound financial positioning for the consolidated entity's operations and financial management activities; and
- a capital structure that provides adequate funding for potential acquisition and investment strategies, building future growth in shareholder value. The loan facility can be partly used to fund significant investments as part of this growth strategy.

Note 27. Financial risk management (continued)

The consolidated entity is not subject to externally imposed capital requirements, other than contractual banking covenants[1] and obligations. All bank lending requirements have been complied with during the year and at the date of this report, which include the following covenants:

- Net leverage ratio not exceeding 3.00:1 (Net Debt / EBITDA); and
- Fixed charge cover ratio not below 1.75:1 (EBITDA plus Rent / Net Total Cash Interest plus Rent)

(1) Banking covenants calculations exclude the impacts of AASB 16 Leases.

Note 28. Related party transactions

Parent entity
Bapcor Limited is the parent entity. Refer to note 31 for supplementary information about the parent entity including internal dividends received.

Subsidiaries
Interests in subsidiaries are set out in note 32.

Key management personnel
Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the directors' report.

Note 29. Business combinations

Current financial year acquisitions
The consolidated entity acquired the following businesses:

- Autobarn Altona
- Autobarn Cranbourne
- Autobarn Frankston
- Autobarn Dandenong
- Autobarn Mornington
- Autobarn Ferntree Gully
- Autobarn Ipswich
- Absolute Spares Pty Ltd
- MJF Truck and Trailer Parts
- E-Max Australia Pty Ltd

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

Note 29. Business combinations (continued)

On 12 May 2023, Bapcor completed the acquisition of E-Max Australia, a leading specialist product provider in the Australian truck market. The assets and liabilities recognised as a result of the E-Max Australia acquisition is set out below. Stores and smaller business combinations have been aggregated. These are provisional at the time of this report and the fair values are to be finalised within the acquisition period of twelve months from acquisition date.

	E-Max Australia Fair value $'000	Other acquisitions Fair value $'000	Total $'000
Cash and cash equivalents	-	10	10
Trade and other receivables	80	-	80
Inventories	406	2,564	2,970
Plant and equipment	11	43	54
Right-of-use assets	-	816	816
Deferred tax asset	204	718	922
Trade and other payables	(194)	(188)	(382)
Provisions	(79)	(90)	(169)
Lease liability	-	(816)	(816)
Net assets acquired	428	3,057	3,485
Goodwill	11,465	6,026	17,491
Acquisition-date fair value of the total consideration transferred	11,893	9,083	20,976
Representing:			
Cash paid	10,893	8,498	19,391
Deferred settlement	1,000	-	1,000
Debt forgiven	-	585	585
	11,893	9,083	20,976
Cash used to acquire business, net of cash acquired:			
Cash consideration	10,893	8,498	19,391
Less: cash and cash equivalents	-	(10)	(10)
Net cash used	10,893	8,488	19,381

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

Note 29. Business combinations (continued)

Significant accounting policies

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. 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, any non-controlling interest in the acquiree is recognised 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.

Critical accounting judgements, estimates and assumptions

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 30. Deed of cross guarantee

The following entities are party to a deed of cross guarantee entered into in August 2020 under which each company guarantees the debts of the others. The companies below represent a 'Closed Group' for the purposes of the class order outlined below.

Bapcor Limited
Bapcor Finance Pty Ltd
Bapcor Services Pty Ltd
Bapcor Logistics Services Pty Ltd[1]
Bapcor International Pty Ltd[1]
Burson Automotive Pty Ltd
Car Bitz & Accessories Pty Ltd
Aftermarket Network Australia Pty Ltd
Bapcor Retail Pty Ltd
Midas Australia Pty Ltd
Specialist Wholesalers Pty Ltd
MTQ Engine Systems (Aust) Pty Ltd
Baxters Pty Ltd
AADi Australia Pty Ltd
Diesel Distributors Australia Pty Ltd
Ryde Batteries (Wholesale) Pty Ltd
Federal Batteries Qld Pty Ltd
Premier Auto Trade Pty Ltd
JAS Oceania Pty Ltd
Australian Automotive Electrical Wholesale Pty Ltd
Low Voltage Pty Ltd
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
Bapcor Australia Pty Ltd

(1) These entities were added to the deed of cross guarantee in October 2021.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

Note 30. Deed of cross guarantee (continued)

Set out below is a consolidated statement of comprehensive income and statement of financial position of the Closed Group.

Statement of comprehensive income	**2023 $'000**	**2022 $'000**
Revenue	1,837,699	1,666,016
Share of profits of associates accounted for using the equity method	1,937	575
Other income	2,182	1,709
Expenses	(1,716,346)	(1,513,737)
Profit before income tax expense	125,472	154,563
Income tax expense	(35,795)	(42,449)
Profit after income tax expense	89,677	112,114
Other comprehensive income		
	1,620	(3,527)
Other comprehensive income for the year, net of tax	1,620	(3,527)
Total comprehensive income for the year	91,297	108,587

Equity - retained profits	**2023 $'000**	**2022 $'000**
Retained profits at the beginning of the financial year	143,162	102,325
Profit after income tax expense	89,677	112,114
Dividends paid	(74,671)	(71,277)
Retained profits at the end of the financial year	158,168	143,162

Note 30. Deed of cross guarantee (continued)

Statement of financial position	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	46,919	45,638
Trade and other receivables	214,018	188,721
Inventories	470,711	485,989
Derivative financial instruments	3,281	5,400
Income tax receivable	18,814	10,584
Other	-	129
	753,743	736,461
Non-current assets		
Right-of-use assets	259,963	206,944
Property, plant and equipment	106,085	98,803
Intangibles	645,543	628,831
Deferred tax	14,456	18,855
Intercompany	22	13,825
Other	348,323	346,397
	1,374,392	1,313,655
Total assets	2,128,135	2,050,116
Current liabilities		
Trade and other payables	235,933	215,631
Provisions	45,007	43,811
Lease liabilities	64,789	58,282
Derivative financial instruments	163	274
	345,892	317,998
Non-current liabilities		
Provisions	16,102	15,723
Borrowings	330,670	346,415
Lease liabilities	220,758	169,994
	567,530	532,132
Total liabilities	913,422	850,130
Net assets	1,214,713	1,199,986
Equity		
Issued capital	867,972	867,972
Reserves	188,573	188,852
Retained profits	158,168	143,162
Total equity	1,214,713	1,199,986

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent	
	2023 $'000	2022 $'000
Statement of comprehensive income		
Loss after income tax	(28,203)	(22,634)
Internal dividend income	18,008	322,000
Total comprehensive income	(10,195)	299,366

	Parent	
	2023 $'000	2021 $'000
Statement of financial position		
Total current assets	-	-
Total assets	909,491	994,665
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	867,974	867,974
Other reserves	12,043	12,352
Current year profits/(losses)	(28,203)	(22,634)
Internal dividend income	18,008	322,000
Dividends paid	(74,671)	(71,277)
Prior years retained earnings	114,340	(113,750)
Total equity	909,491	994,665

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies of the consolidated entity:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Bapcor Finance Pty Ltd	Australia	100.0%	100.0%
FiiViQ Pty Ltd	Australia	50.5%	50.5%
Bapcor Services Pty Ltd	Australia	100.0%	100.0%
Bapcor Logistics Services Pty Ltd	Australia	100.0%	100.0%
Bapcor International Pty Ltd	Australia	100.0%	100.0%
Bapcor Asia Pte Ltd	Singapore	100.0%	100.0%
Car Bits Asia Co. Ltd	Thailand	57.8%	57.8%
Burson Automotive Pty Ltd	Australia	100.0%	100.0%
Blacktown Auto Engineers Pty Ltd	Australia	100.0%	100.0%
Car Bitz & Accessories Pty Ltd	Australia	100.0%	100.0%
Aftermarket Network Australia Pty Ltd	Australia	100.0%	100.0%
Bapcor Retail Pty Ltd	Australia	100.0%	100.0%
Midas Australia Pty Ltd	Australia	100.0%	100.0%
Specialist Wholesalers Pty Ltd	Australia	100.0%	100.0%
MTQ Engine Systems (Aust) Pty Ltd	Australia	100.0%	100.0%
Baxters Pty Ltd	Australia	100.0%	100.0%
AADi Australia Pty Ltd	Australia	100.0%	100.0%
A&F Drive Shaft Repair Queensland Pty Ltd[1]	Australia	100.0%	100.0%
Diesel Distributors Australia Pty Ltd	Australia	100.0%	100.0%
Ryde Batteries (Wholesale) Pty Ltd	Australia	100.0%	100.0%
Federal Batteries Qld Pty Ltd	Australia	100.0%	100.0%
Premier Auto Trade Pty Ltd	Australia	100.0%	100.0%
JAS Oceania Pty Ltd	Australia	100.0%	100.0%
Australian Automotive Electrical Wholesale Pty Ltd	Australia	100.0%	100.0%
Low Voltage Pty Ltd	Australia	100.0%	100.0%
Don Kyatt Spare Parts (Qld) Pty Ltd	Australia	100.0%	100.0%
He Knows Truck Parts Pty Ltd	Australia	100.0%	100.0%
I Know Parts and Wrecking Pty Ltd	Australia	100.0%	100.0%
Commercial Spares Pty Ltd	Australia	100.0%	100.0%
Commercial Parts Pty Ltd	Australia	100.0%	100.0%
Bapcor New Zealand Ltd	New Zealand	100.0%	100.0%
Bapcor Automotive Ltd	New Zealand	100.0%	100.0%
Brake & Transmission NZ Ltd	New Zealand	100.0%	100.0%
Diesel Distributors Ltd	New Zealand	100.0%	100.0%
Bapcor Services New Zealand Ltd	New Zealand	100.0%	100.0%
HCB Technologies Ltd	New Zealand	100.0%	100.0%
Renouf Corporation International[1]	United States	100.0%	100.0%
Benequity Properties, LLC[1]	United States	100.0%	100.0%
Bapcor Australia Pty Ltd[1]	Australia	100.0%	100.0%
Precision Equipment New Zealand	New Zealand	100.0%	100.0%
Hellaby Resource Services Ltd[1]	New Zealand	100.0%	100.0%

(1) These subsidiaries are non-trading.

Note 33. Related party transactions - key management personnel disclosures

Compensation

	Consolidated 2023 $	Consolidated 2022 $
Short-term employee benefits	3,132	4,008
Post-employment benefits	136	162
Long-term benefits	69	36
Share-based payments	664	1,368
Other benefits[1]	-	2,318
	4,001	7,892

(1) Other benefits for FY22 relates to termination payments as detailed in the Remuneration Report within the Directors' Report.

Loans

Refer to the audited Remuneration Report within the Directors' Report for further details on key management personnel compensation. There are no other transactions with key management personnel.

Note 34. Share-based payments

The LongTerm 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 audited Remuneration Report within the Directors' Report for further information on the LTI.

In FY23 the ambitious 'Better Than Before' (BTB) LTI plan was launched to drive a collective focus on the successful execution of Bapcor's business transformation program. The BTB LTI plan is centred on surpassing stretch targets and will reward team members at multiple levels across the Group for successful delivery. The allocated Performance Rights have a performance period that ends on 30 June 2025 at which time the performance hurdles are tested.

A summary of the terms for the Performance Rights granted in the current financial year is in the following table:

Grant date	12/10/22		19/10/22		08/03/23		To be determined	
Performance hurdle	TSR	ROIC	TSR	ROIC	ROIC	EBIT	ROIC	EBIT
Performance period	1/7/22 to 30/06/25		1/7/22 to 30/06/25		22/11/2022 to 30/06/25		22/11/2022 to 30/06/25	
Test date	30/06/25		30/06/25		30/06/25		30/06/25	
Expiry date	12/10/37		19/10/37		8/03/2038		8/03/2038	
Quantity granted[1]	171,711	171,716	92,148	92,149	1,716,516		156,268	
Exercise price	Nil		Nil		Nil		Nil	
Fair value at grant date[1]	$4.18	$5.79	$4.03	$5.78	$6.09		$5.36	
Other conditions	Restriction on sale to 30/06/26		Restriction on sale to 30/06/26		Restriction on sale to 30/06/26		Restriction on sale to 30/06/26	
Share price on valuation date	$6.35		$6.34		$6.73		$6.73	
Volatility	40.55%		40.55%		N/a		N/a	
Dividend yield	3.47%		3.47%		3.27%		3.27%	
Risk free rate	3.41%		3.41%		N/a		N/a	

Note 34. Share-based payments (continued)

(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%

Return on Invested Capital ('ROIC')

Fifty per cent of the Performance Rights granted to a participant will vest by reference to a ROIC performance hurdle over the performance period (being the simple average of the ROIC as at 30 June 2023, 30 June 2024 and 30 June 2025). Each tranche of Performance Rights subject to the ROIC hurdle will vest as follows:

Bapcor's ROIC	Percentage of ROIC Rights Vesting
Less than 11.5%	Nil
11.5%	50%
Greater than 11.5% and less than 12%	Pro-rata straight-line vesting
Equal to or greater than 12%	100%

Metrics for Performance Rights granted 08/03/2023

Vesting of Performance Rights granted 08/03/2023 is subject to continued service and meeting the return on invested capital (ROIC) hurdle and net earnings before interest and tax (EBIT) hurdle as set out below. satisfaction of the net EBIT benefit hurdle applies on a straight-line vesting basis between threshold and maximum EBIT performance.

The Board has determined that the ROIC Hurdle will be calculated as the simple average of the ROIC as at 30 June 2023, 30 June 2024 and 30 June 2025.

The Board has determined that the Net EBIT Hurdle will be calculated as the EBIT benefit in FY25 from initiatives included in 'Better than Before' and after deducting the costs of this incentive program.

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. As per the Bapcor Employee Equity Plan, the expiry date is 6 September 2035, 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.

Note 34. Share-based payments (continued)

Set out below are summaries of Performance Rights which have been granted:

2023

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/09/2020	30/06/2023	$0.00	264,030	-	-	(264,030)	-
20/10/2020	30/06/2023	$0.00	134,006	-	-	(134,006)	-
30/08/2021	30/06/2024	$0.00	201,434	-	-	(14,652)	186,782
19/10/2021	30/06/2024	$0.00	47,126	-	-	(47,126)	-
29/03/2022	30/06/2024	$0.00	27,040	-	-	-	27,040
12/10/2022 [1]	12/10/2022 [1]	$0.00	-	41,122	(41,122)	-	-
12/10/2022	30/06/2025	$0.00	-	343,427	-	-	343,427
19/10/2022	30/06/2025	$0.00	-	184,297	-	-	184,297
08/03/2023 [2]	30/06/2025	$0.00	-	1,716,516	-	-	1,716,516
			673,636	2,285,362	(41,122)	(459,814)	2,458,062

(1) The Performance Rights with a grant and vesting date of 12 October 2022 relate to the FY22 deferred STI which was to be issued as Performance Rights as detailed in the Remuneration Report within the 30 June 2022 Financial Report. They vested on the same day they were granted with no incremental performance hurdles (as the performance hurdles were met as part of the FY22 STI offer).

(2) In addition, Bapcor has made an offer of 156,268 Performance Rights to the Company's CEO under the BTB incentive program. The issuance of such Performance Rights is subject to shareholder approval at the Company's 2023 Annual General Meeting.

2022

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ other	Balance at the end of the year
06/09/2019	30/06/2022	$0.00	305,338	-	-	(305,338)	-
01/11/2019	30/06/2022	$0.00	209,560	-	-	(209,560)	-
10/09/2020	30/06/2023	$0.00	374,574	-	-	(110,544)	264,030
20/10/2020	30/06/2023	$0.00	201,008	-	-	(67,002)	134,006
30/08/2021	30/06/2024	$0.00	-	231,936	-	(30,502)	201,434
19/10/2021	30/06/2024	$0.00	-	141,376	-	(94,250)	47,126
29/03/2022	30/06/2024	$0.00	-	27,040	-	-	27,040
			1,090,480	400,352	-	(817,196)	673,636

The weighted average exercise price for the Performance Rights exercised in the current financial year was nil. (2022: nil).

The weighted average contractual lives are 1.86 years (2022: 1.56 years).

The gain arising from share-based payment transactions relating to the LTI during the year as part of employee benefits expense was $258,921 (2022: gain of $481,000). This was due to the reversal of forfeited and lapsed rights as well as reversal of expense on non-market hurdles that have not been met.

Note: The numbers in the disclosures above include amounts relating to employees that are not key management personnel and therefore differ to those presented in audited Remuneration Report within the Directors' Report.

Note 34. Share-based payments (continued)

Significant accounting policies

Share-based compensation benefits are provided to employees via the Long-Term Incentive ('LTI') plan. The fair value of performance rights granted under the LTI 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 profit or loss, 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.

Critical accounting judgements, estimates and assumptions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 35. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company:

	Consolidated	
	2023	2022
	$	$
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	696,262	649,317

Note 36. Commitments and contingent liabilities

Commitments

	Consolidated	
	2023	2022
	$'000	$'000
Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Guarantees in relation to leases	4,722	4,747
Supply of equipment[1]	5,588	13,427

(1) The commitments in relation to supply of equipment relate to the DC Consolidation projects.

Note 36. Commitments and contingent liabilities (continued)

Contingent liabilities

There are no contingent liabilities (2022: Nil).

Note 37. Events after the reporting period

Apart from the dividend declared as disclosed in note 24, no other matter or circumstance has arisen since 30 June 2023 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.

Bapcor Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 30 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

____
Margaret Haseltine
Chair

16 August 2023
Melbourne

Independent auditor's report

To the members of Bapcor Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Bapcor Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*
For the purpose of our audit we used overall Group materiality of $7.4 million, which represents approximately 5% of the Group's profit before tax. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of goodwill *(Refer to note 12)* At 30 June 2023, the Group recognised $697.4 million of goodwill. At least annually, an impairment test is performed by the Group over the goodwill and trademarks with indefinite lives. The Group identified the Cash Generating Units (CGU) as Trade, Retail, Specialist Wholesale and New Zealand, for the impairment assessment of goodwill. The Group performed an impairment assessment for each CGU, by preparing a financial model to determine if the carrying value of the assets is supported by forecast future cash flows, discounted to present value (the "models"). We considered the carrying value of goodwill to be a key audit matter due to the size of the balances and assumptions applied by the Group in estimating future cash flows.	Our audit procedures included the following, amongst others: • Assessing whether the allocation of the Group's goodwill into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting • Assessing whether the grouping of CGUs appropriately included the assets, liabilities and cash flows directly attributable to each CGU and an allocation of corporate assets • Assessing the Group's historical ability to forecast cash flows by comparing budgets to actual results for the past 3 years • Assessing key assumptions within the models for reasonableness with reference to external market data where possible • Together with PwC valuation experts, comparing the post-tax discount rate and terminal growth rate used in the models to external market data • Evaluating the reasonableness of disclosures in the financial report in light of the requirements of Australian Accounting Standards.
Carrying value of inventory *(Refer to note 9)* At 30 June 2023, the Group recorded a provision for slow-moving inventory of $54.2 million. The provision is calculated by applying judgemental provisioning rates to slow-moving inventory. We considered this to be a key audit matter because of the significant judgement required by the Group in determining the methodology used to calculate the net realisable value of inventory and the potentially material impact that changes in the provision could have on the financial report.	Our audit procedures included the following, amongst others: • Considering whether all the necessary inventory balances were included in the inventory provision calculation • Obtaining the Group's inventory provision assessments and evaluating the appropriateness of the methodology used in light of the requirements of Australian Accounting Standards • Agreeing a sample of key inputs to supporting evidence • Considering the reasonableness of disclosures in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Preliminary final report and Directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report

-

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 39 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Bapcor Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Alison Tait Milner
Partner

Melbourne
16 August 2023

Directors	Margaret Haseltine (Chair) Noel Meehan (Managing Director and Chief Executive Officer) Mark Bernhard (Independent, Non-Executive Director) Mark Powell (Independent, Non-Executive Director) Brad Soller (Independent, Non-Executive Director) Kathryn Spargo (Independent, Non-Executive Director) James Todd (Independent, Non-Executive Director)
Company secretary	George Sakoufakis
Notice of annual general meeting	The details of the annual general meeting of Bapcor Limited are: Date: 17 October 2023 Time: 1:30pm Address: 127-139 Link Road, Melbourne Airport, VIC, 3045
Registered office	127-139 Link Road Melbourne Airport VIC 3045 Australia
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford VIC 3067 Australia Ph: +61 3 9415 4000 or 1300 850 505 (within Australia)
Auditor	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia
Stock exchange listing	Bapcor Limited shares are listed on the Australian Securities Exchange (ASX: BAP)
Website	www.bapcor.com.au