



Annual Report 2019



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## **Annual General Meeting**

**Date** 1 November 2019

**Time** 1.30pm

**Address** Holding Redlich  
Level 8, 555 Bourke Street  
Melbourne VIC 3000

Bapcor Limited  
ACN 153 199 912

## Vision Statement

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**We are Australasia's leading provider of automotive aftermarket parts, accessories, automotive equipment and services; operating out of over 950 locations across Australia, New Zealand and Thailand.**

**Bapcor's core business is the automotive aftermarket. Our businesses span the end-to-end aftermarket supply chain covering Trade, Specialist Wholesale, Retail & Service.**

## Highlights

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**Group Revenue\***  
up by 4.8% to

**\$1,297m**



**NPAT\***  
Growth of 9.0%

**\$94.3m**



**EBITDA\***  
Growth of 9.8%

**\$164.6m**



**Locations**

**950+**



**Countries**

**3**



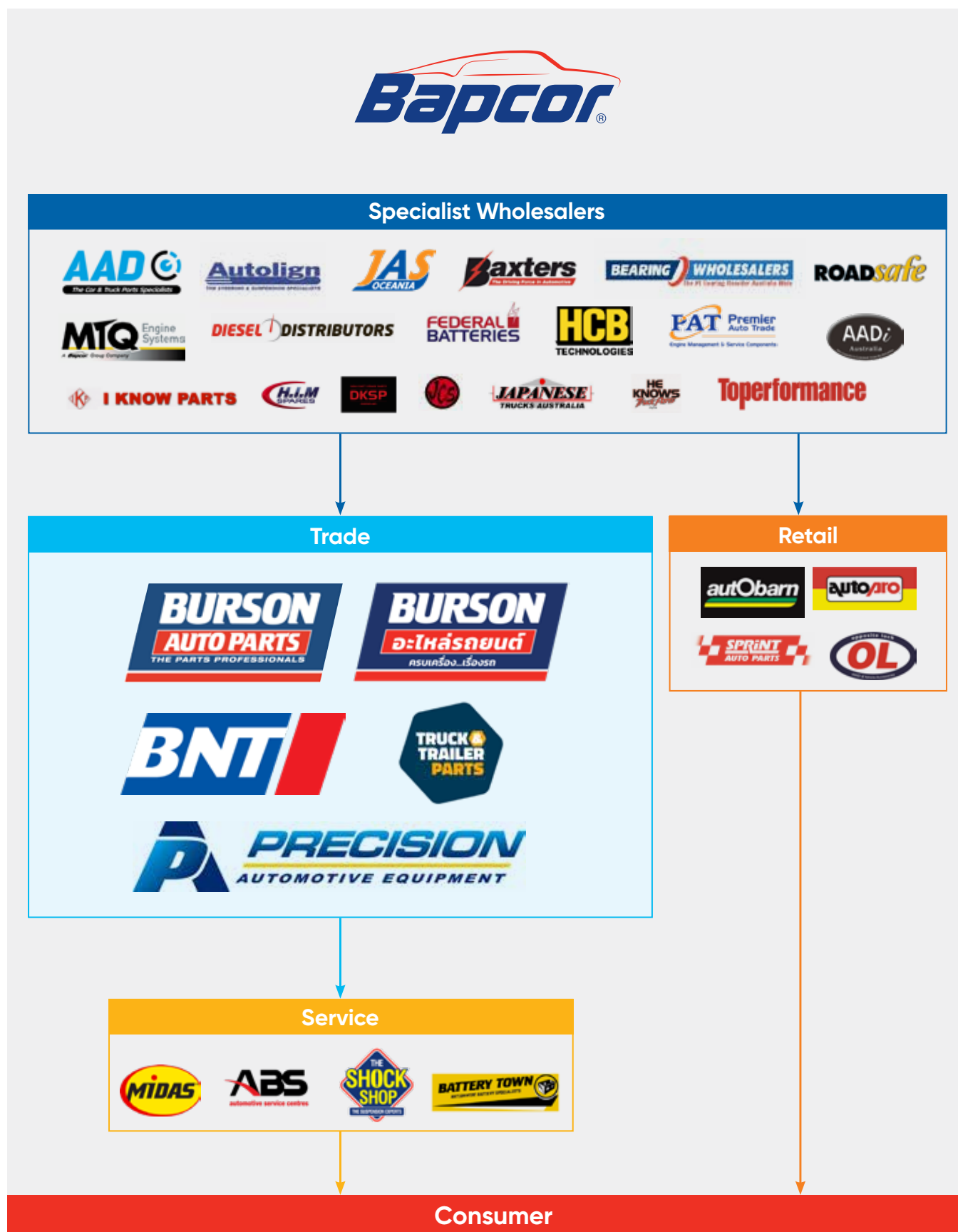
**Employees**

**4,500+**

\*Proforma results excluding discontinuing operations.

Specialist Wholesalers	Trade	Retail	Service
<p><b>AAD</b> Specialises in the import, re-manufacture and wholesale of premium quality brake, clutch, steering, suspension, cooling, engine and servicing products.</p> <p><b>AADi Australia</b> Specialist importer/distributor of driveshaft/CV, wheel bearing and shock absorber products.</p> <p><b>Autolign</b> New Zealand's largest specialised steering and suspension product importer and distributor.</p> <p><b>Baxters</b> One of Australia's largest automotive electrical parts distributors, specialising in heavy duty and industrial applications.</p> <p><b>Bearing Wholesalers</b> Australia's top selling distributor of automotive bearings and provides repairers with a comprehensive range of bearings, oil seals, drive shafts, CV joints and engine belts.</p> <p><b>Commercial Truck Parts Group</b> Comprised of Don Kyatt Spare Parts (QLD), I Know Parts, H.I.M. Spares, Japanese Commercial Spares, Japanese Trucks Australia, and He Knows Truck Parts. The leading distributor of light commercial truck parts and accessories across Australia.</p> <p><b>Diesel Distributors</b> Leading supplier of spare parts and components for diesel fuel injection systems.</p> <p><b>Federal Batteries</b> Australian specialist supplier of premium and high-end quality batteries for use across a wide range of passenger and vehicle applications.</p> <p><b>HCB Technologies</b> Leading New Zealand battery and associated accessories supplier for automotive, commercial, marine and deep cycle applications.</p> <p><b>JAS Oceania</b> Leading trans-tasman based supplier of quality automotive electrical parts and accessories for passenger cars, commercial vehicles, agricultural machinery and marine applications.</p> <p><b>MTQ Engine Systems</b> Australia's largest diesel fuel injection and turbo charger sales and service provider to the trade.</p> <p><b>Premier Auto Trade</b> Leading importer and wholesaler of electronic fuel injection, engine management and service components.</p> <p><b>Roadsafe Automotive Products &amp; Toperformance Products</b> A wholesale distributor, specialising in under car and 4WD components, offering Australia's most comprehensive array of steering and suspension components. Toperformance Products is a specialist high-end suspension distributor to the Australian market.</p>	<p><b>Burson Auto Parts</b> Australia's leading national distributor of automotive parts, accessories and equipment to automotive workshops.</p> <p><b>Burson Auto Parts Thailand</b> Provides a wide-range of automotive parts and accessories to trade and retail customers through a store network across Bangkok.</p> <p><b>Brake &amp; Transmission (BNT)</b> New Zealand's premier supplier of automotive parts to workshops.</p> <p><b>Precision Equipment</b> Leading trans-tasman supplier of automotive workshop equipment to car dealerships, service and repair workshops.</p> <p><b>Truck &amp; Trailer Parts</b> Operates in the heavy haulage and general commercial vehicle aftermarket in New Zealand.</p>	<p><b>Autobarn</b> The premium retail offering throughout Australia, providing customers with exactly what they want for their car. Autobarn stores also fit what they sell.</p> <p><b>Autopro</b> Established in 1982, Autopro is Australia's oldest independent automotive aftermarket parts and accessories retailer.</p> <p><b>Opposite Lock</b> Four-wheel drive specialist accessory retail chain operating in Australia and selected export markets. Offering a comprehensive range of accessories and equipment to suit all popular 4x4s and SUVs.</p> <p><b>Sprint Auto Parts</b> A South Australian icon, Sprint outlets provide a full range of quality automotive parts and accessories for both retail and trade customers.</p>	<p><b>ABS</b> One-stop independently operated shops for all servicing needs; spanning logbook services, brake, clutch, cooling system, suspension, steering and all other mechanical repairs or services.</p> <p><b>Battery Town</b> New Zealand chain of specialist auto electrical services workshops.</p> <p><b>Midas</b> Australia's full auto service experts, providing car servicing, brakes, suspension and all general repair requirements for the growing, and increasingly diverse, automotive car parc.</p> <p><b>The Shock Shop</b> New Zealand's largest chain of dedicated steering and suspension specialist workshops.</p>

# Automotive Aftermarket Supply Chain



### Trade

#### 57% Segment Contribution

Trade focussed "parts professionals" supplying workshops in Australia & New Zealand

### Specialist Wholesale

#### 27% Segment Contribution

#1 or #2 Industry category specialists in parts programs

### Retail

#### 16% Segment Contribution

Premium retailer of automotive accessories  
Supplying the independents: parts, accessories & 4WD

### Service

Reliable & trusted car servicing at affordable prices  
Supporting the independents

### Asia

Bringing automotive aftermarket parts to Asia

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**230**

AUS Target  
Stores

Currently 181

**75**

NZ Target  
Stores

Currently 58

**25**

NZ Relocation &  
Refurb Target

Currently 6

**35%**

Own brand  
Target

Currently 24%

**A\$600m**

AUS Target  
Turnover

Currently A\$437m

**A\$50m**

NZ Target  
Turnover

Currently A\$31m

**40**

CTPG Target  
Locations

Currently 14

**55%**

Own brand  
Target

Currently 45%

**200**

AUS Autobarn  
Target Stores

Currently 134

**200**

Independents  
Target Stores

Currently 195

**120**

AUS Opposite Lock  
Target Stores

Currently 84

**35%**

Own brand  
Target

Currently 24%

**500**

AUS  
Target Stores

Currently 119

**150**

NZ  
Target Stores

Currently 117

**90%**

Intercompany  
Sourcing Target

**TBD**

Target  
Locations

Currently 4







**On behalf of the Board and all Bapcor team members, I am very proud to present Bapcor Limited's annual report for the year ended 30 June 2019 (FY19).**

The 2019 financial year delivered another record performance for Bapcor, which saw exceptional results in the face of softer trading conditions. Sales were robust across all Bapcor business segments. Revenue, EBITDA and EPS recorded strong growth, and net profit after tax increased to a record \$94.3 million.

Bapcor's geographic footprint increased in FY19 to more than 950 locations across Australia, New Zealand and Thailand. Bapcor now employs more than 4,500 team members in three countries.

In recent years, Bapcor has acquired a considerable number of businesses across the Trade, Specialist Wholesale and Retail segments. A key focus of the Board in FY19 has been on continuing the integration of these businesses into the Group, optimising the benefits of the new businesses, and increasing intercompany sales.

In addition, we are building for the future by undertaking significant technology and infrastructure investments in the areas of warehousing, retail point of sale and information technology (IT). These investments will ensure Bapcor systems and processes are fit for purpose and well positioned in the years to come.

The year saw excellent progress in achieving Bapcor's five-year strategic targets, with an expanded geographical footprint, growth of our Specialist Wholesale businesses and increased own brand and intercompany sales.

There were several notable achievements in relation to Bapcor's Environmental, Social and Governance (ESG) strategy. This included establishing an ESG governance process at Board level, identifying sustainability risks, and integrating these within the Group risk management framework. We also improved our responsible sourcing practices, with a primary focus on mitigating the risks of modern slavery within our supply chain. We reduced our environmental impact through offsetting delivery vehicle fleet emissions and LED replacement programs. Bapcor continues to support the communities in which our businesses operate through a wide range of local and grass-root initiatives. Further information about Bapcor's commitment to sustainability and the ESG strategy can be found on page 27 and on the Bapcor website.

In FY19, the Board announced an increase of 9.7% on the full year dividend, declaring a final dividend of 9.5 cents per share fully franked, resulting in a full year fully franked dividend of 17.0 cents per share.

Over the coming financial year 2020 (FY20), the Board will work to ensure the continued growth and sustained success of the Bapcor Group on behalf of our shareholders.

The year ahead promises to be another exciting one as we continue to grow through network expansion and strategic acquisitions, invest in infrastructure, and progress toward our strategic targets.

On behalf of the Board, I wish to extend my thanks to our CEO Darryl Abotomey, his leadership team, and to all Bapcor team members for an outstanding year.

Finally, I would like to express my thanks to our shareholders, franchisees, customers and suppliers for their ongoing support and continued contribution to Bapcor's success.



**Andrew Harrison**  
Chairman

***"Revenue, EBITDA and EPS recorded strong growth, and net profit after tax increased to a record \$94.3 million."***



***"Our  
performance  
demonstrates  
the resilience of  
our businesses  
in the face of  
challenging market  
conditions."***

# Chief Executive Officer's Report

The 2019 financial year (FY19) delivered another set of record financial results for the Bapcor Group. Our performance demonstrates the resilience of our businesses in the face of challenging market conditions. Solid growth was achieved in our Trade and Specialist Wholesale businesses in Australia and New Zealand, which comprise more than 80% of Bapcor's business. The growth in these businesses is evidenced in top-line revenue growth, as well as margin and earnings expansion. Retail also achieved solid results in difficult market conditions.

Bapcor's results in FY19 were enhanced by the acquisition of the Commercial Truck Parts Group (CTPG) that specialises in the sale of light commercial truck spare parts (you will see a lot of these vehicles doing deliveries for online shopping). The CTPG's 14 locations form a national footprint that provides a platform for future growth in this market segment.

Overall, the Group added 59 new company locations throughout its network in FY19. Bapcor now operates in more than 950 locations across Australia, New Zealand and Thailand.

## Revenue

Revenue growth increased by 4.8% to \$1,297m, including the acquisition of CTPG and a full twelve months of trade from the FY18 acquisitions of Tricor Equipment and AADi, offset by the divestment of TRS.

## Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA in FY19 increased by 9.8% to \$164.6m (11.7% excluding TRS divestment). Trade EBITDA increased by 8.5% to \$78.2m as a result of revenue margin and earnings expansion. Bapcor New Zealand EBITDA increased by 13.8% to \$22.9m. Specialist Wholesale EBITDA increased by 20.0% with inclusion of CTPG and growth in intercompany sales. Retail EBITDA decreased by 6.0% due to greater investment in new company stores and higher proportion of immature loss-making stores.

## Net Profit After Tax (NPAT)

NPAT grew 9.0% in FY19 to \$94.3m, representing a four-year CAGR of 42%. Excluding the TRS divestment, NPAT growth was 11.2% on the prior year. NPAT growth from continuing operations reflects the sustained growth trajectory of robust underlying performance across the Bapcor business segments and the contribution from acquired businesses.

## Earnings Per Share (EPS)

For continuing operations, EPS grew 10.3% to 33.45 cents per share in FY19. This increase continues a trend to continue a trend of year-on-year growth, which has delivered a CAGR of close to 25% over the last five years.

## Dividends Per Share

Bapcor declared a total FY19 fully franked dividend of 17.0 cps. This represents a CAGR of 18% over five years and a 9.7% increase on the FY18 fully franked dividend.

## Key highlights of FY19 compared to the prior year's results

Bapcor divested TRS in New Zealand on 3 July 2018. For comparative purposes, the results including and excluding TRS from the prior year are:

### Revenue growth of 4.8% to \$1,297m (6.9% excluding TRS divestment)

#### Same-store sales:

- Burson Trade +2.2% (+2.5% in H2)
- BNT +5.3% (+5.9% in H2)
- Autobarn +5.0% company-owned (+5.7% in H2), franchise stores +0.2% overall

### EBITDA growth of 9.8% to \$164.6m (11.7% excluding TRS divestment)

### NPAT growth of 9.0% to \$94.3m (11.2% excluding TRS divestment), and

### EPS growth of 8.0% to 33.45 cps (10.3% excluding TRS divestment).



# Chief Executive Officer's Report

## Operational Performance

### Trade

Revenue from the Burson Trade segment, consisting of Burson Auto Parts and Precision Automotive Equipment, grew by 4.6% with same-store sales increasing 2.2% (and 2.5% in H2 FY19). This top-line growth was achieved despite intense market competition, meaning there were limited opportunities for general price increases. EBITDA grew by 8.5% and EBITDA margin was up 50 basis points compared to FY18. The Burson store network expanded to 181 stores nationwide, an increase of 11 stores in the year. We have also made solid inroads into digital sales, with Burson Trade now supplying more than \$80m of sales via its B2B online ordering system.

People development remains a high priority, particularly building a talent pipeline of team members and future leaders, and increasing their skills and knowledge. Burson Trade ran a variety of training and development courses throughout the year.

### Bapcor New Zealand (Bapcor NZ)

Bapcor NZ continued to perform solidly. Excluding the impact of the divestment of TRS, in FY19 revenue increased by 7.4% and EBITDA increased 13.8%. Bapcor NZ's largest business, the BNT trade business, achieved same-store sales growth of 5.3% (5.9% in H2 FY19). In addition EBITDA margin grew by 80 basis points compared to FY18. BNT expanded its store network by four during the year, to 58 stores. Newly introduced own brand products have achieved good success and contributed to margin expansion – along with ongoing improvements in procurement costs and pricing management. The Precision Equipment business was also introduced into NZ towards the end of FY19.

### Specialist Wholesale Group (SWG)

The Specialist Wholesale segment, consisting of thirteen Specialist Wholesale business units, increased revenue by 13.4% and EBITDA by 20.0%. This reflects good growth, particularly in the auto-electrical/engine management businesses,

margin expansion, and the impact of the newly acquired Commercial Truck Parts businesses. The newly formed Commercial Truck Parts Group created a new growth platform in an expanding sector. SWG EBITDA margin increased by 60 basis points compared to FY18. Intercompany sales to Bapcor businesses grew by 35%, which reflects increased sales from SWG into our Trade networks in Australia and New Zealand, and into Retail. There are a number of intercompany sales programs in place that will see a continued increase in the amount of intercompany sales, and also the proportion of own brand products sold.

### Retail

The Retail segment makes up less than 20% of Bapcor's revenue and earnings and consists of Autobarn, AutoPro and Sprint Auto Parts stores, as well as Midas and ABS service workshops. Revenue for FY19 increased by 6.8% compared to FY18, largely due to an increase in the number of company-owned stores as well as underlying company-owned store sales growth. Autobarn's online sales trebled through its Click & Collect service and the introduction of Click & Deliver. The Autobarn store network consisted of 134 stores at year end, six more than 30 June 2018. The number of Autobarn company-owned stores over the same period grew from 48 to 66 and now represents almost half of the Autobarn network. Same-store sales in Autobarn company-owned stores was 5% (5.7% in H2 FY19) with franchise store same-store sales growth being flat. EBITDA decreased by 6.0% compared to FY18 reflecting the impact of the significant number of new company stores that are loss making in their initial phase, as well as the challenging retail environment.

### Asia

Our Asia expansion continues to show positive early signs. While the store rollout was slower than targeted due to delays in store refurbishments and product sourcing, four greenfield stores were operational across Bangkok at 30 June 2019. Good progress has

been made in selling to chain workshops and the increase in store earnings has been similar to the Australian trade store experience.

## Building For The Future

Bapcor's strategic direction remains unchanged and is published on our website. Bapcor's five-year strategic targets focus on our core strengths and capabilities and comprise consistent, measureable targets addressing: expanding our geographical footprint, growing our Specialist Wholesale businesses, and developing sourcing initiatives to increase own brand sales and intercompany sales. A number of targets have been revised upward and new targets added. We report on our progress toward these targets on page 4-5.

We are progressing with IT and infrastructure evolution projects to ensure we are able to exceed our customers' expectations now and into the future. We expect to finalise the implementation of IT infrastructure that will improve systems redundancy and stability by Q1 FY20. The first location for a new Warehouse Management System will go live in October 2019. The feasibility and planning phase of our Warehouse Evolution Program is scheduled to conclude in H1 FY20. A full roll-out of our new Retail point-of-sale system will take place during FY20.

To help drive change, we have reinvigorated the Group Leadership Team. Tim Cockayne has been appointed to the role of Executive General Manager – Retail. Steve Drummy has taken the role of Executive General Manager – SWG Engine Management. Mathew Cooper, who was Executive General Manager – Development, has been appointed to the role of Executive General Manager – SWG Mechanical. In July 2019, Jeff Nicol was appointed to the new role of Chief Operating Officer. Jeff leads Bapcor's supply chain, IT, Group procurement and co-ordination of the Group-wide branding strategy.

### A note on Electric Vehicles...

A frequent question I receive from shareholders, and a prevalent topic in the media, is the emergence of electric vehicles (EVs). The hype does not match the reality. In 2018, EVs in Australia made up less than 1.0% of new car sales and comprised less than 0.5% of cars on Australian roads. Modelling undertaken by the Australian Government's Department of Infrastructure, Transport, Cities and Regional Development suggests it will be well into the 2030s before EVs make up 50% of new car sales. As there is a 10 to 15-year lag between new vehicle sales and overall fleet numbers, Bapcor's projection, consistent with the Department's modelling, is that EVs won't form even half of the Australian car parc until well into the 2040s.

Our electrical and electronics wholesale businesses are well-placed to serve the changing needs of the automotive aftermarket, and we will

continue to optimise the business to meet the current and future needs of our customers, as the businesses have done for the past forty-plus years as the composition of the car parc has evolved.

### Outlook

The fundamentals of the automotive aftermarket remain positive and we are excited about many opportunities for the Bapcor Group, including network growth, procurement and supply chain efficiencies, and own brand sales. We are also continuing to invest in technology and systems to support the future growth of the business. Bapcor is focussed on consolidating and optimising its current portfolio of businesses, as well as looking for new opportunities as they arise.

Financial year 2020 (FY20) trading has commenced in line with expectations. Revenue and profit growth are expected to continue in FY20, with proforma NPAT projected

to grow by mid to high single digits. EBITDA is expected to increase by approximately two percentage points above the forecast NPAT growth due to the higher depreciation charges from the investments.

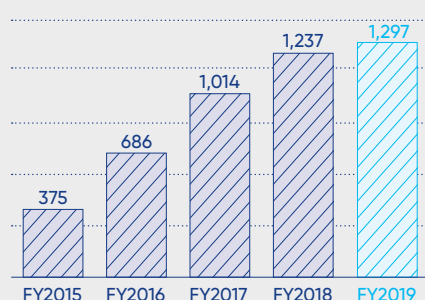
Bapcor's continued growth would not be possible without the focus and dedication of all employees and franchisees, and the support of our suppliers and customers. Together, this has again enabled us to deliver an exceptional result.

I express my profound thanks to everyone who has contributed to making Bapcor the great business it is today.

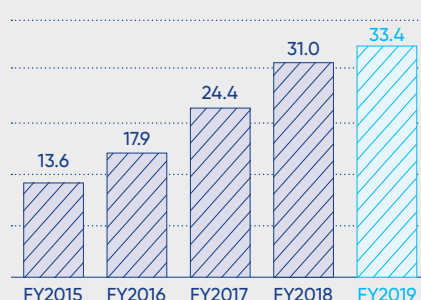
*Darryl Abotomey*

**Darryl Abotomey**  
Managing Director and  
Chief Executive Officer

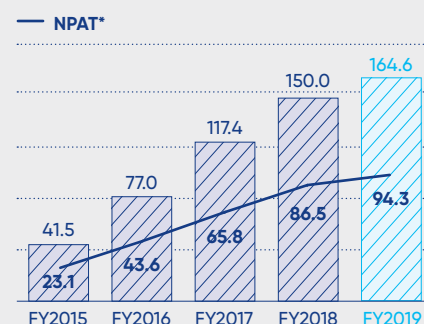
### Revenue (\$M)



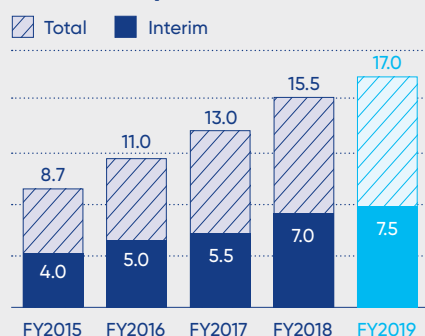
### EPS (\$M)



### EBITDA & NPAT\* (\$M)



### Dividends per share



**“Financial year 2020 trading has commenced in line with expectations. Revenue and profit growth are expected to continue in FY20”**

## Board of Directors

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**Therese Ryan**  
Independent,  
Non-Executive Director

Therese was appointed to the Board in March 2014 as an Independent, Non-Executive Director. Therese is a professional non-executive director and has extensive experience as a senior business executive and commercial lawyer working in widely diversified businesses in Australia and internationally, holds a Bachelor of Laws from the University of Melbourne and is a Graduate Member of the Australian Institute of Company Directors.

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**Andrew Harrison**  
Independent,  
Non-Executive Director

Andrew was appointed Chairman of the Bapcor Board in April 2018 after being an Independent Non-Executive Director of the Board since March 2014. Andrew is an experienced company director and corporate advisor with public, private and private equity owned companies. Andrew, holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from The Wharton School at the University of Pennsylvania, is a Chartered Accountant and a Member of the Australian Institute of Company Directors.

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**Margaret Anne Haseltine**  
Independent,  
Non-Executive Director

Margaret is a professional Non-Executive Director, appointed to the Bapcor Board in May 2016. Margaret brings more than 30 years' business experience in a broad range of senior positions and 10 years experience in board directorship. Margaret has significant experience in the areas of supply chain and logistics, customer interface in the FMCG sector, change management, governance, and management. Margaret holds a Bachelor of Arts Degree, Diploma in Secondary Teaching from the Auckland University and is a Fellow of the Australian Institute of Company Directors.

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**Jennifer Macdonald**  
Independent,  
Non-Executive Director

Jennifer was appointed to the Board in September 2018 as an Independent, Non Executive Director and Chair of the Audit & Risk Committee. Jennifer is a professional company director and has a strong and extensive background in financial and general management roles across a range of industries and holds a Masters of Entrepreneurship and Innovation from Swinburne University, is a Graduate Member of the Australian Institute of Company Directors and a Member of the Institute of Chartered Accountants ANZ.

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**Darryl Abotomey**  
Managing Director and  
Chief Executive Officer

Darryl was appointed to the Board in October 2011 as Chief Executive Officer and Managing Director. Darryl has more than ten years' experience in the automotive aftermarket industry with extensive experience in business acquisitions, strategy, finance, information technology and general management in distribution and other industrial businesses, Darryl holds a Bachelor of Commerce (Hons) majoring in accounting and economics from the University of Melbourne and is a Member of the Australian Institute of Company Directors.



## Executive Team

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### **Darryl Abotomey** Managing Director & Chief Executive Officer

Darryl is the Managing Director & CEO of Bapcor Limited, having been appointed in October 2011. He is also Chairman of Bapcor Finance Pty Ltd. Darryl has more than 10 years' experience in the automotive industry and extensive knowledge in business acquisitions, mergers and strategy. Previous Director and Executive roles have been with Repco, Paperlinx, Amcor, Signcraft and CPI. He holds a Bachelor of Commerce majoring in accounting and economics from the University of Melbourne.



### **Greg Fox** Chief Financial Officer & Company Secretary

Greg has more than 25 years' experience in the automotive, industrial and public accounting sectors. Greg joined Bapcor as Chief Financial Officer in 2012 with responsibility for finance, legal, business services, company secretarial and plays a key role in strategic initiatives. Greg was previously Chief Financial Officer at Atlas Steels and at Plexicor, which was a major supplier to the automotive industry. Greg also held various senior financial positions with Amcor after commencing his career as a Chartered Accountant.



### **Mathew Cooper** Executive General Manager - SWG Mechanical

Mat has over 20 years' experience in the automotive, industrial and public accounting sectors throughout Australia and Asia. Mat was appointed to the role of EGM - SWG Mechanical in October 2018. Mat is responsible for Specialist Wholesale Mechanical businesses. Previously, Mat held the role of EGM - Development in Bapcor and General Manager - Commercial in ANA. He holds a Masters of Business Administration, Bachelor of Commerce and Bachelor of Law from Deakin University and is a Chartered Accountant.



### **Steve Drummy** Executive General Manager - SWG Engine Mgmt

Steve has over 25 years' experience in the manufacturing, pharmaceutical, industrial, wholesale, retail and health sectors. He was appointed to the role of EGM - SWG Engine Management in February 2019. Previously, Steve held EGM and CFO roles in businesses including Australian Unity, Sonepar, Hagemeyer, Blackwood's and News Limited. Steve is responsible for Specialist Wholesale businesses including JAS, PAT, Baxter's, MTQ, Federal Batteries and Opposite Lock.



**Alison Laing**  
Executive General  
Manager -  
Human Resources

Alison joined Bapcor in May 2017. With more than 20 years' Human Resources experience Alison has spent much of her career partnering with senior leaders to develop team capability and drive business outcomes and has worked with organisations such as Orora, PaperlinX and Coles Myer. Alison holds a Bachelor of Commerce, majoring in management and industrial relations, from the University of Newcastle.



**Craig Magill**  
Executive General  
Manager -  
Trade

Craig has an extensive career in the automotive aftermarket industry spanning more than 25 years. Starting as a management cadet and working through most of the key operational and sales positions in aftermarket parts distributors. Before joining Bapcor, he was the General Manager of RAC'S (WA) automotive workshops, which was preceded by many years at Repco. He holds a Masters in Business from Melbourne University. Craig joined Bapcor in February 2012 and is responsible for all aspects of the Burson Trade segment.



**Tim Cockayne**  
Executive General  
Manager -  
Retail

Tim joined the Bapcor group in April 2019, and has 30 years of retail experience working across various sectors within specialty and big box retail and is responsible for the Autobarn, Autopro, Sprint, Midas and ABS networks within the Bapcor group. Tim has worked for a number of national retail businesses with his most recent role as CEO of the Total Tools franchise business where he undertook a massive growth program. Tim holds a Masters of Business Administration and is a graduate of the Australian Institute of Company Directors.



**Martin Storey**  
Executive General  
Manager -  
Bapcor New Zealand

Martin joined BNT in September 2016, and was appointed as Executive General Manager - Bapcor New Zealand in October 2018 to lead our New Zealand businesses. Martin grew up in the Bay of Plenty, and worked in a number of local and national businesses, as well as spending some time working overseas. In 2001, he joined Fletcher Building, holding several senior sales and general management positions over 15 years.

# Resilience, solid growth and our team members' ongoing engagement with the business were evidenced in another record result for the Bapcor Group in FY19.

	Revenue			EBITDA		
	FY19 \$'M	FY18 \$'M	Change %	FY19 \$'M	FY18 \$'M	Change %
Trade (exc. Asia)	524.5	501.6	4.6%	78.2	72.1	8.5%
Bapcor NZ (exc. TRS)	165.0	153.6	7.4%	22.9	20.1	13.8%
Specialist Wholesale	413.1	364.3	13.4%	46.3	38.6	20.0%
Retail	255.3	239.1	6.8%	27.1	28.8	(6.0%)

### The Trade and Specialist Wholesale segments in Australia and New Zealand make up more than 80% of Bapcor's business.

Our Trade businesses, which include Burson Auto Parts, BNT and Burson Thailand, supply parts for thousands of vehicle makes and models, amongst the widest range of cars in the world. Trade businesses operate by providing parts to workshops, with orders generally delivered in less than 60 minutes. The service offering necessitates a network of store locations in close proximity to mechanical workshops. In FY19, Bapcor's Trade businesses continued its network expansion activity across Australia, New Zealand and Thailand.

### Own brand sales penetration was also a key strategic initiative, providing enhanced margin opportunity across a number of product categories.

The Precision Equipment business which sits within the Burson Trade segment, and provides a full range

of superior automotive workshop equipment, added the Hunter product range of wheel alignment equipment. In late FY19, the Precision Equipment business was introduced into the New Zealand market and is well-placed for growth in FY20.

The first twelve-months of Bapcor's operations in Thailand have been positive, with a further three stores opening in FY19, taking the automotive parts and accessories store footprint to four. Bapcor in Thailand is generating goodwill within local communities through community-engagement activities and is focusing on team member training and development to underpin further expansion. Work is continuing on developing the business' parts catalogue and digital B2B ordering system, which will support the business to deliver its unique value proposition to the local customer base.

The Specialist Wholesale segment expanded its automotive aftermarket product supply range to include light commercial truck parts with the acquisition of Don Kyatt (Qld) and related companies in December 2018 leading to the formation of the Commercial Truck Parts Group. Along with the wider Bapcor Groups key business strategy, the focus of the Specialist Wholesale

business is on increased intercompany sales for FY20, as it continues to position itself as the principal supplier to the Trade and Retail segments. In FY20 further expansion in our specialist wholesale product ranges, including air conditioning and commercial truck parts will occur.

The Retail segment consists of retail customer-focused business units including Autobarn, Autopro and Sprint Auto Parts, and the Midas and ABS workshop service brands. During FY19 Retail grew its Autobarn company owned stores by 18 and now represent 49% of Autobarn stores with franchise stores representing 51%. This is consistent with Bapcor's strategy of increasing the Autobarn store network predominantly through company owned stores. A new experienced Executive General Manager Tim Cockayne was appointed in April 2019 to head up Retail. Key priorities for the Retail segment in FY20 include improving the performance of underperforming and immature stores, and attention to and support of store manager training and development.

Investments to improve the Retail segment's technological capabilities is underway with the implementation of a new point-of-sales system, as well as providing additional services

to the Autobarn online sales platform to increase online traffic and sales conversions. The further development of digital and online channels, together with enhanced marketing and promotional programs, are expected to provide further brand recognition, generating revenue and an increase in own brand and intercompany product penetration.

The Bapcor Group takes pride in developing its specialist and knowledgeable team, the Group's culture and capabilities, and an unrelenting focus on excellence in customer service. Bapcor employs more than 4,500 team members in more than 950 locations across Australia, New Zealand and Thailand. We are proud of our involvement in programs and initiatives that support local communities across our extensive network and provide our people with opportunities to celebrate their cultural diversity and connect with the wider communities in which we live and work.

Bapcor's continued roll-out of health and safety measures, training and career development programs, and pipeline of career opportunities reflects our commitment to our people. We are delighted that a strong Bapcor team culture is reflected in the positive results of our employee engagement survey. Our team members' passion for the business, enduring focus on customer satisfaction, extensive network of stores and comprehensive service and product offering is reflected in Bapcor's FY19 financial performance.



# Our team members knowledge & expertise are paramount in our Trade segment which is made up of Burson Auto Parts and Precision Automotive Equipment.

### Performance

Burson Trade continued to deliver significant growth in FY19 in line with its consistent track record of strong financial performance. Burson Trade's operating revenue, same store sales and EBITDA all increased during FY19. Burson Trade encountered competitive pressure during the year, affecting sales and margin growth, and the business responded by doubling down efforts to ensure that the business was operating at its maximum efficiency. 11 new stores were added to the fully company-owned network, bringing the total number of Burson Trade stores to 181 across Australia.

Precision Equipment delivered strong performance, increasing sales margin and EBITDA during FY19.

The Burson Trade Merchandise team worked closely with Bapcor's Specialist Wholesale Group businesses to grow own brand sales. Greater penetration of digital sales continued, with more than \$80m of sales made through its B2B online ordering system.

### Achievements

Burson Trade's 'May One Day Sale' was its biggest one-day trade event in history, with takings of more than double regular daily trading levels.

The equipment business introduced the world's leading wheel service brand, Hunter, as the brand's exclusive Australian distributor, adding another world-class brand to our market-leading equipment range.

In November 2018, Burson Trade held its largest-ever Assistant Manager and Sales Representative four-day National Conference. The aim of the event was to inform, support and nurture more than 300 Burson Trade team members. The conference formed an important part of the commitment to the continued development and career growth opportunities for team members.

### Learnings

Burson Trade operates in a highly competitive and dynamic market where it needs to react positively and promptly. The focus of management is ensuring that the company's growth plan is sustainable, while balancing revenue and resourcing requirements.

***Burson Trade's greatest competitive advantage is the knowledge, capability and passion of its people.***

The Trade segment has committed to people retention and professional development, by providing more opportunities to improve team member performance and career opportunities through a suite of training programs delivered at a variety of levels within the business.

### Community and Sustainability

Burson Trade recognises its responsibility to all stakeholders in addressing climate change. Burson Trade's energy use at its stores and distribution centres has been significantly reduced in recent years with the national head office, Victorian Distribution Centre and every Burson Auto Parts store in Victoria being fitted with LED lighting. The business is on course to have LED lighting installed in all NSW stores in FY20 and this will be extended throughout the country. Burson Trade, in partnership with Bapcor, has also joined forces with Greenfleet to carbon-offset its entire fleet of vehicles used across the Burson Trade network.

Burson Trade was involved in numerous charitable fund-raising efforts in FY19 actively encouraging stores to contribute to their local community sports clubs and charities through monetary and in-kind donations at the grass-roots level throughout the Burson Trade store network. Through the efforts of our team members, almost \$100,000 was donated to drought-relief for farmers. During "September", more than 300 Burson Trade team members stepped their way to earning the 'highest fundraising newcomer' award, raising \$36,000 for the Cerebral Palsy Alliance.

### Revenue

**\$524.5m**

### EBITDA

**\$78.2m**

### Locations

**185\*** (\*incl Thailand)



## Thailand

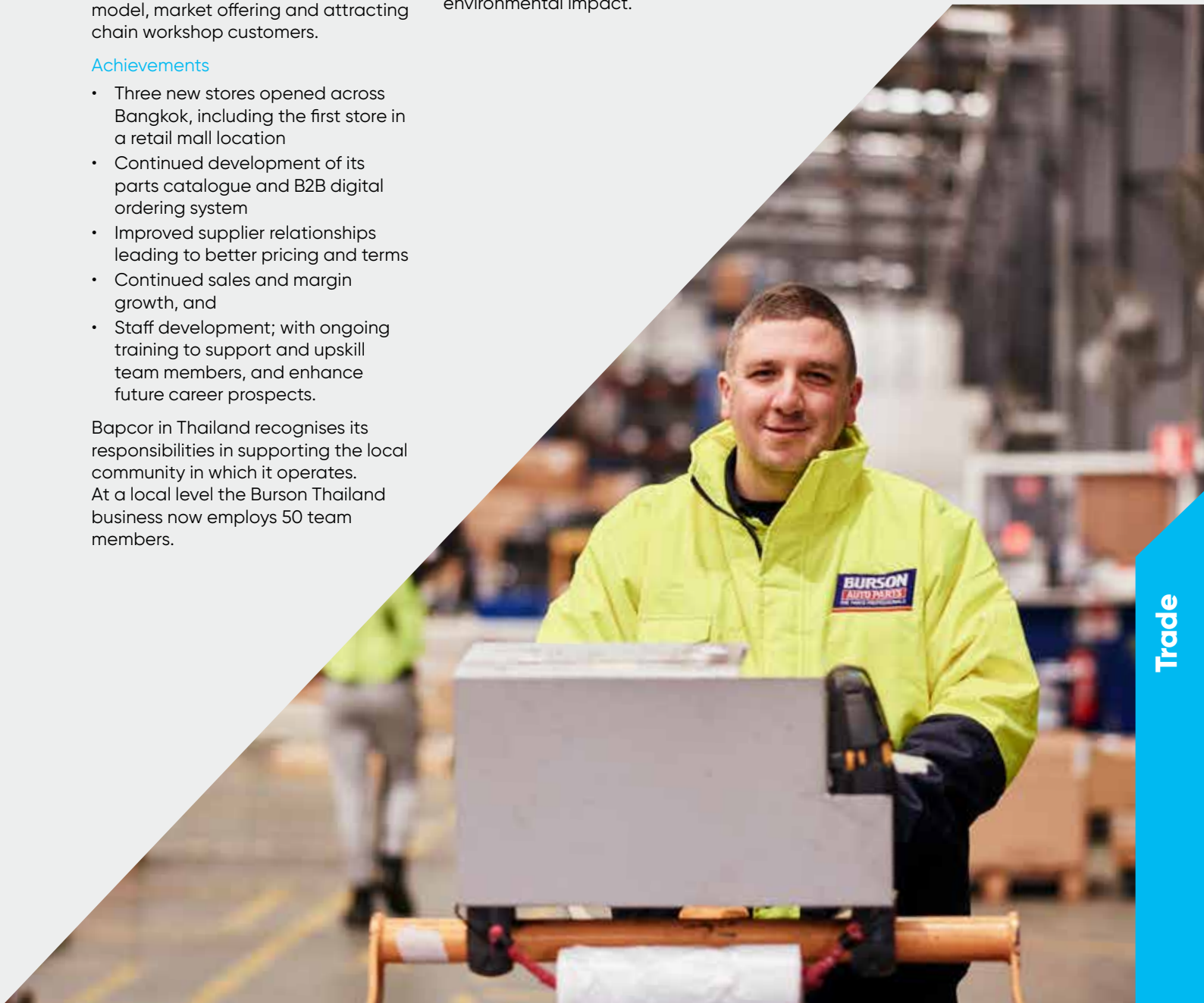
Burson Thailand continued its growth in FY19, with expansion to its store network. Throughout the financial year, the business also focused on making improvements to its service model, market offering and attracting chain workshop customers.

### Achievements

- Three new stores opened across Bangkok, including the first store in a retail mall location
- Continued development of its parts catalogue and B2B digital ordering system
- Improved supplier relationships leading to better pricing and terms
- Continued sales and margin growth, and
- Staff development; with ongoing training to support and upskill team members, and enhance future career prospects.

Bapcor in Thailand recognises its responsibilities in supporting the local community in which it operates. At a local level the Burson Thailand business now employs 50 team members.

The business is also engaged in charitable activities, such as donating food to the SOS Children's Village in Bang Na. All Burson Thailand stores are equipped with LED lighting to minimise the business' environmental impact.



# Comprising trade, service and specialist wholesale businesses the Bapcor NZ segment has enjoyed a sound integration into the wider Bapcor group since their acquisition in 2017.

### Performance

Bapcor NZ saw continued growth in revenue, margin and EBIT through the year, despite industry challenges and a soft economic environment.

*The ongoing development of a wider branch network and warehousing facilities, expansion of the own brand range and enhanced people engagement drove greater performance across the NZ Group.*

Store network expansion and refurbishment activity continued in FY19. The BNT store network grew to 58, with the addition of four new stores. Own Brand penetration was a strong focus during FY19, with the introduction or expansion of several product ranges, including the "Superior" lubricant range.

Following on from the success of the Burson Trade Equipment business in Australia, Precision Equipment New Zealand was established at the end of FY19 initially with key product brands of Rotary and Summit.

### Achievements

Several new properties and relocations were undertaken including co-locations at Manukau

and Christchurch of BNT and TATP, new BNT stores at Cambridge, Upper Hutt, Taupo and Silverdale, a new Autolign Manukau store, the relocation of BNT Mt Maunganui and footprint expansion of BNT Whakatane and Whanganui to accommodate an expanded TATP commercial parts presence. Both the company's profile and customer engagement increased following branch refurbishments and relocations. Cooperation between Bapcor businesses led to several growth opportunities in NZ and across Australian SWG businesses. In FY19, own brand products in New Zealand increased to 28.5% of overall sales, with growth in exclusive brands (+99%) and owned brands (+14.7%).

Own brand activity included the introduction of Ultima shocks, a widened Trans Pad range, Motorgear timing kits and water pumps, the Superior lubricants range, along with other range introductions and extensions in the engine, steering and suspension, and electrical categories which are aimed at positioning the segment for the future and provide sustained momentum into FY20 and beyond.

Specialist Wholesale Group in NZ finalised its warehousing footprint project. Construction has now commenced on a 6,500sqm purpose-built facility at Auckland International Airport. This state-of-the-art facility will mitigate capacity constraints, enabling growth into the future, and will incorporate the new Precision Equipment operation and

provide overflow capacity for the Trade operations.

The 'Have Your Say' employee engagement survey showed a pleasing lift in overall employee engagement. In training and development, the delivery of 'sales and management training programs saw more than 200 team members complete various leadership and skills-learning activities. A further 20 branch and functional leaders completed the performance leadership course.

### Learnings

In FY19 the Bapcor NZ segment experienced soft trading conditions in a highly competitive market place. The Segment has and will continue to take concerted actions in order to address and overcome the industry challenges it faces. Pricing pressure was felt in several key service product categories and the business has made improvements in procurement and pricing management processes in order to maximise revenue and margin earnings potential. Low unemployment, coupled with skill-shortages, are effecting the segment's ability to resource appropriately and as a result the business has continued to ramp-up its training and development activities to focus on team member retention. Bapcor NZ supports the Auto Super Shoppes Automotive Academy that seeks to provide a pipeline of passionate, skilled and technically-equipped graduates to the automotive industry.

### Revenue

**\$165m**

### EBITDA

**\$22.9m**

### Locations

**194**



### Community & Sustainability

During the year the businesses introduced recycled paper bags into their networks, ahead of the legislated plastic bag ban that came into effect on 1 July 2019. This was well received by staff, customers and the wider industry.

"Shave for a Cure" is Leukaemia & Blood Cancer New Zealand's signature fundraising event with Bapcor NZ supporting the campaign for the first time in 2019, matching the donations from staff, their friends and families, suppliers and customers, and topped the fundraising leader-board.

The ongoing support of grass-roots motorsport continued with the 10th year of sponsoring the BNT V8s and one of its emerging star drivers, Chelsea Herbert.



# Our Specialist Wholesale segment consists of a number of companies that specialise in the automotive aftermarket wholesale sector.

### Performance

The Specialist Wholesale Group (SWG) consists of thirteen Specialist Wholesale business units which source their respective range of products for each make and model of vehicle in Australia from manufacturers around the world. In FY19, the SWG segment recorded solid underlying growth, particularly across the auto-electrical/engine management businesses. The segment's performance was supported by the acquisitions of the Commercial Truck Parts Group (CTPG), Topperformance, and the full-year trading impact of the AADi Australia acquisition which took place in FY18.

***The underlying Specialist Wholesale Group (SWG) business performed solidly, with product programs and cost initiatives contributing to margin expansion and improved top line performance.***

Operational efficiency and optimisation was a key focus during the year, and restructuring activity carried out in FY18 realised a full

twelve months of cost savings and improvements in line with expectations.

The SWG segment continued to drive an increase in own brand penetration, for both internal and external customers. Notable successes include:

- new rotor, friction, water pump and radiator and ceramic pads programs
- improved saturation in own brand lighting and battery programs
- the launch of the Icon brand, which covers engine management and fuel systems, and
- strong growth in air conditioning category with focus on range expansion and leveraging the Group's distribution network.

### Achievements

Entry into the Japanese commercial vehicle parts category with the acquisition of Don Kyatt (Qld), I Know Parts, He Knows Truck Parts and Japanese Commercial Spares established the foundations for the Bapcor CTPG. Japanese Trucks Australia, acquired in June 2019, added four more locations, expanding the CTPGs' distribution network to 14.

Topperformance, acquired in January 2019, is the exclusive truck, bus and passenger vehicle distributor of Koni shock absorbers, representing a strong growth opportunity in the premium shock absorber market for the SWG segment.

Further SWG network expansions in Port Headland, Tamworth and improved coverage in major cities ensures products are in close proximity to the Group's broadening customer base.

The AAD business exited the loss-making brake bonding operations in FY19. This had been part of the business for more than 40 years and AAD's exit responds to the progress of the market from bonded brake shoes to brake pads and commercial riveted brake shoes.

### Learnings

The continued fragmentation in the range of makes and models of vehicles and the introduction of new technologies in the Australian automotive aftermarket highlights the need to maintain a specialist focus on the various categories of parts required for vehicle servicing. This gives Bapcor the ability to leverage specialist expertise and technical knowledge across the Group. The continued growth and development of new ranges within the SWG segment will see the entry into new market segments – as was demonstrated through the move into light commercial vehicle parts. This also enables the segment to leverage the assorted businesses' unique product offerings, to provide an improved product offering to customers and deliver superior outcomes as a collective.

### Revenue

**\$413.1m**

### EBITDA

**\$46.3m**

### Locations

**146**

### Community and Sustainability

The commitment to cardboard and paper recycling across the network, and programs such as JAS' remanufactured alternator and starter motor programs, are a continual focus. The product development teams are looking at some progressive programs to reduce environmental impacts and these are expected to be launched in FY20.

SWG team members continued to support grass roots community programs in FY19 along with other charity and fundraising events such as the fight against prostate cancer and The Variety Bash motoring charity event.





# Our friendly and attentive customer service is an asset in our Retail segment which offers auto parts and accessories via a network of company-owned, franchise and satellite stores.

### Performance

The Bapcor Retail segment consists of Autobarn, AutoPro and Sprint Auto Parts stores, as well as Midas and ABS service workshops. Retail revenue growth in FY19 was largely driven by an increase in company-owned stores, and favourable company-owned same store sales growth. On line sales continued its impressive growth, more than doubling on the prior year, with key drivers to the increase in sales being the continued expansion of the "click & collect" service offering, an improved product range and the launch of the "click and deliver" direct-to-door delivery option.

Investment in a new point-of-sales system will improve efficiency and support the business to collect and manage data leading to a better customer experience and internal efficiencies. The system is currently being rolled out into the Autobarn store network.

The leadership of the Retail segment has evolved with the appointment of a new Executive General Manager and other management positions.

### Achievements

The Autobarn store network consisted of 134 stores at year end, six more than 30 June 2018. The number of Autobarn company-owned stores over the same period grew from 48 to 66 and now represents almost half of the Autobarn network.

Autobarn's friendly and attentive customer service was publicly acknowledged as it won the Roy Morgan "Auto Store of the Year" Award for FY18. The Roy Morgan Customer Satisfaction Awards are presented on the basis of customer satisfaction ratings from approximately 50,000 Australian consumers surveyed throughout the year.

### Learnings

Concerted efforts continue to be made to promote the Retail brands and to ensure the brands' value and key characteristics are consistently represented throughout the store networks. In FY19, the business took a greater focus on enforcing higher standards of compliance throughout the network. The result was the closure of some franchised stores. While this had a short-term effect of reducing the overall performance of the segment, the action was taken with a view toward the long-term success of the brands, sustained goodwill and value creation.

### Community and Sustainability

More than 700 Retail and Service team members were invited to complete the Bapcor 2019 Employee Engagement Pulse Survey. Of note is the overall increase in the 10 performance measures that drive engagement – particularly in the area of "commitment to improving performance". The result show that team members not only care about doing a good job, but also what the business is aiming to achieve and how it's going about it.

Retail team members also contributed to a wide range of charitable initiatives in FY19, including celebrating cultural diversity with a 'taste of harmony' lunch, dressing down in denim for 'Jeans for Genes Day' and checking-in with their fellow team members for a meaningful conversation as part of 'RU OK? Day'.

### Revenue

**\$255.3m**

### EBITDA

**\$27.1m**

### Locations

**647**



#### AUTOBARN LOWNDES RACING'S IMPRESSIVE VICTORY AT THE BATHURST 1000

The Autobarn Lowndes Racing entry in the Virgin Australia Supercars won the Bathurst 1000.

The result demonstrates the skill and professionalism of the Triple Eight Race Engineering Team and reinforces their dominance of the category.

Craig Lowndes has been an important part of the Autobarn brand and promotional program for many years. His victory at Mt Panorama on Sunday 7 October 2018 reinforces the value of that commitment by Autobarn and the wider Bapcor Group.

Image: Craig Lowndes  
and Steven Richards,  
Bathurst Winners

**autObarn**  
LOWNDES RACING



Retail

# We are taking real and measurable action in meeting Bapcor's Environmental, Social and Governance (ESG) commitments.

### Our Vision

Bapcor Limited recognises that a sustainable and successful business is enhanced by engaging stakeholders, delivering shareholder wealth and optimising business operations in a socially and environmentally responsible manner. Bapcor seeks to take an integrated approach towards economic, environmental and social sustainability, aligning company values and strategic direction with positive outcomes for Bapcor's stakeholders and the wider communities in which we operate.

### Our Approach

Our approach to sustainability is defined by our Environmental, Social and Governance (ESG) strategic framework.

## Bapcor's Risk Appetite Statement

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Bapcor's risk appetite guides how much risk we are willing to seek or accept to achieve our long-term strategic objectives.

***"When pursuing growth and development opportunities in the delivery of our strategic objectives, Bapcor will not compromise the health and wellbeing of our employees or our reputation for being 'Australasia's leading provider of aftermarket parts, accessories, equipment and services'. Bapcor aims to balance the risk and reward in the creation of long-term stakeholder value, accepting and managing commercial risks where Bapcor has the willingness and capability to do so."***

**Our sustainability framework sets out an integrated approach to ESG sustainability as fundamental to what we do, underpinning our corporate code of conduct and our values.**





## Our Sustainability Framework

### Progress on our sustainability journey will be tracked against the actions and timeframes set out for each priority area.

#### Our commitment to sustainability

We are proud of the achievements we have made in FY19 toward our ESG commitments, which include: establishing a sustainability governance process at Board level; integrating sustainability risks within our risk management framework; taking steps to mitigate modern

slavery risk within our supply chain; offsetting delivery vehicle fleet emissions and rolling-out LED replacement programs across our store network.

We have updated our targets for FY20 and beyond, which include: formalising our commitment to the UN Global Compact Principles;

conducting risk-assessment processes through our supply-chain; continuing to reduce our environmental footprint; prioritising health and safety, inclusion, and the training and development of our team members; and supporting the communities in which we operate.

#### Priority 1: Develop Bapcor's ESG Strategy

##### Commitments:

- I. Have regard to our responsibility to serve the communities in which our businesses operate.
- II. Invest in areas viewed as important drivers of long-term performance and value creation.
- III. The Board annually to set and review objectives in relation to ESG and to assess quarterly Bapcor's progress in achieving the objectives.

##### Actions:

##### Timeline

1. Establish a governance process at Board level.	Complete
2. Integrate salient sustainability risks in Bapcor's Risk Management Framework.	Complete
3. Formalise our commitment to the UN Global Compact Principles.	FY20
4. Implement an Environmental Management System (system of continuous improvement).	FY21



## Priority 2: Ethical Supply Chain / Procurement

### Commitments:

- I. Continually focus on our commitment toward ethical sourcing practices.
- II. Build strong relationships with key suppliers to build on our positive contribution.
- III. Enhance transparency within our supply chain and with key partners and stakeholders.

### Actions:

### Timeline

- |                                                                                                                       |          |
|-----------------------------------------------------------------------------------------------------------------------|----------|
| 1. Establish an Ethical Supply Chain / Procurement (ESC/P) Policy.                                                    | Complete |
| 2. Initiate implementation of the ESC/P policy with Bapcor's supplier base.                                           | Complete |
| 3. Develop structured risk assessment processes for Bapcor's supplier base.                                           | Complete |
| 4. Continue to formalise ESC/P policy agreement and conduct risk assessment activities across Bapcor's supplier base. | FY20     |

## Priority 3: Environmental Sustainability

### Commitments:

- I. Continuously reduce our environmental footprint and more efficiently use resources such as energy, water, raw materials, packaging and consumables, where practical to do so.
- II. Develop good recycling practices, minimise waste in offices, stores and warehouses with a goal of creating a greener workplace.
- III. Develop a pathway toward emissions reductions in our business.

### Actions

### Timeline

- |                                                                                             |          |
|---------------------------------------------------------------------------------------------|----------|
| 1. Establish Group-wide initiatives toward streamlining waste, recycling and packaging.     | Complete |
| 2. Implement a carbon offset program to offset vehicle fleet emissions.                     | Complete |
| 3. Explore additional LED replacement opportunities across Group sites in Australia and NZ. | Ongoing  |
| 4. Review opportunities to improve fuel economy of the Bapcor fleet.                        | FY20     |
| 5. Develop a pathway toward emissions reductions in our business.                           | FY21     |

## Priority 4: Practise Good Governance – Our People

### Commitments:

- I. Commit to upholding our Code of Conduct.
- II. Commit to the training and professional development of our team members.
- III. Promote and encourage health and safety activities and move toward Zero Harm.
- IV. Foster a diverse, inclusive and accepting workplace.

### Action

### Timeline

- |                                                                                               |         |
|-----------------------------------------------------------------------------------------------|---------|
| 1. Conduct training and/or professional development programs for team members.                | Ongoing |
| 2. Group-wide Zero Harm reporting.                                                            | Ongoing |
| 3. Establish, measure and monitor gender and cultural diversity statistics in workforce.      | Ongoing |
| 4. Continue to monitor and engage with our team members regarding satisfaction and retention. | Ongoing |

## Priority 5: Positively Impact the Communities in which We Operate – Our Community

### Commitments:

- I. Proactively identify and engage with our stakeholders.
- II. Provide support for a wide variety of social, charitable and sporting initiatives.
- III. Encourage employees to support their local community and foster a culture of workplace giving.

### Action

### Timeline

- |                                                                                                                  |         |
|------------------------------------------------------------------------------------------------------------------|---------|
| 1. Support a wide variety of social, charitable and sporting initiatives.                                        | Ongoing |
| 2. Encourage team members to support their local community and foster a culture of workplace giving and support. | Ongoing |

# With the Modern Slavery Act being passed into legislation in 2018, Bapcor took a proactive approach to mitigating the risks of modern slavery with the development of Bapcor's Ethical Supply Chain/Procurement ('ESC/P') Policy.

**This policy is available on our website and was included in the Bapcor 2018 annual report. As one of the initial steps, the terms and conditions of the Supplier Trading Agreement for Bapcor's Group suppliers were updated to include a statement on modern slavery, and require a commitment and confirmation from suppliers regarding their supply chains.**

All suppliers to Bapcor were provided with a copy of the Bapcor ESC/P Policy, in addition to these revised terms and conditions, with the intention that formal agreement from suppliers will come as existing agreements are renewed.

The human rights standards that underpin Bapcor's ESC/P Policy are the key tenets of the Modern Slavery Act. As further steps in implementing the policy, Bapcor has developed a structured risk assessment process to identify modern slavery risks amongst our supplier base, then provide specific target areas for our product teams to explore in more depth.

Given the nature of Bapcor's businesses and the highly technical nature and automated manufacturing processes of the

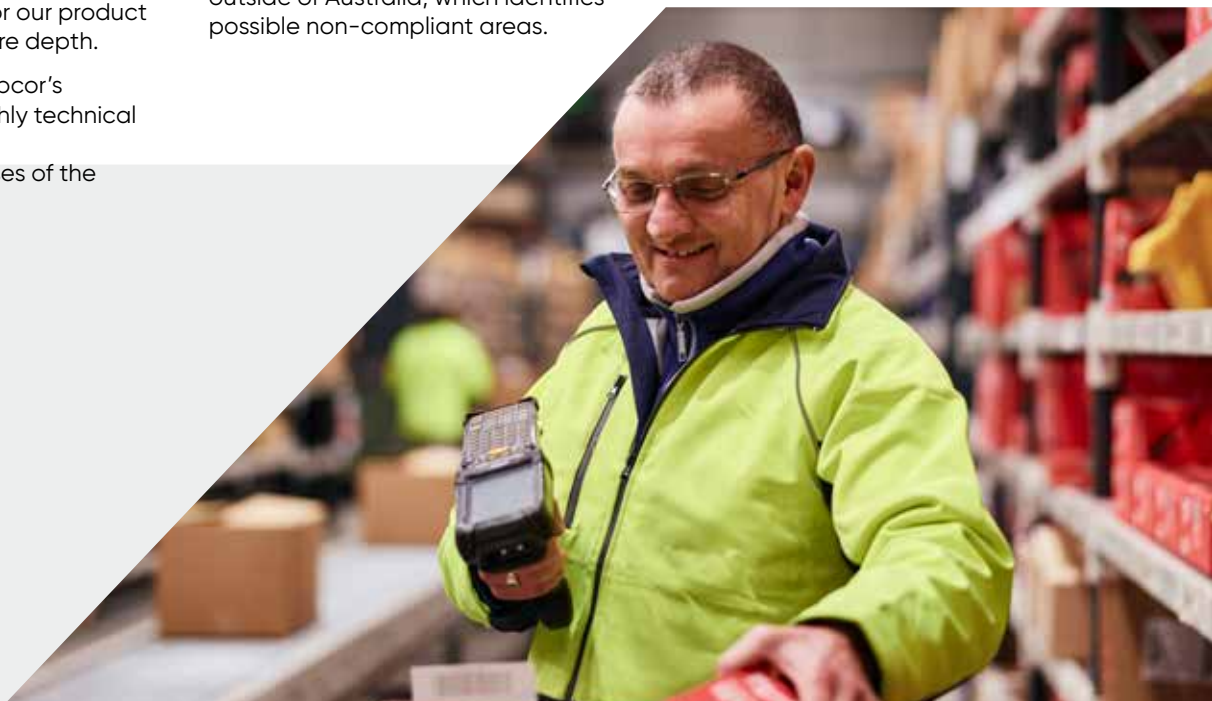
products we sell, we believe the risk factors applying to our businesses under the Modern Slavery Act to be very low. Many of Bapcor's suppliers are large, global entities which have existing and significant checks in place in regard to their own supply chains. Notwithstanding, we are implementing the appropriate processes to verify this.

Our key objective is to understand risk, then consider our actions on a case-by-case basis. Bapcor's preferred approach will be to work with suppliers over time to improve their compliance with the Modern Slavery Act.

Bapcor wishes to avoid unintended damage that disadvantaged workers may incur, through high-impact actions such as ceasing to trade – which remains an option once other, preferred paths have been pursued. We also implemented a checklist to be completed by our team during visits to suppliers, particularly those outside of Australia, which identifies possible non-compliant areas.

All international supplier visits conducted by Bapcor will include an assessment against the Bapcor Modern Slavery Checklist: reaffirming Bapcor's updated Supplier Terms & Conditions regarding Ethical Supply Chains & Modern Slavery and Ethical Supply Chain Policy, the supplier's ethical or human rights policy, the availability of whistleblowing services, on-site observations, and reviewing labour conditions with management.

As with our procedures to combat modern slavery, the environmental sustainability statements in the ESC/P Policy reflect the foundation upon which Bapcor will build, and issues which will be prevalent in future supplier negotiations.



# Bapcor is committed to optimising its business operations in an environmentally responsible manner to make the most efficient use of its resources and reduce its environmental footprint.

Bapcor implemented several Group-wide projects in FY19, including the Bapcor carbon offset program, the continued roll-out of LED replacements across its store network, and streamlined processes in order to deliver improved outcomes for waste, recycling and packaging.

### Carbon Offset

Bapcor has committed to offset the carbon footprint of every vehicle in the Burson fleet, Bapcor's largest Group fleet. Bapcor is reducing its carbon footprint and offsetting emissions by contributing to Australian reforestation projects that protect the local environment, capture carbon emissions, improve soil and water quality, and restore habitat for native wildlife.

Bapcor chose to collaborate with Greenfleet for its carbon offset program. Greenfleet is a leading not-for-profit environmental organisation committed to protecting our climate by restoring our forests. To date, Greenfleet has planted more than 9.2 million native trees, offsetting greenhouse gas emissions from carbon-emitting activities within businesses, including fleets, flights and freight. Bapcor's carbon offset program will help revegetate an area covering more than nine times that of the MCG, involving the planting of 19,750 native trees anticipated to capture 5,292 tonnes of carbon emissions to help protect our climate.

As part of the initiative, Burson delivery vehicles will carry stickers displaying that the vehicle is carbon offset through native reforestation, and Bapcor team members will be invited to take part in local revegetation projects.



### LED Efficiencies

Bapcor continued its roll-out of LED replacements and installations throughout its stores, offices and distribution centres. LED lighting provides equivalent light levels with an estimated 60% reduction in energy use and 40% reduction in energy costs. As part of the initiative, all light fittings are required to meet Australian Standards and comply with the Energy Efficiency Council's guidelines.

In FY19, an additional 16 Autobarn stores across the network now run LED's as their primary lighting source, contributing an additional \$160,000 in cost savings and approximately 500,000 kW in energy savings. 77 Autobarn stores in total have either converted to or use LED. Following the additional store conversions, Autobarn's annual energy saving is nearly 2.5 million kW, equating to an associated cost savings estimated at over \$750,000.

Burson Auto Parts completed its Victoria LED replacement store roll-out in FY19, with all stores in the state now fitted with LED lighting. 23 stores were converted to LED fittings during the year, contributing an expected cost saving of close to \$100,000 and more than 250,000 kW in energy savings per annum. Across all 116 Victorian stores, the initiative is estimated to deliver cost savings of approximately \$500,000 and 1.5 million kW in energy savings per

annum. The business is on course to complete its NSW LED replacement store roll-out in FY20, and this will be extended throughout the country.

### Projects Commenced In Prior Years:

Nunawading Distribution Centre predicted energy savings of 800,000 kW annually. The Preston Office and Distribution Centre initiative continues to forecast energy savings of over 430,000 kW annually, an energy reduction of 80%, following the transition of 1,000 LED fitting replacements.

### Waste and Recycling

Bapcor has streamlined its waste and recycling management processes across the entire company, to deliver improved levels of waste separation, higher levels of recycling and fewer truck movements. In FY19, more than 71% of total waste, or 24,000 metric tonnes, was diverted from landfill across the Bapcor Group businesses.

### Packaging

Bapcor is committed to taking a sustainable approach toward packaging. During the year, an initial review was conducted across Bapcor's distribution centres, warehouses and store network in order to understand packaging usage, internal planning, and supplier awareness. Bapcor product development teams have been encouraged to review and reduce environmental impacts by seeking to understand the types of packaging we use and why, and to consider the environmental impact throughout the product lifecycle.



# At Bapcor our people are at the heart of our success, which is why during FY19 we continued to develop and implement programs to keep our team members safe and healthy, connected and engaged.

### Health and Safety Focus

The focus on Zero Harm further increased in FY19 with Safety Risk Registers now an operational tool in all business units, together with other safety initiatives, such as the establishment of Safety Network Action Planning (SNAP) groups connecting safety leaders so they can learn and share safety ideas. We also ran a Mock Court to further develop our safety leaders', and the businesses', understanding of our risks and obligations. Supporting the wellbeing of our team was also a priority, with the launch of a Group-wide Employee Assistance Program, adding to our existing network of accredited Mental Health First Aiders in Australia and New Zealand, and supporting education events such as RUOK? Day.

In late 2018 the "Speak Up" program was launched across all parts of Bapcor to provide team members with avenues to raise issues or concerns, anonymously if they wish. As a part of this, an externally managed whistleblower service with a range of contact options was established.

Our employee engagement survey in 2019 rated "I understand the health and safety standards expected of me" and "My safety at work is important to the business I work in" as the highest rated statements in the entire survey.

### Communication and Engagement

To better connect and communicate with team members across all parts of the Group, our intranet CORE was launched in December 2018, and our newsletter *Driven* keeps team members informed and updated about what is happening across Bapcor. After conducting the initial "Have Your Say" Team Member Engagement Survey in late 2017, we carried out a pulse survey in May 2019 to check on our engagement across the Group. Pleasingly, our engagement index stayed in the top half of the benchmark, at 66%, with particularly positive feedback from our team members around safety, communication and diversity. Each segment is now developing and actioning plans to further enhance engagement within their teams.

### Training and Development

We continued to support team members to achieve their full potential in FY19, through various programs which form Bapcor's training and development suite. These include: the "Change Up" and "Step Up" leadership development programs in New Zealand; delivery driver development programs in Burson to provide learnings in parts sales and customer service; and, "Respect in the Workplace" programs across a range of business units and locations.

Team members in Australia and, for the first time also those in New Zealand, were offered the opportunity to become shareholders of Bapcor through the Employee Share Purchase Plan. The take up of the plan was pleasing and we will be offering another Share Purchase Plan in Australia and New Zealand in FY20.

### Diversity and Inclusion Stats

#### Women in the workplace

**26%**  
25% in FY18

#### Full-time

**68%**  
64% in FY18

#### Part-time or casual

**32%**  
36% in FY18

#### Non-executive Directors

**75%**  
67% in FY18

### Articulating Our Values

As the year came to a close, Bapcor commenced the important process of articulating its core company values by including more than 100 team members, either self or peer nominated, in Values Workshops. Participation in one of the ten workshops provided the opportunity for these team members to share their stories and experiences about what makes being a part of Bapcor special, and these thoughts are being used to capture our core values. We look forward to launching these in FY20.

### Diversity and Inclusion

Fostering a diverse and inclusive workplace enhances Bapcor's ability to attract, retain and motivate team members from the widest possible talent pool. Bapcor continues to identify and action a range of initiatives to support diversity and inclusion across the group.

Bapcor has 26% women in the workplace (25% in FY18): 68% in full-time (64% FY18); 32% part-time or casual (36% in FY18) work; and 75% of Non-executive Directors are women (67% in FY18).

In the 2019 Bapcor employee engagement survey, the question of "The business I work in uses the potential of all employees regardless of gender, ethnicity or disability" was one of the top performing areas of improvement compared with the 2017 survey.

During FY19, Bapcor has developed its job grading matrix (for non-award positions) into which all positions in the company are slotted. One of the purposes of the matrix is to ensure parity on pay regardless of who is in the role. Progressively, we aim to review every position to ensure they fit within the matrix parameters or are amended over time.





# Bapcor has always participated in the broader communities in which we operate. Our Group provides support to a wide variety of social, charitable and sporting initiatives.

This was again on display during FY19. Among the highlights was support for "Dress Like a Farmer Day" for Australian drought relief, "Steptember" to raise funds for children with cerebral palsy, "Shave for a Cure" in Bapcor New Zealand, and "Taste of Harmony Day" when the Retail segment celebrated its cultural diversity. The Specialist Wholesale Group businesses continued to support grass roots community programs in FY19 along with other charity and fundraising events, such as the fight against prostate cancer and The Variety Bash motoring charity event.

### Dress Like a Farmer Day

On Friday 31 August 2018, Burson team members (stores, valued customers and head office) raised \$49,075 and Burson further contributed \$25,000, bringing the total funds raised to \$74,075 to support Burrumbuttock Hay Runners, which takes donated hay to drought-affected farmers in Australia, and Connecting Communities, which provides relief and support to those most in need in rural and remote Australia.



### Steptember

"Steptember" is an annual fundraising event held throughout the world to raise vital funds for cerebral palsy research and services. For Steptember 2018, 278 team members from Burson donned pedometers to challenge themselves to walk more than 10,000 steps a day for a month, and along the way raise funds for a great cause. We are proud that Burson won the Steptember Award for Highest Fundraising Newcomer – a fantastic achievement. The 76 teams' fundraising total was \$27,517.25 and our corporate team donated a further \$8,000 for a total of \$35,517.25.



### Shave for a Cure

"Shave for a Cure" is Leukaemia and Blood Cancer (LBC) New Zealand's signature fundraising event to help those diagnosed with blood cancer or related conditions, with six new diagnoses every day. LBC receives no government funding. BNT, along with sister companies TATP, HCB and the Bapcor NZ Head Office supported Shave For A Cure fundraising initiatives throughout Shave Week in March 2019. Team members at Bapcor NZ raised \$5,486.89, with the total contribution accumulating to \$10,973.78 after Bapcor NZ matched the donations made by team members, their friends and families, suppliers and customers and in doing so Bapcor NZ topped the fundraising leader board for 2019.





## RUOK? DAY

On Thursday 13 September, 2018, the Bapcor Group joined the fight against suicide by supporting the RUOK? Day campaign. This initiative is a suicide-prevention charity in Australia, with the mission to inspire and empower everyone to meaningfully connect with those around them and support anyone struggling with life. The aim of the day was for Bapcor team members to come together to raise awareness and start the conversation.



## Auto Super Shoppes Academy

In 2017 Auto Super Shoppes ambitiously started on the journey to open an automotive training academy. With a shortage of good technicians, they knew they needed an industry-led solution and they wanted to be the ones to do it. The Academy provides its students, who are predominately young people, with a pathway toward work-readiness and provides the automotive industry with a pipeline of passionate, skilled and technically-equipped graduates. BNT is proud to be behind Auto Super Shoppes Academy as a major supporter of this industry-led initiative. The Academy started with high expectations and has achieved a lot in its first year. At the end of 2019, 52 students successfully graduated and were placed in full-time employment.



## Burson Racing

Burson Auto Parts continues its support of the popular Touring Car Masters Series in 2019, along with the CAMS Rising Star Awards and the CAMS Australian Formula 4 Championship, supporting the development of junior level racing drivers seeking to make their mark in Australian motorsport.

*Burson Auto Parts Rookie of 2018  
Lochie Hughes, in the CAMS PAYCE  
Australian Formula 4 Championship.*



## Burson Thailand

Bapcor in Thailand has engaged in supporting the local community in which it operates through charitable activities, such as donating food to the SOS Children's Village in Bang Na.

## BNT V8s Championship, Chelsea Herbert Sponsorship

BNT sponsors Chelsea Herbert, a young high-performing V8 race driver. The 2018–19 BNT V8s Championship saw some pulsating and competitive racing throughout the six-round series. Chelsea Herbert's focus, drive and determination saw her continued success, with a podium finish at the Teretonga Park, Invercargill circuit on 20 January 2019.





# Directors' Report

30 June 2019

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 2019 ('FY19').

## 1. 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:

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

## 2. Principal activities

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

Bapcor is one of the largest automotive aftermarket parts, accessories, equipment and services supplier in Australasia with a network covering over 900 sites.

## 3. Significant changes in the state of affairs

On 3 July 2018, Bapcor successfully sold the TRS Tyre and Wheel business in New Zealand ('TRS') to Trelleborg Wheel Systems, a subsidiary of Swedish listed Trelleborg AB for NZD \$20M. TRS is a distributor of tyres for agricultural, materials handling and construction vehicles in New Zealand, specialising in tyres and complete wheels for tyre and tractor dealers. TRS contributed revenue of \$24.3M, EBITDA of \$2.6M and NPAT \$1.8M in FY18.

On 30 November 2018, Bapcor acquired Don Kyatt Spare Parts (Qld) Pty Ltd, He Knows Truck Parts Pty Ltd, I Know Parts and Wrecking Pty Ltd, Commercial Parts Pty Ltd and Commercial Spares Pty Ltd; collectively known as Commercial Truck Parts. Throughout the year, Bapcor acquired the business operations of Toperformance, Allied Bearings and Japanese Trucks Australia, as well as numerous franchised stores and set up new greenfield stores in most of its business segments. Bapcor has established a presence in Thailand and as at 30 June 2019 operates four greenfield automotive parts stores.

Bapcor's debt facility was refinanced and increased to \$520M in June 2019 allocated across five providers, to replace existing debt and will be utilised for general corporate purposes, working capital, capital expenditure and acquisitions. The refinancing successfully extended Bapcor's debt tenure and reduced the cost of funding.

## 4. Dividends

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

27 September 2018	\$23,821,000 (8.5 cents per share); \$6,039,000 settled via DRP
12 April 2019	\$21,185,000 (7.5 cents per share); \$5,557,000 settled via DRP

The Board has declared a final dividend in respect of FY19 of 9.5 cents per share, fully franked. The final dividend will be paid on 26 September 2019 to shareholders registered on 30 August 2019.

The final dividend takes the total dividends declared in relation to FY19 to 17.0 cents per share, fully franked, representing an increase of dividends paid of 97% compared to the prior financial year. Dividends paid and declared in relation to FY19 represents 51.1% of pro-forma net profit after tax from continuing operations.

## 5. Review of operations

**Bapcor achieved record revenue, net profit after tax ('NPAT') and earnings per share ('EPS') results in FY19.**

*Pro-forma from continuing operations – excluding TRS in FY18:*

- Revenue increased by 6.9% from \$1,212.3M to \$1,296.6M
- Pro-forma earnings before interest, taxes, depreciation and amortisation ('EBITDA') increased by 11.7% to \$164.6M
- Pro-forma NPAT increased by 11.2% to \$94.3M
- Pro-forma EPS increased by 10.3% to 33.45 cents per share

*Pro-forma from continuing operations:*

- Revenue increased by 4.8% from \$1,236.7M to \$1,296.6M
- Pro-forma EBITDA increased by 9.8% to \$164.6M
- Pro-forma NPAT increased by 9.0% to \$94.3M
- Pro-forma EPS increased by 8.0% to 33.45 cents per share

*Statutory from continuing operations:*

- Revenue increased by 4.8% from \$1,236.7M to \$1,296.6M
- Statutory NPAT increased by 14.8% to \$97.0M
- Statutory EPS increased by 13.8% to 34.40 cents per share

*Net debt:*

- Net debt at 30 June 2019 was \$336.3M representing a leverage ratio of less than 2.0X (Net Debt : annualised EBITDA allowing for a full twelve months of trading for acquisitions completed during FY19). Fixed charge cover was greater than 3.0X.

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

\$'M	Note	Consolidated			
		FY19	FY18 Continuing Operations	FY18 Discontinued Operations	FY18 Total
<b>Statutory NPAT</b>	1	<b>97.0</b>	<b>84.5</b>	<b>10.2</b>	<b>94.7</b>
Other gains adjustment	2	(4.1)	-	-	-
Finance cost adjustment	3	0.3	-	-	-
Depreciation and amortisation adjustment	4	-	-	(4.2)	(4.2)
Gain on divestment	5	-	-	(7.0)	(7.0)
Net reserve release to profit and loss	6	-	-	(0.4)	(0.4)
Restructuring and other activities	7	1.7	2.9	-	2.9
Tax adjustment	8	(0.6)	(0.9)	2.8	1.9
<b>Pro-forma NPAT</b>		<b>94.3</b>	<b>86.5</b>	<b>1.4</b>	<b>87.9</b>
TRS	9	-	1.8	-	1.8
<b>Pro-forma NPAT exc. TRS</b>		<b>94.3</b>	<b>84.8</b>	<b>1.4</b>	<b>86.1</b>

1. NPAT attributable to members of Bapcor Limited
2. The current year other gains adjustment relates to a one off gain realised on the Baxters acquisition final deferred settlement.
3. The current year finance cost adjustment relates to the write off of borrowing costs performed due to the current year refinancing activity.
4. The prior year depreciation and amortisation adjustment relates to the depreciation and amortisation that would have occurred in the Resource Services and Footwear divisions that was not recorded due to their held for sale status.
5. The prior year gain on divestment relates to the completion of the divestments of discontinued operations.
6. The prior year net reserve release relates to the release of net investment hedge and foreign currency reserves to the profit and loss on divestment of discontinued operations.
7. The current year restructuring and other activities relates to consulting costs incurred relating to acquisitions that did not proceed as well as restructuring activity that occurred within the Specialist Wholesale segment. The prior year related to one off redundancies, site exit costs and recognition of onerous leases.
8. The tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.
9. TRS was divested 3 July 2018. In FY18 TRS contributed revenue of \$24.3M, EBITDA of \$2.6M and NPAT \$1.8M. Refer to note 7 of the financial statements.



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

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

	Revenue			EBITDA		
	FY19 \$M	FY18 \$M	Change %	FY19 \$M	FY18 \$M	Change %
Trade	524.5	501.6	4.6%	78.2	72.1	8.5%
Bapcor NZ (exc. TRS)	165.0	153.6	7.4%	22.9	20.1	13.8%
<i>Bapcor NZ – TRS</i>	–	24.3	(100.0%)	–	2.6	(100.0%)
Specialist Wholesale	413.1	364.3	13.4%	46.3	38.6	20.0%
Retail	255.3	239.1	6.8%	27.1	28.8	(6.0%)
Unallocated / Head Office <sup>1</sup>	(61.3)	(46.2)	(32.7%)	(9.9)	(12.3)	20.0%
<b>Total continuing operations</b>	<b>1,296.6</b>	<b>1,236.7</b>	<b>4.8%</b>	<b>164.6</b>	<b>150.0</b>	<b>9.8%</b>

1. Revenue relates to intersegment sales eliminations and Thailand operations.

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

## 5.1 Operating and financial review – Trade

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

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

The Trade segment had a successful FY19, and compared to FY18, recorded revenue growth of 4.6% and EBITDA growth of 8.5%.

The increase in revenue of 4.6% included same store sales growth of 2.2%. Trade's EBITDA to revenue percentage was 0.5 percentage points above FY18 reflecting the impact of margin management initiatives, especially the reduction in cost of goods sold through procurement initiatives.

During FY19, Burson Auto Parts continued to expand its store network with the number of stores increasing from 170 at 30 June 2018 to 181 at 30 June 2019. The increase of eleven stores consisted of seven greenfield store developments and four acquisitions. The average cost per new greenfield store including inventory was \$721,000.

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

During the year, inventory holdings increased by \$7.0M (excluding new stores) due mainly to the build-up of new product ranges including the Hunter equipment product range as well as the expansion of existing ranges.

## 5.2 Operating and financial review – Bapcor NZ (excluding TRS)

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

BNT is the predominant business with 58 stores supplying automotive parts and accessories to workshops, plus two truck and trailer parts locations through the Truck and Trailer Parts brand. BNT is similar in nature to Bapcor's Burson Auto Parts business in Australia. During FY19 BNT commenced an automotive workshop equipment business which sells vehicle hoists and scanning equipment. This business is expected to grow substantially in the future.

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

Bapcor NZ performed strongly achieving revenue growth of 7.4% and EBITDA growth of 13.8% compared to FY18. EBITDA to revenue percentage was 0.8 percentage points above FY18.

Bapcor NZ's largest business, BNT, achieved same store sales growth of 5.3% reflecting market share growth due to the success of organisation changes, price management, range expansion and people engagement initiatives. During FY19, BNT continued to expand its store network with the number of stores increasing from 54 at 30 June 2018 to 58 at 30 June 2019. The increase of four stores related to greenfield store developments in Silverdale, Taupo, Cambridge and Upper Hutt. The average cost per new store including inventory was \$322,000. BNT improved its margin during the financial year predominately due to the impact of procurement initiatives including the launch of home branded oils, suspension and brake pads.

During the year, inventory holdings increased by \$4.9M (excluding new stores and adjusted for foreign currency) due to the build-up of new product ranges (including equipment) and expansion of existing ranges.

## 5.3 Operating and financial review – Specialist Wholesale

The Specialist Wholesale segment consists of operations that specialise in sourcing replacement parts for the automotive aftermarket. The businesses include AAD, Bearing Wholesalers, Opposite Lock, Baxters, MTQ, Roadsafe, JAS Oceania, Premier Auto Trade, Federal Batteries, Diesel Distributors and AADi and operations acquired in FY19 of the Commercial Truck Parts group (Don Kyatt Spare Parts (Qld), He Knows Truck Parts, I Know Parts and Wrecking, Commercial Parts and Commercial Spares), Toperformance, Allied Bearings and Japanese Trucks Australia.

The Specialist Wholesale segment achieved revenue growth of 13.4% and EBITDA growth of 20.0% compared to FY18. EBITDA to revenue percentage was 0.6 percentage points above FY18. Especially notable was the increase in revenue and earnings of the auto electrical businesses. The volume and product groups that the Specialist Wholesale segment supplies into other Bapcor group businesses continued to grow strongly during the year. As a key business strategy, the Specialist Wholesale segment will continue to increase the level of intercompany sales.

During the year, inventory holdings increased by \$3.1M (excluding acquisitions) due to the build-up of new product ranges in air conditioning, batteries and other new products.

## 5.4 Operating and financial review – Retail

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

Revenue for the Retail segment in FY19 increased by 6.8% compared to FY18 which includes the impact of a higher ratio of company owned stores versus franchise operations. Autobarn same store sales growth for company owned stores was approximately 5% and for franchise stores approximately 0.2%. As a result of the higher mix of company owned stores generating a higher level of sales relative to profit, the FY19 EBITDA to revenue percentage of 10.6% was 1.4 percentage points below FY18. EBITDA in FY19 was 6.0% lower compared to FY18, impacted by competitive pressure, economic conditions, new stores and lower wholesale sales to franchise stores.

Bapcor has continued to grow the number of company owned Autobarn stores via both greenfield Autobarn stores as well as conversion of franchise stores to company owned stores. The total number of Autobarn stores at 30 June 2019 was 134 stores, a net increase of six stores since 30 June 2018. The number of company owned stores increased from 48 to 66, with the 18 new stores consisting of ten greenfield stores, the conversion of nine franchise operations and the closure of one store. The percentage of company owned Autobarn stores at 30 June 2019 was 49%, up from 38% at 30 June 2018.

At 30 June 2019 the total number of company owned and franchise stores in the Retail segment was 365 consisting of Autobarn 134 stores, Autopro 77 stores, Sprint Auto Parts 35 stores and Midas and ABS 119 stores.

During the year, inventory holdings decreased by \$4.6M (excluding new stores) due to a focus on inventory reduction initiatives.

## 5.5 Operating and financial review – Unallocated / Head Office

The Unallocated / Head Office segment consists of all elimination and head office costs or adjustments that are not in the control of the other segments, as well as the results of the Thailand operations. It also includes the elimination of intercompany sales and EBITDA. Unallocated costs decreased from \$12.3M in FY18 to \$9.9M in FY19 which was primarily due to a higher level of central rebate income from procurement activities.

Intercompany sales increased by 34.5% during the year, reflecting a higher proportion of product sourced internally and increasing the volume of "own brand" product.

During the year, inventory holdings for the Thailand based operations increased by \$1.9M due to the opening of three additional stores, bringing the total number of stores to four.

## 5.6 Financial Position – Capital Raising and Debt

In September 2018, Bapcor issued 830,414 shares to participating shareholders under its Dividend Reinvestment Plan, in respect of the FY18 final dividend. In December 2018, Bapcor issued 1,396,952 shares as part consideration for the Commercial Truck Parts acquisition. In April 2019, Bapcor issued 1,008,479 shares to participating shareholders under its Dividend Reinvestment Plan, in respect of the FY19 interim dividend. As a result of these issues, ordinary shares on issue increased from 280,244,752 as at 30 June 2018 to 283,480,597 as at 30 June 2019.

Bapcor's debt facility was refinanced and increased to \$520M in June 2019 allocated across five providers, to replace existing debt and will be utilised for general corporate purposes, working capital, capital expenditure and acquisitions. The refinancing successfully extended Bapcor's debt tenure and reduced the cost of funding.

Net debt at 30 June 2019 was \$336.3M representing a leverage ratio of less than 2.0X (Net Debt : annualised EBITDA allowing for a full twelve months of trading for acquisitions completed during FY19). Fixed charge cover was greater than 3.0X.

## 6. Strategy

Bapcor's strategy is to be Australasia's leading provider of motor vehicle aftermarket parts and accessories, automotive equipment and services, and motor vehicle servicing.

### Trade

Trade consists of the businesses Burson Auto Parts and Precision Automotive Equipment. The business units are trade-focussed "parts professionals" businesses supplying service workshops. Bapcor's target is to grow Burson Auto Parts' store numbers via acquisitions and greenfields from 181 stores at the end of June 2019 to 230 stores with 35% home brand product content.

### Bapcor New Zealand

Bapcor New Zealand's operations consist of its automotive aftermarket businesses of BNT, Precision Automotive Equipment (NZ), Autolign and Truck and Trailer Parts, as well as the automotive electrical businesses of HCB, JAS Oceania and Diesel Distributors (NZ). The strategy is to grow the BNT business from its current 58 stores to 75, as well as grow its electrical businesses organically and potentially through acquisition. Bapcor New Zealand also has a target to grow home brand content to 35%.

### Specialist Wholesale

The Specialist Wholesale business strategy is to be the number one or number two industry category specialists in the parts programs in which it operates. The parts programs in which the specialist wholesale segment operates are brake, bearings, electrical, suspension, 4WD, cooling, diesel, engine control systems and the recently added commercial vehicle parts.

The Specialist Wholesale businesses are focused on maximising internal sales, developing private label product ranges, and the evaluation of its distribution footprint including opportunities for shared facilities. Specialist Wholesale growth may also include acquisitions where they are complementary to the current product group offerings.

### Retail

**Autobarn** – The premium retailer of automotive accessories, Autobarn had 134 stores at the end of 30 June 2019 including 66 company owned stores. The target is to grow to 200 Autobarn stores, with a majority of growth being company owned stores. Home brand content is also targeted to be 35%.

**Independents** – The independents group consists of the franchise stores of Autopro and Sprint Auto Parts. The strategy is to supply the independent parts stores via Bapcor's extensive supply chain capabilities and brand support. Bapcor's strategy is to strongly support these independent stores.

**Service** – The service business consists of the brands Midas and ABS and aims to be experts at scheduled car servicing at affordable prices. There were 119 stores at 30 June 2019 of which 111 were franchised. Bapcor consider Service a potential growth area due to the industry consolidation opportunities and the potential to vertically integrate supply of product through its Trade and Specialist Wholesale segments and will actively expand this segment.

## Asia

Bapcor has commenced an expansion into South East Asia, initially into Thailand. Currently there are four greenfield stores selling automotive parts and accessories to workshops and retail customers. Bapcor sees significant potential to grow this footprint, once the concept is proven in Thailand. The initial twelve months of operations have been positive.

## 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 are a priority for the group.

**Supply Chain** – strength of distribution network ensures fast delivery to trade customers who rely on quick access to parts to improve service time to their customers.

**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 improvements opportunities, whilst spreading reliance on profitability.

## 7. Industry trends

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

- a. population growth;
- b. increasing number of vehicles per person;
- c. change in the age mix and complexity of vehicles (i.e. more vehicles in the four years or older range); and
- d. an increase in the value of parts sold.

Demand for automotive parts, accessories and services is resilient as vehicle maintenance is critical to operating a vehicle. Vehicle servicing is driven by the number of kilometres travelled, with the number of kilometres travelled by passenger and light commercial vehicles not 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.

On-line channels to market is now a common medium for retail businesses albeit only a small percentage of automotive retail sales are on-line. Through its 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.

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. Bapcor does not believe on-line competition will have a material impact on Bapcor's trade business.

There is increased interest and production of electric vehicles. As Bapcor's target market is parts and accessories for vehicles greater than four years old, and due to the large size of the conventional vehicle car parc (approximately 18 million) and how long it would take for electric and hybrid vehicles to become a meaningful percentage of the total number of vehicles on the road (currently less than two percent), Bapcor considers that any impact to the Bapcor business within the foreseeable future is minimal.

## 8. Key business risks

There are a number of factors that could have an effect on the financial prospects of Bapcor. These include:

**Competition risk** – The Australian and NZ automotive aftermarket parts and accessories distribution industry is competitive and Bapcor may face increased competition from existing competitors (including through downward price pressure), 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.

**Increased bargaining power of customers** – A significant majority of Bapcor's sales are derived from repeat orders from customers. Bapcor may experience increased bargaining power from customers due to consolidation of existing workshops forming larger chains, greater participation of existing workshops in purchasing and buying groups, and closure of independent workshops resulting in greater market share of larger chains. An increase in bargaining power of customers may result in a decrease in prices or loss of customer accounts, which may in turn adversely affect Bapcor's sales and profitability.



**Supplier pressure or relationship damage** – Bapcor’s business model depends on having access to a wide range of automotive parts, in particular parts with established brands that drive customer orders. An increase in pricing pressure from suppliers or a damaged relationship with a supplier may increase the prices at which Bapcor procures parts or limit Bapcor’s ability to procure parts from that supplier. If prices of parts increase, Bapcor will be required to pass on or absorb the price increases, which may result in a decreased demand for Bapcor’s products or a decrease in profitability. If Bapcor is no longer able to order parts from a key supplier, Bapcor may lose customer orders and accounts, resulting in lower sales. Any decline in demand, sales or profitability may have an adverse effect on Bapcor’s business and financial performance.

**Exchange rate risk** – A large proportion of Bapcor’s parts are sourced from overseas (as is the case with Bapcor’s competitors), either indirectly through local suppliers or directly by Bapcor. This 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 to the market. If the situation arises where 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.

**Managing growth and integration risk** – The integration of acquired businesses and the strategy of growing the store network will require Bapcor to integrate these businesses and where appropriate upscale its operational and financial systems, procedures and controls and expand and retain, manage and train its team members. There is a risk of a material 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 take an active role in the integration of acquired businesses.

**Expansion** – A key part of Bapcor’s growth strategy is to increase the size of its store networks, which it intends to achieve through store acquisitions and greenfield developments. If suitable acquisition targets are not able to be identified; acquisitions are not able to be made on acceptable terms; or suitable greenfield sites are not available, this may limit Bapcor’s ability to execute its growth strategy within its expected timeframe. Further, new stores may not prove to be as successful as Bapcor anticipates including due to issues arising from integrating new businesses. This could negatively impact Bapcor’s financial performance and its capacity to pursue further acquisitions. Bapcor senior management take an active role in the rollout and progress of store expansion.

**Franchise regulations** – Bapcor has a large franchise network within its Retail segment. 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.

**People risk** – Bapcor is a highly focussed customer 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. Any significant turnover of team members or loss of key senior management has the potential to disrupt the profitability and growth of the business. Senior management risk is somewhat managed through notice period and non-compete contractual obligations, succession planning and long term incentives.

**Information technology** – All of Bapcor’s business operations rely on information technology platforms. Any sustained unplanned downtime due to system failures, cyber-attack or any other reason has the potential to have a material impact on the ability for Bapcor to service its customers. Bapcor’s business units operate with a number of different operating systems making it less likely that any unplanned downtime will occur across the entire business. Bapcor is investing in upgrading its systems to ensure they are suitable for current trading with the objective of providing a competitive advantage.

## 9. Likely development and expected results of operations

In FY19 Bapcor delivered another record result in sales and earnings, and a solid growth in earnings per share despite the year being a comparatively tough year with softer trading conditions than recent years across most of Bapcor’s businesses. The softer trading conditions were largely driven by the decline in consumer confidence in the Australian and NZ markets due to falling housing prices, share market performance and political uncertainty. A higher level of competition including price discounting by competitors to attract business also impacted the business.

Bapcor will continue to focus on its core strategies (which have not changed), including organic growth, increased footprint, improved margin, especially through higher own brand sales to deliver continually increasing sales and earnings. The main current focus is to consolidate and optimise the businesses Bapcor has acquired over the past four years.

FY20 has started positively across all of Bapcor’s business segments, however there continues to be underlying economic uncertainty. Given the uncertain conditions Bapcor is forecasting proforma net profit after tax to increase in middle to high single digit percentages in FY20.

## 10. Information on directors

Name:	<b>Andrew Harrison</b>
Title:	Independent, Non-Executive Director and Chairman
Qualifications:	Bachelor of Economics from the University of Sydney Master of Business Administration from The Wharton School at the University of Pennsylvania Member of the Australian Institute of Company Directors Chartered Accountant
Experience and expertise:	Andrew is an experienced company director and corporate advisor and has previously held non-executive directorships with public, private and private equity owned companies. Andrews's former executive positions include Chief Financial Officer of Seven Group Holdings, Group Finance Director of Landis and Gyr, and Chief Financial Officer of Alesco Limited. Andrew has also worked as a corporate advisor in Australia, the United States and the United Kingdom.
Other current directorships:	Andrew is currently Chairman of WiseTech Global Limited and on the board of Moorebank Intermodal Company.
Former directorships (last 3 years):	Estia Health Limited, Xenith IP Limited and IVE Group Limited
Special responsibilities:	Chairman Member of the Audit and Risk Committee Member of the Nomination and Remuneration Committee
Interests in shares:	68,570 ordinary shares

Name:	<b>Darryl Abotomey</b>
Title:	Chief Executive Officer and Managing Director
Qualifications:	Bachelor of Commerce majoring in accounting and economics from the University of Melbourne Member of the Australian Institute of Company Directors
Experience and expertise:	Darryl has led Bapcor since 2011 and has more than thirteen years' experience in the automotive aftermarket industry. Darryl has extensive experience in business acquisitions, strategy, finance, information technology and general management in distribution and other industrial businesses. Darryl was a former Director and Chief Financial Officer of Exego Group (Repcor). He has also previously held directorships with The Signcraft Group, PaperlinX Limited, CPI Group Limited and Pinegro Products Pty Ltd.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	1,641,323 ordinary shares
Interests in rights:	549,491 performance rights

Name:	<b>Therese Ryan</b>
Title:	Independent, Non-Executive Director
Qualifications:	Bachelor of Laws from the University of Melbourne Graduate of the Australian Institute of Company Directors
Experience and expertise:	Therese is a professional non-executive director and has extensive experience as a senior business executive and commercial lawyer working in widely diversified businesses in Australia and internationally. Therese has over 20 years' experience across executive and board appointments within the automotive industry. Previously, she was Vice President and General Counsel of General Motors International Operations based in Shanghai, Assistant Secretary of General Motors Corporation and prior to that General Counsel and Company Secretary of GM Holden.
Other current directorships:	Therese is currently a board member of VicForests, Gippsland Water, WA Super and Sustainable Timber Tasmania.
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee Member of the Audit and Risk Committee
Interests in shares:	34,730 ordinary shares

Name:	<b>Margaret Haseltine</b>
Title:	Independent, Non-Executive Director
Qualifications:	Bachelor of Arts Degree Diploma in Secondary Teaching from the Auckland University Fellow of the Australian Institute of Company Directors
Experience and expertise:	Margaret has more than 30 years' business experience in a broad range of senior positions, and ten years' experience in board directorship. A proven executive leader, Margaret has significant experience in the areas of supply chain and logistics, customer interface in the FMCG sector, change management, governance, and management within a large corporate environment. Previously, she held various senior positions with Mars Food Australia, including CEO, spanning a 20-year career.
Other current directorships:	Margaret is currently a board member of Southern Hospitality Ltd and Bagtrans Pty. Ltd. (Chairman) and Newcastle Permanent Building Society.
Former directorships (last 3 years):	Fantastic Holdings Ltd.
Special responsibilities:	Member of the Audit and Risk Committee (appointed as Member 1 September 2018) Chair of the Audit and Risk Committee (resigned as Chair 1 September 2018) Member of the Nomination and Remuneration Committee
Interests in shares:	32,125 ordinary shares

Name:	<b>Jennifer Macdonald (appointed 1 September 2018)</b>
Title:	Independent, Non-Executive Director
Qualifications:	Masters of Entrepreneurship and Innovation from Swinburne University Graduate Diploma from the Securities Institute of Australia Bachelor of Commerce from Deakin University Graduate of the Australian Institute of Company Directors Chartered Accountant
Experience and expertise:	Jennifer is a professional company director currently serving on the board and audit committee of a number of ASX-listed companies. Jennifer has previously held various senior management positions with ASX-listed and global companies, including as CFO and interim CEO at Helloworld Limited, and CFO and General Manager International at REA Group Ltd.
Other current directorships:	Jennifer is currently a board member of Australian Pharmaceuticals Ltd, Redflow Ltd and Redbubble Ltd.
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee (appointed 1 September 2018) Member of the Nomination and Remuneration Committee (appointed 1 September 2018)
Interests in shares:	10,254 ordinary shares

Note: 'former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities.

## 11. Company secretary and officers

### Current Chief Financial Officer and Company Secretary

*Gregory Lennox Fox (2 March 2012 – present)*

Greg has more than 30 years' experience in the automotive, industrial and public accounting sectors. Greg joined Bapcor as Chief Financial Officer in 2012 with responsibility for finance, legal, company secretarial and plays a key role in strategic initiatives. Greg was previously Chief Financial Officer at Atlas Steels and at Plexicor, which was a major supplier to the automotive industry. Greg also held various senior financial positions with Amcor Ltd after commencing his career as a chartered accountant.

## 12. Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee*		Audit and Risk Committee*	
	Attended	Held	Attended	Held	Attended	Held
Andrew Harrison	9	9	3	3	4	4
Darryl Abotomey*	9	9	-	-	-	-
Therese Ryan	9	9	3	3	4	4
Margaret Haseltine	9	9	2	3	4	4
Jennifer Macdonald**	6	7	2	2	3	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

\* The members of the Audit and Risk Committee are Jennifer Macdonald (Chair from 1 September 2018), Margaret Haseltine (Chair between 4 April 2018 – 30 August 2018), Andrew Harrison and Therese Ryan. Darryl Abotomey, whilst not a member of the Audit and Risk Committee, attended all Audit and Risk Committee meetings by invitation from the Committee.

The members of the Nomination and Remuneration Committee are Therese Ryan (Chair), Andrew Harrison, Margaret Haseltine and Jennifer Macdonald. Darryl Abotomey, whilst not a member of the Nomination and Remuneration Committee, attended all Nomination and Remuneration Committee meetings by invitation from the Committee.

\*\* Jennifer Macdonald was appointed as an Independent, Non-Executive Director, Chair of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee on 1 September 2018.



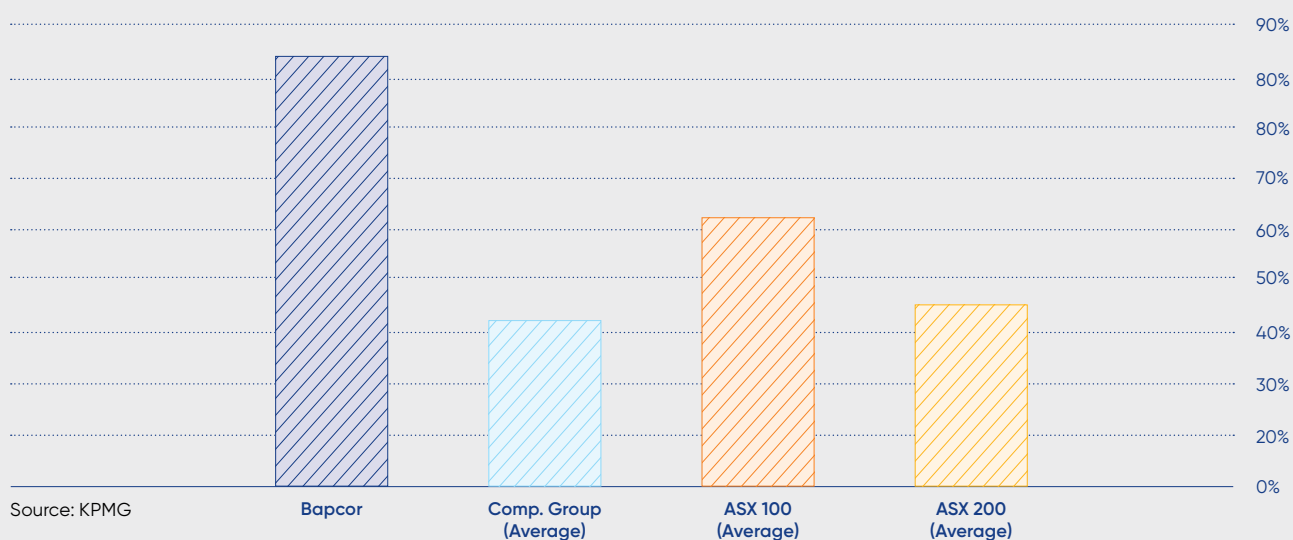
### 13. Remuneration report

The Bapcor Board is very pleased to share with you our Remuneration Report for the financial year ended 30 June 2019.

The performance and growth of Bapcor consistently delivered by its executive and team members since listing on the Australian Securities Exchange ('ASX') in 2014 is again a key feature of the Company's results in FY19. In the face of increasingly challenging market conditions some of the significant outcomes of another successful year include 4.8% increase in revenue from continuing operations from \$1,236.7M to \$1,296.6M and pro-forma net profit after tax ('NPAT') from continuing operations of 9.0% from \$86.5M to \$94.3M. In addition, statutory NPAT from continuing operations increased by 14.8% from \$84.5M to \$97.0M.

FY19 delivered record results in every financial metric.

The following chart shows total return to shareholders over the previous four years:



Consistently delivering strong results requires Bapcor to attract and retain the leadership talent that can shape and deliver the strategy. The Board is very aware that to do this executive key management personnel ('KMP') should be appropriately rewarded for their skills, experience and achievements and to ensure this the following approach has been taken to remuneration:

Fixed remuneration is set to provide market competitive, appropriate remuneration to attract, retain and motivate our talented team in a highly competitive and increasingly challenging market. In FY19 modest increases were made to KMP pay based on independent market remuneration benchmarking which, as in previous years, targeted 50th percentile of the benchmark, with a range of plus or minus 20%.

Providing rewards and incentives to drive outperformance is the focus of the other elements of our remuneration approach with targets to deliver the strategy and shareholder growth established each year after in-depth consideration by the Bapcor Board.

The Short Term Incentive ('STI') is structured by the Board through setting aggressive targets for both financial and non-financial indicators that reward our executive KMP for delivering on our growth strategy; this requires executive KMP to take measured risks that benefit our investors in the short term as well as continuing to build the foundations and capital investments that contribute to the long term sustainability of the business. STI payments are primarily awarded for achieving and exceeding the NPAT or earnings before interest and tax ('EBIT') targets that are established at levels greater than prior year. They also include achieving improvements in working capital levels. Non-financial targets for each executive KMP are also an important feature of the STI and are designed to drive elements of the strategy such as safety, people, customer, compliance, environmental, governance and optimisation.

The Long Term Incentive ('LTI') measures of relative shareholder return ('TSR') and statutory earnings per share ('EPS') growth have been consistently applied since Bapcor's initial public offering ('IPO') in 2014. After consideration, the Board retains the view that this is a reliable and transparent way to measure long term shareholder value aligning the interests of our executive KMP with the interests of our investors. Once again, we believe our investors will be pleased with a compound annual statutory EPS growth rate over five years of 31.5% and that the executive team that achieves such strong and consistent results should be rewarded for its efforts. The Board also reports that 38.6% of the three year tranche of the FY17 LTI and 50.0% of the FY17 LTI plan allocated to the CEO vested.

To deliver on our strategy; engaged, high calibre team members in every part of the Group are vital to accomplish financial targets and provide shareholder value. Ensuring all Bapcor team members are safe, engaged and able to realise their full potential is essential to the Group's success and in FY19 the focus on team member engagement and development therefore continued. Bapcor launched a Group-wide intranet, CORE, to connect and communicate with all team members regardless of their role, business or location in the Group. An increasing focus on talent saw consistent succession, talent and performance review approaches across the Group with a range of training programs conducted to enhance capability, including our leaders and sales force. After the initial Group-wide team member engagement survey was conducted in late 2017, Bapcor again undertook the "Have Your Say" Engagement Survey in FY19 with over 3,000 team members participating to achieve a response rate of 72%. The results were again pleasing and reflective of the positive culture of Bapcor and the effectiveness of the actions taken, particularly in the areas of safety and communication, since the last survey.

Bapcor is still a young business but with a very long history and FY19 saw a number of changes and renewal in the executive team. This created the opportunity to bring new leaders, skills and experiences to the executive team that will further shape and grow Bapcor into the future. Being able to attract new, high calibre executives to lead Bapcor has also confirmed our remuneration approach is meeting market expectations. The Board continues to be delighted that the executive team, and the Bapcor team more broadly, which has achieved the financial and non-financial results that have consistently improved returns to our shareholders and which provide a solid foundation for the sustained performance of the Company.

## 14. Remuneration report (audited)

The Directors present the Remuneration Report setting out the principles, policy and practices adopted by the Bapcor Board in respect of remuneration for the Group's non-executive and executive Key Management Personnel ('KMP') in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The Remuneration Report is set out under the following main headings:

- 14.1 Overview
- 14.2 Remuneration governance
- 14.3 Remuneration framework
- 14.4 Key management personnel
- 14.5 Executive remuneration
- 14.6 Cash and realisable remuneration
- 14.7 Statutory details of remuneration

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.

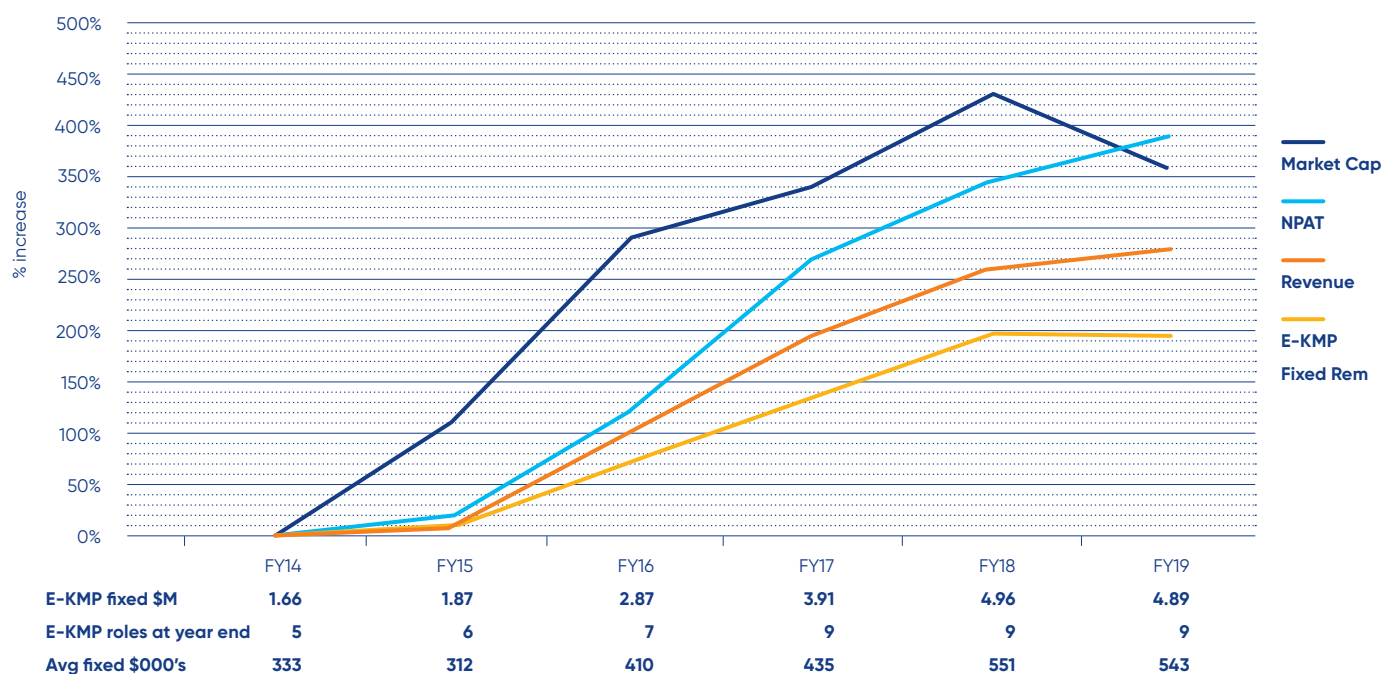
### 14.1 Overview

#### 14.1.1 Financial performance and remuneration over the last five years

Bapcor has grown in size and complexity since it listed on the ASX in 2014. Over these five years financial performance has consistently improved as have the returns delivered to shareholders.

#### Remuneration Analysis FY14 - FY19

% increases of Market Cap, Revenue, Pro-forma NPAT and Executive KMP Fixed Remuneration



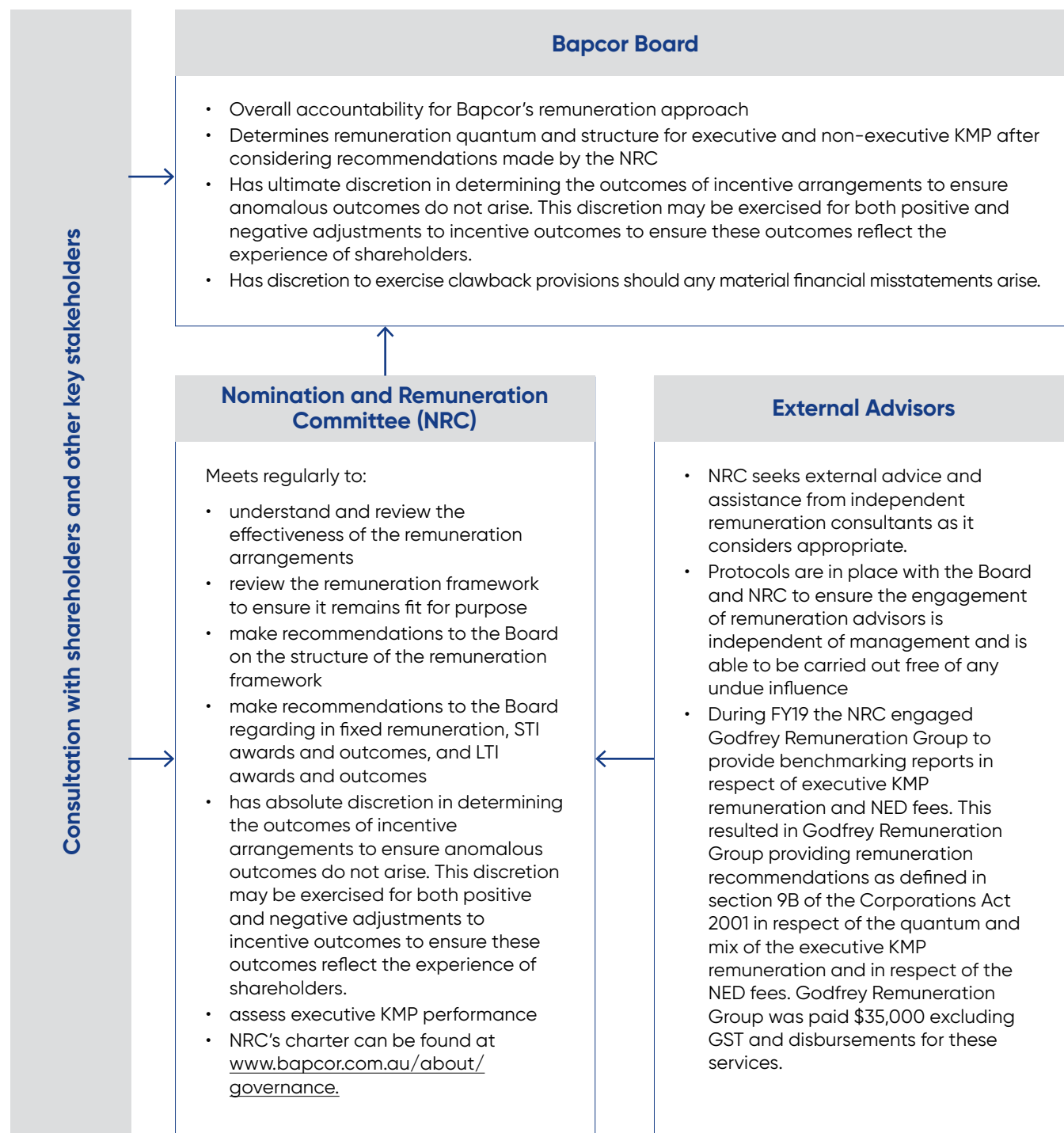
## 14.1.2 Key Questions

Key Questions	Our Approach
How is FY19 executive remuneration different from FY18?	The approach to executive remuneration remains consistent with FY18. Modest adjustments have been made to executive remuneration based on independent market benchmarks. Executive remuneration remains positioned at around 90% of the median of the comparator peer companies, based on the information obtained from the independent advisor retained by the Board, Godfrey Remuneration Group.
Were there any increases to non-executive directors in FY19?	No. Non-executive directors' fees were not increased during the year.
How much STI was earned by the executives for FY19 and what were the reasons for the level of payment?	<p>STIs earned by executive KMP are based on targets established by the Board at the beginning of the financial year. The STIs at target level are 70% financial measures and 30% personal objectives with payment for achievement greater than target deferred for one year. At maximum level, the STIs are weighted 83.5% and 80% to financial measures respectively for the CEO and other executives.</p> <p>The aggregate of STI paid to the executive KMP for performance in FY19 was \$1,492,000 which is 43.3% of the maximum that could have been paid.</p> <p>As no awards exceeded the target value, there has been no deferred components in FY19.</p> <p>STI payments were made as the company's financial performance exceeded target against a range of measures including:</p> <ul style="list-style-type: none"> <li>• Group revenue from continuing operations increase of 4.8% over FY18</li> <li>• Group pro-forma EBIT from continuing operations increase of 9.8% over FY18</li> <li>• Group pro-forma NPAT from continuing operations increase of 9.0% over FY18</li> <li>• Statutory NPAT from continuing operations increase of 14.8% over FY18.</li> </ul> <p>Each executive KMP also has specific personal objectives agreed at the beginning of the year that align to the strategic goals of Bapcor. All executive KMP have personal objectives relating to safety, talent and succession, team member development, team member engagement, strategic growth and corporate governance. Given their area of accountability other personal objectives include new store and same store sales growth, customer satisfaction, own brand development, improvements in IT systems and investor relations.</p> <p>Although STI payments have been made in FY19, the level of payments in comparison with FY18 demonstrates that the Board continues to set demanding stretch targets each year and that market conditions have become increasingly challenging.</p>
What LTI grants have vested in FY19?	The three year tranche of the LTI granted to ten executives on 24 December 2016, being 66% of the total number vested, was independently tested by a third party against the company's FY19 TSR and EPS performance. The extent to which they vested is as follows:
What was the basis for the vesting of those grants?	<p><b>Relative TSR Rights:</b> Bapcor's TSR performance ranked at the 40th percentile of the comparator group. This resulted in none of the tranche vesting.</p> <p><b>Compound annual growth rate ('CAGR') of EPS:</b> Bapcor's CAGR of statutory EPS was 24.4%. This resulted in 100% of the tranche vesting.</p> <p>The LTI granted to the CEO on 4 December 2017, being 100% of the total number granted, was independently tested by a third party against the company's FY19 TSR and EPS performance. The extent to which they vested is as follows:</p> <p><b>Relative TSR Rights:</b> Bapcor's TSR performance ranked at the 41st percentile of the comparator group. This resulted in none of the tranche vesting.</p> <p><b>CAGR of EPS:</b> Bapcor's CAGR of statutory EPS was 24.4%. This resulted in 100% of the tranche vesting.</p> <p>Shares from vested Performance Rights remain under a restriction on sale for a further twelve months, reflecting further alignment of executive and shareholder interests.</p>



Key Questions	Our Approach
What is the performance period for the LTIs?	<p>The grants of LTI in the years up to and including FY17 were for performance periods of two years and three years, with tranches having a further twelve month restriction on sale for vested LTI.</p> <p>From FY18 the LTI opportunity is subject to a performance period of three years with a further twelve month restriction on sale for vested LTI. The Board continues with the view that three years is the appropriate performance period to drive a sustainable business, grow shareholder value and retain talented executive KMP.</p>
Did the Board make any one-off payment to executive KMP in FY19?	There were no one-off payments to executive KMPs in FY19.
Did the Board exercise discretion when determining the payments under the STI plan?	STIs are structured to include personal objectives that contribute to the longer-term strategy and sustainability of the business. These personal objectives may be non-financial or not numeric in nature and, as such, some judgement is required by the Board to assess the achievement of these objectives.
What were the FY19 STI performance measures for KMP's?	Section 14.5.1 and 14.5.2 of this report provides more details of the performance measures for FY19.
How did the Board establish the STI performance measures for FY19?	<p>As in prior financial years, the Board determined that the focus of the executive team should be on growing NPAT for the CEO and CFO and EBIT for all other executive KMP. Also there were targets for reducing working capital. Therefore 70% of the target STI award is tied to these financial measures. All above target STI awards are based on the financial measures.</p> <p>Achievement of the non-financial measures aligns to the strategy and underpins the future growth and sustainability of the Company.</p>
Is there provision for deferral of STI and what if any has been deferred?	Yes. Payment to executive KMP of the STI component that is above target is deferred for twelve months. For FY19 there were no deferred amounts. Deferred amounts from FY18 of \$602,763 will be paid in August 2019.
Were those executive KMP who have not remained in their role paid an STI?	The Board exercised its discretion under the rules of the plan in determining if STIs would be paid to the executive KMP who have not continued in their role. Those KMP who left the business were not paid any STI and those who have remained with Bapcor and transitioned to other roles were paid an STI.
How does the company determine the number of LTI Performance Rights to grant?	The weighted average face value of shares is used to calculate the number of LTI Performance Rights granted.
What clawback provisions are in place?	The Board has absolute discretion where it is determined a change in circumstances has occurred including material financial misstatements or some other event or series of events. Further, the Board has absolute discretion where a participant has engaged in fraudulent or dishonest conduct, or has engaged in or is being investigated for conduct which may adversely affect Bapcor's financial position or reputation.
Has the company made any loans to the executives in FY19?	No loans were provided to any executive KMP in FY19.

## 14.2 Remuneration governance

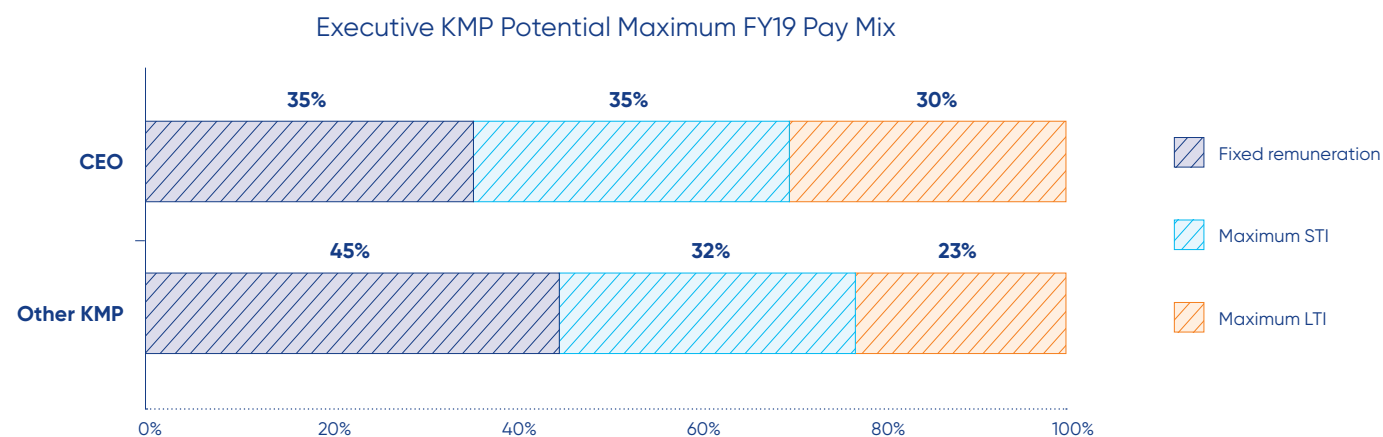


## 14.3 Remuneration framework

### 14.3.1 Executive remuneration structure

	Total Remuneration =		
	Fixed Annual Reward (FAR) +	Short Term Incentive (STI) +	Long Term Incentive (LTI)
Purpose	Attract, motivate and retain high calibre talent	Motivate and reward performance in current year	Reward long term sustainable performance that delivers shareholder returns
Method of payment	Cash and benefits	Annual cash payment Payment for achievement beyond target deferred for twelve months	Performance Rights which do not attract dividends or voting rights Vest after three years with sale of vested shares restricted for twelve months
Structure	Base salary, superannuation and non-cash benefits such as motor vehicles	70% financial targets 30% personal objectives (which may be non-financial)	50% TSR 50% EPS
Measures	Annual performance review and independent market based remuneration benchmarks	Financial targets are NPAT for CEO/CFO and EBIT for other executive KMP. Working capital targets apply to all KMP. Payment threshold is 95% of target Personal objectives include safety, team, talent and strategic growth.	TSR > 50% companies in comparable peer group Compound annual growth rate of EPS ≥ 7.5% with maximum vesting at 15%.
Link to strategy and performance	Business complexity requires highly skilled executives to deliver performance that meets shareholder expectations	Drives growth as financial targets are set at a growth level to the previous year and personal targets reward the actions that build a sustainable business	Motivates executives to take a long-term view of company performance and links reward the investors' experience.

### 14.3.2 FY19 remuneration mix



## 14.4 Key management personnel

As defined by AASB 124 *Related Party Disclosures*, Bapcor's Key Management Personnel ('KMP') are those leaders with the authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly. This includes non-executive and executive directors as well as executive leaders. The KMP during FY19 and their positions are those in the following table.

Name	Position
<b>Non-executive Directors ('NED')</b>	
Andrew Harrison	Board Chair Member Audit and Risk Committee Member Nomination and Remuneration Committee
Therese Ryan	Chair Nomination and Remuneration Committee Member Audit and Risk Committee
Margaret Haseltine	Member Nomination and Remuneration Committee Member Audit and Risk Committee (reappointed as Member 1 September 2018) Chair Audit and Risk Committee (resigned as Chair 1 September 2018)
Jennifer Macdonald	Chair Audit and Risk Committee (appointed 1 September 2018) Member Nomination and Remuneration Committee (appointed 1 September 2018)
<b>Executive Director</b>	
Darryl Abotomey	Managing Director and Chief Executive Officer
<b>Executive KMP</b>	
Greg Fox	Chief Financial Officer and Company Secretary
Craig Magill	Executive General Manager, Trade
Colin Daly	Chief Operating Officer, Strategic Marketing and Bapcor New Zealand (resigned 14 September 2018)
Martin Storey	Executive General Manager, Bapcor NZ (appointed 1 October 2018)
Paul Dumbrell	Chief Operating Officer, Specialist Wholesale (resigned 23 October 2018)
Mathew Cooper	Executive General Manager, Specialist Wholesale – Mechanical (appointed 24 October 2018) Executive General Manager, Strategic Development (ceased 24 October 2018)
Steve Drummy	Executive General Manager, Specialist Wholesale – Engine Management (appointed 22 February 2019)
Peter Tilley	Executive General Manager, Retail (ceased 29 April 2019)
Tim Cockayne	Executive General Manager, Retail (appointed 29 April 2019)
Grant Jarrett	Executive General Manager, Logistics (ceased 30 April 2019)
Alison Laing	Executive General Manager, Human Resources



## 14.5 FY19 executive remuneration

The following sections explain FY19 executive KMP remuneration:

- 14.5.1 Financial performance over the last five years
- 14.5.2 STI performance metrics and outcomes
- 14.5.3 STI payment, deferral and clawback
- 14.5.4 LTI plan
- 14.5.5 LTI outcomes

### 14.5.1 Financial performance over the last five years

Bapcor's financial performance over the last five years will assist readers to understand the context of the remuneration framework, management's performance and how the Company's performance impacts the remuneration outcomes for the executive KMP.

The table below shows measures of Bapcor's financial performance over the five complete financial years since it listed on 23 April 2014.

	2015	2016	2017	2018	2019
Revenue from continuing operations \$m	375.3	685.6	1,013.6	1,236.7	1,296.6
<i>Increase/(decrease) in revenue</i>	9.9%	82.7%	47.8%	22.0%	4.8%
Pro-forma NPAT from continuing operations \$m <sup>2</sup>	23.1	43.6	65.8	86.5	94.3
<i>Increase/(decrease) in pro-forma NPAT</i>	19.7%	88.7%	50.9%	31.6%	9.0%
Pro-forma EPS from continuing operations (cents) <sup>1</sup>	13.62	17.85	24.40	30.97	33.45
<i>Increase/(decrease) in pro-forma EPS – TERP adjusted</i>	19.1%	31.0%	36.7%	26.9%	8.0%
Statutory NPAT \$m <sup>2</sup>	19.5	43.6	64.0	94.7	97.0
<i>Increase/(decrease) in statutory NPAT</i>	1,581.6%	123.4%	47.0%	47.8%	2.4%
Statutory EPS – TERP adjusted (cents) <sup>1</sup>	13.62	17.85	23.76	33.88	34.40
<i>Increase/(decrease) in statutory EPS – TERP adjusted</i>	19.1%	31.0%	33.1%	42.6%	1.5%
Dividend declared (cents per share)	8.7	11.0	13.0	15.5	17.0
<i>Increase/(decrease) in dividend declared</i>	n/a	26.4%	18.2%	19.2%	9.7%
Share price 30 June \$	3.40	5.52	5.49	6.55	5.58
<i>Increase/(decrease) in share price</i>	60.4%	62.4%	(0.5%)	19.3%	(14.8%)
Market capitalisation \$m 30 June	746.9	1,357.1	1,529.7	1,835.6	1,581.8

1. 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

### 14.5.2 FY19 STI performance metrics and outcomes

Participants in the STI Plan have a target cash payment that is a percentage of their fixed annual remuneration with financial and non-financial targets established by the Board each year. Actual STI payments may be below, at or above that target depending on the achievement of these financial and non-financial objectives. For the financial objectives, no incentive payment is awarded if the threshold of 95% of the target performance is not met.

70% of the target STI opportunity of the executive KMP is contingent on meeting financial objectives of either annual NPAT or EBIT and working capital. The FY19 objectives set by the Board were at levels significantly higher than the previous year's achievement, with the threshold measure higher than the FY18 actual result.

30% of target STI is subject to meeting other annual personal objectives which may include both financial and non-financial measures.

Type of performance measure and weighting at target	KMP Performance measure	FY19 performance																								
Financial 70%	<p>CEO and CFO is Group NPAT.</p> <p>Other Group executives is Group EBIT.</p> <p>Business segment executives is EBIT of the business segment they lead and Group EBIT.</p> <p>All KMP have targets for reducing working capital.</p> <p>The Group target was set significantly higher than the FY18 actual result and was set in the context of the business strategy and growth objectives.</p> <table><tr><th colspan="4">Percentage of FAR</th></tr><tr><th></th><th>CEO</th><th>CFO</th><th>Other KMP</th></tr><tr><td>&lt; Threshold</td><td>Nil</td><td>Nil</td><td>Nil</td></tr><tr><td>Threshold</td><td>28.5%</td><td>20%</td><td>20%</td></tr><tr><td>Target</td><td>38.5%</td><td>28%</td><td>28%</td></tr><tr><td>Maximum</td><td>83.5%</td><td>58%</td><td>58%</td></tr></table> <p>Threshold level is 95% of target and requires significant improvement over FY18 actual result.</p>	Percentage of FAR					CEO	CFO	Other KMP	< Threshold	Nil	Nil	Nil	Threshold	28.5%	20%	20%	Target	38.5%	28%	28%	Maximum	83.5%	58%	58%	<p>Pro-forma NPAT for FY19 was \$94.3M, a 9.0% increase over FY18.</p> <p>Pro-forma continuing operations EBIT performance increased 9.8% over FY18.</p> <p>EBIT by business segment varied as detailed in the financial report.</p>
Percentage of FAR																										
	CEO	CFO	Other KMP																							
< Threshold	Nil	Nil	Nil																							
Threshold	28.5%	20%	20%																							
Target	38.5%	28%	28%																							
Maximum	83.5%	58%	58%																							
Personal (which may be non-financial) 30%	<p>There is a range of metrics across the following criteria that are applicable to the executive KMP depending on their role and accountabilities, several objectives are shared across all executive KMP:</p> <ul style="list-style-type: none"><li>• <b>Safety:</b> various objectives requiring improved performance year on year including, for all executive KMP, a reduction in lost time injuries (LTIs) of 20% on FY18</li><li>• <b>People:</b> with objectives requiring individual and team development, culture strategies, succession planning, and training and development outcomes</li><li>• <b>Customer engagement:</b> including objectives to measure and improve customer sentiment</li><li>• <b>Strategic acquisitions:</b> with objectives requiring the identification of suitable businesses for acquisition, implementation of the business case and results regarding achieving the business case</li><li>• <b>Organic growth:</b> for each business segment objectives are set to deliver organic growth and market share gains</li><li>• <b>New stores:</b> the number of new stores required in business units to achieve growth targets</li><li>• <b>Systems and processes:</b> with objectives focused on the long term sustainability of the company in areas such as information technology and logistics</li><li>• <b>Compliance, governance and risk management:</b> requiring processes and procedures to ensure achievement of compliance requirements and the identification and management of risk</li><li>• <b>Major projects:</b> for the achievement of milestones, deliverables and benefits of major projects such as the Retail Point of Sale (POS) and Warehouse Management System (WMS) implementation</li></ul>	<p>A detailed explanation of the group's achievements in the non-financial areas are contained in section 5 of the Directors' Report.</p>																								

The following table shows the actual STI outcomes for each of the executive KMP for FY19:

KMP	Target STI as a % of FAR	Maximum STI as a % of FAR	Actual STI as a % of maximum	STI forfeited as a % of maximum	Actual STI awarded \$1	Deferred STI \$
D Abotomey	55%	100.0%	42.5%	57.5%	541,646	-
G Fox	40%	70.0%	46.2%	53.8%	221,570	-
C Magill	40%	70.0%	47.4%	52.6%	185,842	-
C Daly	40%	70.0%	0.0%	100.0%	-	-
M Storey	40%	70.0%	47.5%	52.5%	95,689	-
P Dumbrell	40%	70.0%	0.0%	100.0%	-	-
M Cooper	40%	70.0%	49.0%	51.0%	161,265	-
S Drummy	40%	70.0%	30.2%	69.8%	31,158	-
P Tilley	40%	70.0%	19.6%	80.4%	55,836	-
T Cockayne <sup>2</sup>	40%	70.0%	0.0%	100.0%	-	-
G Jarrett	40%	70.0%	33.4%	66.6%	86,683	-
A Laing	40%	70.0%	46.3%	53.7%	111,918	-

1. The actual STI awarded values have been adjusted to reflect the term of the KMP during the financial year. Those KMP who departed Bapcor during FY19 forfeited any STI. The period of employment during FY19 are detailed in note 14.71

2. T Cockayne was appointed 29 April 2019 and hence was not eligible for an STI for FY19.

The STI performance measures are tested after the end of the relevant financial year. The resulting figures may differ from the amounts shown above.

#### 14.5.3 STI payment, deferral and clawback

Where STI awards have been achieved, payments under the STI Plan are made after the release of full year financial results to the ASX with the exception of any portion of an award above the target up to the maximum award.

The amount of any STI award above target is deferred for a period of twelve months. The deferred amount is payable to the executive after the release of the year ending 30 June 2020 financial results. In FY19 there were no deferred STI amounts.

All STI payments are in cash.

Awards are subject to claw back for any material financial misstatements that are subsequently determined in respect of Bapcor's performance for the relevant period. The Board has absolute discretion where it is determined a change in circumstances has occurred including material financial misstatements or some other event or series of events. The Board also has absolute discretion where a participant has engaged in fraudulent or dishonest conduct, or has engaged in or is being investigated for conduct which may adversely affect Bapcor's financial position or reputation.

## 14.5.4 LTI plan

The LTI is contingent on company performance over a three year performance period. Payments are rights to acquire shares ('Performance Rights'). Performance Rights are granted at the start of the performance period. Vesting of Performance Rights varies with the extent that performance requirements have been met. On vesting, the Performance Rights entitle the executive to receive fully paid shares in the company at no cost to the participant.

The key terms of the LTI under which grants were made in FY19 and prior years are as follows:

Administration	The LTI is administered by the Board.
Who participates?	In FY19 executive KMP who were employed at the commencement of the financial year were invited to participate.
What is the LTI opportunity?	The LTI opportunity is the grant of Performance Rights that will vest on satisfaction of the applicable performance, service or other vesting conditions specified in the Offer at the time of the grant. The Board sets the terms and conditions on which it will offer Performance Rights under the LTI, including the vesting conditions, at the time of the offer.
Performance Rights	The LTI opportunity granted to participants in FY19 provides for the Performance Rights, upon satisfaction of the vesting conditions, to convert into a fully paid ordinary share for each vested right. The Performance Rights do not carry any voting rights or dividend entitlements.
How was the number of Performance Rights determined?	For the grants made in FY19, the number of Performance Rights was determined by dividing the executive's LTI value by the face value of a Bapcor share at the time of grant.
Performance period	Performance is assessed over a performance period specified at the time of the grant. The performance period for the LTI opportunities granted in FY19 are set out following this table.
Performance measures	Each executive is granted two tranches of Performance Rights.  50% of the total grant value of Performance Rights granted to the executive under each tranche are subject to the satisfaction of a TSR performance hurdle for the relevant performance period ('TSR Rights'), and 50% are subject to satisfaction of an EPS performance hurdle for the relevant performance period ('EPS Rights').  These are described in more detail in the section following this table.
Shares	Fully paid ordinary shares allocated on conversion of Performance Rights rank equally with the other issued ordinary shares and carry the same rights and entitlements, including dividend and voting rights. Shares may be issued by Bapcor or acquired on or off market by a nominee or trustee on behalf of Bapcor, then transferred to the participant.
Participation in new issues	Performance Rights granted in FY19 and earlier do not confer on a participant the right to participate in new issues of shares or other securities in Bapcor, including by way of bonus issues, rights issues or otherwise.
Limitations	The number of shares to be received by participants on the conversion of the Performance Rights must not exceed 5% of the total number of issued shares over a five year period.
Trustee	Bapcor may appoint a trustee for the purpose of administering the LTI, including to acquire and hold shares, or other securities of the company, on behalf of participants or otherwise for the purposes of the LTI.
Quotation	Performance Rights are not quoted on the ASX. Bapcor will apply for official quotation of any shares issued under the LTI, in accordance with the ASX Listing Rules, and having regard for any disposal restrictions in place under the LTI.



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. No discretion to vary LTI terms and conditions was made in FY19 or prior years.
Clawback	The Board has absolute discretion where it is determined a change in circumstances has occurred including material financial misstatements or some other event or series of events. Further, the Board has absolute discretion where a participant has engaged in fraudulent or dishonest conduct, or has engaged in or is being investigated for conduct which may adversely affect Bapcor's financial position or reputation.
Other terms	<p>Shares acquired on the conversion of vested Performance Rights cannot be sold for a period of twelve months from vesting date. Performance Rights cannot be transferred, encumbered or hedged.</p> <p>The LTI contains other terms relating to the administration, variation, suspension and termination of the LTI.</p>

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

Grant date	26/9/18		29/10/18	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/7/18 to 30/6/21		1/7/18 to 30/6/21	
Test date	30/6/21		30/6/21	
Expiry date	26/9/33		29/10/33	
Quantity granted	113,096	113,099	85,443	85,443
Exercise price	Nil		Nil	
Fair value at grant date	\$4.860	\$7.010	\$3.970	\$6.140
Other conditions	Restriction on sale to 30/6/22		Restriction on sale to 30/6/22	
Share price on valuation date	\$7.48		\$6.53	
Volatility	24.47%		24.86%	
Dividend yield	2.35%		2.35%	
Risk free rate	2.13%		2.01%	

#### *Relative total shareholder return 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%

TSR for Bapcor and the companies in the Comparator Group will be calculated as follows:

- TSR will be measured between 30 June 2018 and 30 June 2021 (the Performance Period);
- For the purpose of this measurement, dividends will be assumed to have been re-invested on the ex-dividend date;
- Tax and any franking credits (or equivalent) will be ignored; and
- For the purpose of this measurement, the share price of Bapcor and the Comparator Group companies will be averaged over the ten trading days up to and including 30 June at the start and end date of the Performance Period.

The Comparator Group for the FY19 LTI is set out below. The Board has the discretion to adjust the Comparator Group to take into account events including but not limited to takeovers, suspensions, mergers or demergers that might occur during the Performance Period.

ASX Code	Company Name
AAD	Ardent Leisure Group
AHG	Automotive Holdings Group Ltd
API	Australian Pharmaceutical Industries Limited
ARB	ARB Corp Ltd
BRG	Breville Group Ltd
CTD	Corporate Travel Management Ltd
DMP	Domino's Pizza Enterprises Ltd
FLT	Flight Centre Travel Group Ltd
GEM	G8 Education Ltd
GUD	GUD Holdings Ltd
HVN	Harvey Norman Holdings Ltd
IEL	IDP Education Ltd
IVC	InvoCare Ltd
JBH	JB Hi-Fi Ltd
MTS	Metcash Limited
NVT	Navitas Ltd
PMV	Premier Investments Ltd
SUL	Super Retail Group Ltd
TME	Trade Me Group Ltd
WEB	Webjet Ltd

## Earnings per share growth

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

- The Board has determined that the EPS hurdle will be based on a compound annual growth rate ('CAGR') of basic EPS of between 7.5% and 15%, respectively, over the Performance Period.
- The starting point for these EPS rights is the FY17 actual statutory EPS of 23.76 cents per share.
- Basic EPS is calculated in accordance with AASB 133 *Earnings Per Share*.
- The proportion of the EPS Rights that vest at the end of the Performance Period will be determined as follows:

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

If vesting conditions are met, Performance Rights granted in FY19 will convert into fully paid ordinary shares of the company. Shares that are allocated in respect of each tranche will be subject to a restriction on sale for twelve months from vesting of the Performance Rights.

#### 14.5.5 LTI outcomes

During FY19 the following Performance Rights were independently tested by third parties:

The three year tranche of the LTI granted to ten executives on 24 December 2016, being 66% of the total number vested, was independently tested by a third party against the company's FY19 TSR and EPS performance. The extent to which they vested is as follows:

**Relative TSR Rights:** Bapcor's TSR performance ranked at the 40th percentile of the comparator group. This resulted in none of the tranche vesting.

**Compound annual growth rate ('CAGR') of EPS:** Bapcor's CAGR of statutory EPS was 24.4%. This resulted in 100% of the tranche vesting.

The LTI granted to the CEO on 4 December 2017, being 100% of the total number granted, was independently tested by a third party against the company's FY19 TSR and EPS performance. The extent to which they vested is as follows:

**Relative TSR Rights:** Bapcor's TSR performance ranked at the 41st percentile of the comparator group. This resulted in none of the tranche vesting.

**CAGR of EPS:** Bapcor's CAGR of statutory EPS was 24.4%. This resulted in 100% of the tranche vesting.

Shares from vested Performance Rights remain under a restriction on sale for a further twelve months, reflecting further alignment of executive and shareholder interests.

## 14.6 Cash and realisable remuneration

The following table shows the total cash remuneration received by executive KMP in respect of financial year. The total cash payments received are made up of fixed remuneration inclusive of superannuation and benefits and the amount of the FY19 STI award that is not deferred and is paid in August 2019.

The table also includes the value of previous years' deferred STI and LTI awards that vested during FY19 and became realisable. These values differ from the values in the table in section 14.7.1 that shows the accounting expense for both vested and unvested awards. The table does not show values for vested LTI that are not realisable because they remain under restriction from sale for twelve months after vesting.

Executive KMP	Fixed remuneration <sup>1</sup> \$	FY19 cash STI <sup>2</sup> \$	Total cash in respect of FY19 \$	Previous year awards that vested during FY19		Total received and realisable during FY19 \$
				Prior year deferred STI received <sup>3</sup> \$	Vested and unrestricted LTI <sup>4</sup> \$	
D Abotomey	1,275,000	541,646	1,816,646	476,048	1,921,503	4,214,197
G Fox	685,000	221,570	906,570	102,200	869,902	1,878,672
C Magill	560,000	185,842	745,842	20,147	498,734	1,264,723
C Daly	106,112	-	106,112	-	58,228	164,340
M Storey	288,016	95,689	383,704	-	-	383,704
P Dumbrell	151,233	-	151,233	-	550,148	701,381
M Cooper	470,000	161,265	631,265	4,368	97,377	733,010
S Drummy	147,288	31,158	178,446	-	-	178,446
P Tilley	406,767	55,836	462,603	-	91,996	554,599
T Cockayne	76,438	-	76,438	-	-	76,438
G Jarrett	370,630	86,683	457,313	-	102,738	560,051
A Laing	345,000	111,918	456,918	-	-	456,918

1. Fixed remuneration is the aggregate of cash salary, superannuation and fringe benefits and has been adjusted for the term of the KMP within the financial year.
2. FY19 cash STI is the amount accrued and payable in respect of FY19 STI opportunity. It is the cash amount to be paid in August 2019 and does not include any deferred amount in respect of the FY18 or FY19 STI award. It will differ to the amount in section 14.7.1 as it doesn't include any adjustment relating to prior year under or over accrual. KMP that left during the year forfeited their right to a FY19 STI.
3. Prior year deferred STI received is the STI amount awarded in August 2018 in respect of FY18 and deferred for twelve months. It is to be paid in August 2019.
4. 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 in the range of \$6.14 to \$7.43 per share.



## 14.7 Statutory details of remuneration

The statutory remuneration disclosures for the year ended 30 June 2019 are detailed below under the following headings and are prepared in accordance with Australian Accounting Standards (AASBs).

- 14.7.1 Remuneration of KMP
- 14.7. Service agreements
- 14.7.3 NED remuneration
- 14.7.4 Share-based compensation
- 14.7.5 Equity instrument disclosures relating to KMP
- 14.7.6 Total shares under option or right to KMP
- 14.7.7 Loans to KMP

## 14.71 Remuneration of KMP

	Short term benefits <sup>1</sup>			Post employment benefits		Long term benefits		Share based payments		Percentage of remuneration fixed and at risk		
	Cash salary and fees <sup>2</sup> \$	Bonus <sup>2</sup> \$	Superannuation \$	Long service leave \$	Equity settled \$	Total \$	Fixed %	At risk - STI %	At risk - LTI %			
<b>2019</b>												
<b>NED</b>												
A Harrison	272,268	-	20,531	-	-	292,799	100%	-	-			
T Ryan	127,854	-	12,146	-	-	140,000	100%	-	-			
M Haseltine	119,033	-	11,279	-	-	130,312	100%	-	-			
J Macdonald <sup>3</sup>	106,072	-	9,764	-	-	115,836	100%	-	-			
<b>Executive Director</b>												
D Abotomey	1,299,349	969,483	25,961	20,000	809,399	3,124,192	43%	31%	26%			
<b>Other KMP</b>												
G Fox <sup>4</sup>	635,293	311,910	21,321	11,074	279,660	1,259,258	53%	25%	22%			
C Magill	532,917	235,554	20,531	8,991	179,203	977,196	58%	24%	18%			
C Daly <sup>5</sup>	87,895	(12,056)	18,217	-	-	94,056	113%	(13%)	-			
M Storey <sup>5</sup>	279,177	95,689	8,838	-	40,705	424,409	67%	23%	10%			
P Dumbrell <sup>6</sup>	129,267	(10,746)	6,844	2,413	-	127,778	108%	(8%)	-			
M Cooper	453,236	201,045	15,793	7,491	151,913	829,478	58%	24%	18%			
S Drummy <sup>7</sup>	147,409	31,158	10,736	2,335	-	191,638	84%	16%	-			
P Tilley <sup>7</sup>	380,696	55,836	17,110	6,011	132,078	591,731	69%	9%	22%			
T Cockayne <sup>8</sup>	78,621	-	3,422	1,216	-	83,259	100%	-	-			
G Jarrett <sup>9</sup>	355,224	86,683	15,399	5,892	68,033	531,231	71%	16%	13%			
A Laing	326,041	111,918	21,321	5,408	89,803	554,491	64%	20%	16%			
<b>Total</b>	<b>5,330,352</b>	<b>2,076,474</b>	<b>239,213</b>	<b>70,831</b>	<b>1,750,794</b>	<b>9,467,664</b>						

- There were no non-monetary benefits to KMP in FY19.
- Cash salary and fees includes accrued annual leave. Bonus includes any prior year variance for accrual versus actual.
- J Macdonald was appointed as an Independent, Non-Executive Director 1 September 2018.
- G Fox took 3.0 weeks leave without pay during FY19.
- C Daly resigned 14 September 2018 and was replaced by M Storey on 1 October 2018.
- P Dumbrell resigned 23 October 2018 and took 2.3 weeks leave without pay during FY19.
- S Drummy was appointed 22 February 2019.
- P Tilley ceased as KMP on 29 April 2019 when T Cockayne was appointed.
- G Jarrett ceased as KMP on 30 April 2019.

2018	Short term benefits <sup>1</sup>		Post employment benefits		Long term benefits		Share based payments		Percentage of remuneration fixed and at risk		
	Cash salary and fees <sup>2</sup>	Bonus <sup>3</sup>	Superannuation		Long service leave		Equity settled	Total	Fixed %	At risk - STI %	At risk - LTI %
	\$	\$	\$		\$		\$	\$			
<b>NED</b>											
R McEniry <sup>4</sup>	203,204	-	16,193	-	-	-	-	219,397	100%	-	-
A Harrison <sup>4</sup>	155,719	-	14,355	-	-	-	-	170,074	100%	-	-
M Haseltine	118,721	-	11,279	-	-	-	-	130,000	100%	-	-
T Ryan	127,854	-	12,146	-	-	-	-	140,000	100%	-	-
<b>Executive Director</b>											
D Abotomey	1,235,909	1,130,548	25,000	18,583	645,548	3,055,588	42%	37%	21%		
<b>Other KMP</b>											
G Fox	644,614	362,200	20,820	10,499	259,214	1,297,347	52%	28%	20%		
M Cooper	402,978	172,368	20,049	6,666	141,327	743,388	58%	23%	19%		
C Daly	461,243	208,003	13,837	-	100,115	783,198	60%	27%	13%		
P Dumbrell <sup>5</sup>	449,728	202,560	20,049	7,283	203,345	882,965	54%	23%	23%		
G Jarrett	398,804	158,355	20,049	6,095	137,554	720,857	59%	22%	19%		
A Laing	290,871	120,540	20,820	4,666	38,982	475,879	67%	25%	8%		
C Magill	478,990	204,820	21,591	7,833	155,335	868,569	58%	24%	18%		
P Tilley	417,671	168,130	20,049	5,937	140,894	752,681	59%	22%	19%		
<b>Total</b>	<b>5,386,306</b>	<b>2,727,524</b>	<b>236,237</b>	<b>67,562</b>	<b>1,822,314</b>	<b>10,239,943</b>					

1. There were no non-monetary benefits to KMP in FY18.

2. Cash salary and fees includes accrued annual leave.

3. Bonuses paid in relation to pre-acquisition ownership of Hellaby Holdings Ltd in FY18 have been excluded from the above table. Bonus includes any prior year variance for accrual versus actual.

4. R McEniry resigned 4 April 2018 and A Harrison became Chair from that date.

5. P Dumbrell took 2.0 weeks leave without pay during FY18.

## 14.7.2 Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows.

Name:	Darryl Abotomey
Title:	Chief Executive Officer and Managing Director
Agreement commenced:	1 May 2019
Term of agreement:	3 years (to 30 April 2022)
Details:	<p>Fixed annual remuneration was increased to \$1,275,000 (inclusive of superannuation). This is adjusted annually. Fixed remuneration and incentives are based on independent advice from Godfrey Remuneration Group.</p> <p>Bapcor or Darryl may terminate his employment contract by giving the other twelve months' written notice before the proposed date of termination, or in Bapcor's case, payment in lieu of notice. Bapcor may terminate Darryl's employment immediately and without payment in lieu of notice in certain circumstances including for any serious misconduct. Darryl's employment contract also includes a restraint of trade period of twelve months.</p>

### Other KMP

Each of Bapcor's executive KMP is employed under an individual employment agreement. The provisions of the employment agreements include:

Contract terms	The commencement dates vary and all contracts are open ended.
Fixed annual remuneration	Each executive's contract specifies the FAR inclusive of superannuation, motor vehicle, non-cash benefits and FBT thereon. The amount for each executive is as set out earlier in this report.
Review of FAR	The executives' FAR is subject to annual review with no obligation on the company to make changes.
Variable pay	Each executive is eligible to participate in the company's incentive arrangements that can vary from time to time. The maximum STI opportunity is 70% of the executive's FAR and the maximum LTI opportunity is between 50% and 60% of the executive's FAR.
Notice period	The executive KMP are subject to a three to six month notice period both by the company and by the executive.
Confidentiality	Each contract includes provisions requiring the executive to maintain the confidentiality of company information.
Leave	Each contract provides for leave entitlements, as a minimum, in accordance with respective legislation
Restraint of trade	Each contract includes restraint of trade provisions for a period after termination of employment.



### 14.7.3 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 NRC. The NRC 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 NRC 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.

The maximum aggregate fee pool of \$1,200,000 was approved by shareholders at the AGM on 29 October 2018.

The following fee policy for the Board and Committees took effect from 1 July 2016 and remained unchanged in FY19.

NED type	Board \$	Nomination and Remuneration Committee \$	Audit & Risk Committee \$
Chairman	280,000	20,000	20,000
Member	110,000	10,000	10,000

All fee amounts are inclusive of compulsory superannuation obligations.

Fees paid to NEDs in FY19 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 \$
R McEniry <sup>1</sup>	2019	-	-	-	-
	2018	209,961	-	16,193	226,154
A Harrison <sup>1</sup>	2019	272,268	-	20,531	292,799
	2018	134,225	21,494	14,355	170,074
M Haseltine	2019	100,720	18,313	11,279	130,312
	2018	100,457	18,265	11,279	130,000
T Ryan	2019	100,457	27,397	12,146	140,000
	2018	100,457	27,397	12,146	140,000
J Macdonald <sup>2</sup>	2019	83,342	22,730	9,764	115,836
	2018	-	-	-	-

1. R McEniry resigned 4 April 2018 and A Harrison became Chair from that date.

2. J Macdonald was appointed as an Independent, Non-Executive Director 1 September 2018.

### Shares held by NEDs

The Board has a policy of encouraging directors to increase their holding of shares in the company so that over time it reaches a minimum level of one times the base board fees. The current shareholding interests of the NEDs is set out in section 14.7.5.

## 14.7.4 Share-based compensation

The following table outlines the details of the LTI grants outstanding for each executive KMP participant and other movements in options and performance rights in the year. As options will not vest if the performance conditions are not satisfied, the minimum value of the option yet to vest is nil. LTI grants made to FY17 were on the basis of fair value calculated in accordance with Bapcor's accounting policy as discussed in note 34 of the financial statements. From FY18 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 options during the year.

KMP	Grant date	Quantity granted	Vest date	Exercise price \$	Value at grant date \$'	Quantity vested	Quantity forfeited/lapsed	Quantity remaining	Vested%	Forfeited/lapsed %	Value expensed this year \$²
D Abotomey	24/12/15	55,198	30/06/17	-	574,449	55,198	-	-	100%	0%	-
		105,790	30/06/18			105,790	-	-	100%	0%	-
	4/12/17	177,603	30/06/19	-	1,564,369	-	-	177,603	-	-	521,456
		201,002	30/06/20			-	-	201,002	-	-	
G Fox	29/10/18	170,886	30/06/21	-	863,829	-	-	170,886	0%	0%	287,943
	24/12/15	24,814	30/06/17	-	258,243	24,814	-	-	100%	0%	-
		47,558	30/06/18			47,558	-	-	100%	0%	-
C Magill	20/12/16	24,605	30/06/18	-	307,393	24,172	433	-	98%	2%	57,223
		46,995	30/06/19			-	-	46,995	-	-	
	4/12/17	73,194	30/06/20	-	304,052	-	-	73,194	-	-	101,351
C Magill	26/09/18	61,206	30/06/21	-	363,258	-	-	61,206	-	-	121,086
	24/12/15	14,558	30/06/17	-	151,505	14,558	-	-	100%	0%	-
		27,901	30/06/18			27,901	-	-	100%	0%	-
C Daly	20/12/16	14,206	30/06/18	-	177,485	13,957	249	-	98%	2%	33,041
		27,135	30/06/19			-	-	27,135	-	-	
	4/12/17	45,981	30/06/20	-	191,008	-	-	45,981	-	-	63,669
M Storey	26/09/18	41,698	30/06/21	-	247,478	-	-	41,698	-	-	82,493
	15/08/17	7,977	30/06/18	-	90,156	7,837	140	-	98%	2%	-
		15,236	30/06/19			-	15,236	-	0%	100%	-
P Dumbrell	4/12/17	46,919	30/06/20	-	194,903	-	46,919	-	0%	100%	-
	26/09/18	27,610	30/06/21	-	163,865	-	-	27,610	-	-	40,705
	24/12/15	21,230	30/06/17	-	220,940	21,230	-	-	100%	0%	-
P Dumbrell		40,688	30/06/18			40,688	-	-	100%	0%	-
	20/12/16	19,470	30/06/18	-	243,244	19,128	342	-	98%	2%	-
		37,188	30/06/19			-	37,188	-	0%	100%	-
	4/12/17	54,051	30/06/20	-	224,529	-	54,051	-	0%	100%	-

KMP	Grant date	Quantity granted	Vest date	Exercise price \$	Value at grant date \$ <sup>1</sup>	Quantity vested	Quantity forfeited/lapsed	Quantity remaining	Vested%	Forfeited/lapsed %	Value expensed this year \$ <sup>2</sup>
M Cooper	24/12/15	13,951	30/06/17	-	145,189	13,951	-	-	100%	0%	-
		26,738	30/06/18			26,738	-	-	100%	0%	-
	20/12/16	13,351	30/06/18	-	166,799	13,117	234	-	98%	2%	31,051
	4/12/17	25,501	30/06/19			-	-	25,501	-	-	-
P Tilley		39,412	30/06/20	-	163,719	-	-	39,412	-	-	54,573
	26/09/18	33,507	30/06/21		198,865	-	-	33,507	-	-	66,289
	24/12/15	13,180	30/06/17	-	137,168	13,180	-	-	100%	0%	-
		25,261	30/06/18			25,261	-	-	100%	0%	-
G Jarrett	20/12/16	13,351	30/06/18	-	166,799	13,117	234	-	98%	2%	25,777
		25,501	30/06/19			-	-	25,501	-	-	-
	4/12/17	40,351	30/06/20	-	157,874	-	-	40,351	-	-	46,382
	26/09/18	36,485	30/06/21	-	216,540	-	-	36,485	-	-	59,919
A Laing	24/12/15	14,719	30/06/17	-	153,186	14,719	-	-	100%	0%	-
		28,211	30/06/18			28,211	-	-	100%	0%	-
	20/12/16	12,495	30/06/18	-	156,102	12,276	219	-	98%	2%	24,202
		23,865	30/06/19			-	-	23,865	-	-	-
Total	4/12/17	38,005	30/06/20	-	167,619	-	-	38,005	-	-	43,831
	4/12/17	28,152	30/06/20	-	116,945	-	-	28,152	-	-	38,982
	26/09/18	25,689	30/06/21	-	152,465	-	-	25,689	-	-	50,821
		1,908,424			8,239,976	563,401	155,245	1,189,778			1,750,794

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 years 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 and where appropriate is adjusted for the term of the participant being a KMP during FY19.

## Directors' Report continued

30 June 2019

### 14.7.5 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
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#### 2019

##### Directors

A Harrison	56,869	-	1,701	10,000	-	-	68,570
T Ryan	33,868	-	862	-	-	-	34,730
M Haseltine	31,327	-	798	-	-	-	32,125
J Macdonald	-	-	254	10,000	-	-	10,254
D Abotomey	1,535,533	105,790	-	-	-	-	1,641,323

##### Other KMP

G Fox	518,823	71,730	-	-	(200,000)	-	390,553
C Magill	589,566	41,858	-	-	-	-	631,424
C Daly	-	7,837	-	-	-	(7,837)	-
P Dumbrell	1,785,230	59,816	-	-	-	(1,845,046)	-
M Cooper	22,451	39,855	-	-	-	-	62,306
P Tilley	13,180	38,378	-	-	-	(51,558)	-
G Jarrett	14,719	40,487	-	-	-	(55,206)	-
<b>Total</b>	<b>4,601,566</b>	<b>405,751</b>	<b>3,615</b>	<b>20,000</b>	<b>(200,000)</b>	<b>(1,959,647)</b>	<b>2,871,285</b>

#### 2018

##### Directors

R McEniry	43,163	-	-	-	-	(43,163)	-
A Harrison	56,869	-	-	-	-	-	56,869
T Ryan	32,976	-	892	-	-	-	33,868
M Haseltine	15,713	-	614	15,000	-	-	31,327
D Abotomey	1,860,246	275,287	-	-	(600,000)	-	1,535,533

##### Other KMP

G Fox	594,195	124,628	-	-	(200,000)	-	518,823
C Magill	827,360	71,452	-	-	(309,246)	-	589,566
P Dumbrell	2,817,313	21,230	-	-	(1,053,313)	-	1,785,230
M Cooper	8,500	13,951	-	-	-	-	22,451
P Tilley	-	13,180	-	-	-	-	13,180
G Jarrett	-	14,719	-	-	-	-	14,719
<b>Total</b>	<b>6,256,335</b>	<b>534,447</b>	<b>1,506</b>	<b>15,000</b>	<b>(2,162,559)</b>	<b>(43,163)</b>	<b>4,601,566</b>

#### 14.7.6 Total shares under option or right to KMP

Date granted	Vest date	Expiry date	Exercise price of rights	Quantity
<i>Performance rights plans</i>				
20/12/16	30/06/19	n/a	\$0.00	148,997
4/12/17	30/06/19	n/a	\$0.00	177,603
4/12/17	30/06/20	n/a	\$0.00	466,097
26/09/18	30/06/21	n/a	\$0.00	226,195
29/10/18	30/06/21	n/a	\$0.00	170,886
<b>Total shares under option of right</b>				<b>1,189,778</b>

#### 14.7.7 Loans to executive KMP

No loans were made to executive KMP in FY19.

During FY16, loans were made to several executive KMP to assist in the purchase of shares under the retail component of the Entitlements Offer in that year. These loans are secured by the underlying shares. The loans are interest bearing and are repayable on the earlier of sale of the underlying shares, termination of employment or five years from the date of the loan. Any remuneration in relation to over achievement of target STIs is to be applied to repay the outstanding loan balance. The total amount of loans made during FY16 to executive KMP was \$3,050,000. Subsequent to the loans being made, there have been repayments of \$2,449,000 and as at 30 June 2019, the outstanding balance on these loans to executive KMP is \$601,000. There are no outstanding loans to the CEO or the CFO.



# Directors' Report continued

30 June 2019

## 15. Matters subsequent to the end of the financial year

Apart from the dividend declared as disclosed in note 24, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## 16. Environmental regulation

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

## 17. Indemnity and insurance of officers

During the financial year, the company paid a premium of \$281,100 in respect of a contract to insure the directors and executives of the company against a liability for costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors, in their capacity as a director, except where there is a lack of good faith.

## 18. 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.

## 19. Auditor

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

## 20. Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 35 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 35 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## 21. 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 39 of the directors' report.

## 22. 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.

### 23. 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



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**Andrew Harrison**  
Chairman



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**Darryl Abotomey**  
Chief Executive Officer and Managing Director

21 August 2019  
Melbourne

## Auditor's Independence Declaration



### *Auditor's Independence Declaration*

As lead auditor for the audit of Bapcor Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in grey ink, appearing to read 'JP'.

Jason Perry  
Partner  
PricewaterhouseCoopers

Melbourne  
21 August 2019

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**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](http://www.pwc.com.au)

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# Financial Statements

For the year ended 30 June 2019

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## General Information

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

Bapcor Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: 61 Gower Street, Preston VIC 3072 AUSTRALIA

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 August 2019. The directors have the power to amend and reissue the financial statements.

# Consolidated statement of comprehensive income

For the year ended 30 June 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
<b>Revenue from continuing operations</b>	4	1,296,582	1,236,681
Other gains	15	4,053	-
<b>Expenses</b>			
Cost of sales		(688,811)	(667,290)
Employee benefits expense		(276,491)	(260,123)
Freight		(19,632)	(20,189)
Advertising		(27,599)	(23,766)
Administration		(43,556)	(47,646)
Motor vehicles		(12,077)	(10,836)
IT & communications		(14,127)	(12,963)
Occupancy		(50,384)	(46,098)
Acquisition costs	5	(932)	(702)
Depreciation and amortisation expense	5	(17,100)	(15,582)
Finance costs	5	(15,267)	(13,452)
<b>Profit before income tax expense from continuing operations</b>		134,659	118,034
Income tax expense	6	(38,127)	(33,655)
Profit after income tax expense from continuing operations		96,532	84,379
Profit after income tax expense from discontinued operations		-	9,941
<b>Profit after income tax expense for the year</b>	7	96,532	94,320
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		8,947	(9,248)
Changes in the fair value of cash flow hedges		(632)	3,834
Other comprehensive income for the year, net of tax		8,315	(5,414)
<b>Total comprehensive income for the year</b>		104,847	88,906
Profit for the year is attributable to:			
Non-controlling interest		(446)	(336)
Owners of Bapcor Limited	22	96,978	94,656
		96,532	94,320

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



		Consolidated	
	Note	2019 \$'000	2018 \$'000
Total comprehensive income for the year is attributable to:			
<i>Non-controlling interest:</i>			
Continuing operations		(164)	(157)
Discontinued operations		-	(214)
Total non-controlling interest		(164)	(371)
<i>Owners of Bapcor Limited:</i>			
Continuing operations		105,011	80,669
Discontinued operations		-	8,608
Total owners of Bapcor Limited		105,011	89,277
		104,847	88,906
		Cents	Cents
<b>Earnings per share for profit from continuing operations attributable to the owners of Bapcor Limited</b>			
Basic earnings per share	25	34.40	30.24
Diluted earnings per share	25	34.27	30.09
<b>Earnings per share for profit from discontinued operations attributable to the owners of Bapcor Limited</b>			
Basic earnings per share	25	-	3.63
Diluted earnings per share	25	-	3.62
<b>Earnings per share for profit attributable to the owners of Bapcor Limited</b>			
Basic earnings per share	25	34.40	33.88
Diluted earnings per share	25	34.27	33.71

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

# Consolidated statement of financial position

As at 30 June 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		47,610	40,154
Trade and other receivables	8	162,494	146,700
Inventories	9	326,147	287,337
Derivative financial instruments	18	897	1,720
Total current assets		537,148	475,911
<b>Non-current assets</b>			
Trade and other receivables	10	48	78
Property, plant and equipment	11	60,745	52,590
Intangibles	12	734,529	677,736
Deferred tax	6	18,424	17,755
Other	13	2,412	3,447
Total non-current assets		816,158	751,606
<b>Total assets</b>		<b>1,353,306</b>	<b>1,227,517</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	183,645	187,753
Derivative financial instruments	18	494	124
Income tax		2,856	2,442
Provisions	15	47,208	52,342
Total current liabilities		234,203	242,661
<b>Non-current liabilities</b>			
Borrowings	16	380,376	326,488
Derivative financial instruments	18	349	330
Provisions	17	16,191	15,692
Total non-current liabilities		396,916	342,510
<b>Total liabilities</b>		<b>631,119</b>	<b>585,171</b>
<b>Net assets</b>		<b>722,187</b>	<b>642,346</b>
<b>Equity</b>			
Issued capital	20	623,536	606,456
Reserves	21	7,308	(3,645)
Retained profits	22	89,110	37,138
<i>Equity attributable to the owners of Bapcor Limited</i>		<i>719,954</i>	<i>639,949</i>
Non-controlling interest	23	2,233	2,397
<b>Total equity</b>		<b>722,187</b>	<b>642,346</b>

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

# Consolidated statement of changes in equity

For the year ended 30 June 2019

Consolidated	Contributed equity \$'000	Other \$'000	Reserves \$'000	Accumulated losses / Retained earnings \$'000	Non-controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2017	602,571	(1,896)	(202)	(17,067)	6,561	589,967
Profit/(loss) after income tax expense for the year	-	-	-	94,656	(336)	94,320
Other comprehensive income for the year, net of tax	-	-	(5,379)	-	(35)	(5,414)
Total comprehensive income for the year	-	-	(5,379)	94,656	(371)	88,906
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 20)	8,380	-	-	-	-	8,380
Share-based payments (note 21)	-	-	1,936	-	-	1,936
Treasury shares (note 20)	-	(2,599)	-	-	-	(2,599)
Finalisation of prior year business combinations	-	-	-	-	(4,820)	(4,820)
Divestment of non-controlling interest (note 23)	-	-	-	-	(1,527)	(1,527)
Creation of non-controlling interest on incorporation (note 23)	-	-	-	-	2,554	2,554
Dividends paid (note 24)	-	-	-	(40,451)	-	(40,451)
Balance at 30 June 2018	610,951	(4,495)	(3,645)	37,138	2,397	642,346

Consolidated	Contributed equity \$'000	Other \$'000	Reserves \$'000	Retained earnings \$'000	Non-controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2018	610,951	(4,495)	(3,645)	37,138	2,397	642,346
Profit/(loss) after income tax expense for the year	-	-	-	96,978	(446)	96,532
Other comprehensive income for the year, net of tax	-	-	8,033	-	282	8,315
Total comprehensive income for the year	-	-	8,033	96,978	(164)	104,847
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 20)	20,746	-	-	-	-	20,746
Share-based payments (note 21)	-	-	2,920	-	-	2,920
Treasury shares (note 20)	-	(3,666)	-	-	-	(3,666)
Dividends paid (note 24)	-	-	-	(45,006)	-	(45,006)
Balance at 30 June 2019	631,697	(8,161)	7,308	89,110	2,233	722,187

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

# Consolidated statement of cash flows

For the year ended 30 June 2019

	Consolidated		
	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,421,923	1,353,533
Payments to suppliers and employees (inclusive of GST)		(1,291,290)	(1,205,282)
<i>Net cash converted</i>		<i>130,633</i>	<i>148,251</i>
Payments for new store initial inventory purchases		(12,093)	(6,769)
Payments relating to restructuring activities		(1,041)	(1,964)
Payments associated with discontinued operations		-	(654)
Borrowing costs		(14,487)	(14,668)
Transaction costs relating to acquisition of business		(932)	(702)
Income taxes paid		(36,439)	(38,063)
Net cash from operating activities	26	65,641	85,431
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash and cash equivalents	29	(43,731)	(15,086)
Payment for deferred settlements		(18,061)	(9,954)
Payments for property, plant and equipment	11	(21,667)	(14,678)
Payments for intangibles	12	(7,600)	(966)
Proceeds from disposal of property, plant and equipment		1,468	776
Proceeds from divestment of businesses, net of expenses		14,394	93,690
Net cash from/(used in) investing activities		(75,197)	53,782
<b>Cash flows from financing activities</b>			
Share issue transaction costs		-	(414)
Purchase of treasury shares	20	(3,666)	(2,599)
Net proceeds/(repayments) from borrowings		54,100	(103,838)
Dividends paid	24	(33,410)	(31,781)
Borrowing transaction costs		(1,545)	(24)
Net cash from/(used in) financing activities		15,479	(138,656)
Net increase in cash and cash equivalents		5,923	557
Cash and cash equivalents at the beginning of the financial year		40,154	39,755
Effects of exchange rate changes on cash and cash equivalents		1,533	(158)
Cash and cash equivalents at the end of the financial year		47,610	40,154

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

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

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# Notes to the consolidated financial statements

30 June 2019

## 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

#### *AASB 9 Financial Instruments*

The consolidated entity has adopted AASB 9 from 1 July 2018, using the full retrospective method of adoption. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. No changes from the classification and measurement for financial assets were identified and the impact for changes to incorporate an expected credit losses method was not significant hence no comparatives have been restated.

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

#### *AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 1 July 2018, using the retrospective method of adoption. The standard introduces a five step model to determine the quantum and timing of revenue:

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

On adoption of the standard, the consolidated entity reviewed the potential performance obligations under its revenue contract. As the majority of the consolidated entity's revenue is derived from over the counter sale of goods the adoption of this standard did not have a material financial impact hence no comparatives have been restated.

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

### 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 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 2019 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. 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.

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.

## 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.

# Notes to the consolidated financial statements

30 June 2019

## Note 1. Significant accounting policies (continued)

### 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.

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.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### 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.

## **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

### ***AASB 16 Leases***

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 *Leases* and will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The consolidated entity will adopt this standard from 1 July 2019 under the modified retrospective adoption method and as such will not restate comparative amounts for the year prior to first adoption.

On adoption, the consolidated entity is expecting to recognise right-of-use assets in the range of \$145M-\$160M, with lease liabilities of approximately \$145M-\$165M. Any difference arising will be adjusted through opening retained earnings. The consolidated entity is also expecting that, all things being equal, the year ending 30 June 2020 net profit before tax will decrease in the range of \$0.5M-\$1.5M as a result of adopting the new rules.

In modelling these scenarios, the Directors have made certain assumptions and judgements in relation to economic conditions including, but not limited to: the incremental borrowing rates, composition of the lease portfolio, and likely exercise of renewal options that may cause the actual output to differ from that concluded in FY19.

Operating cash flows are expected to increase and financing cash flows decrease in the range of \$45M-\$50M as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Banking covenants will not be impacted by this standard as any changes due to AASB 16 have been excluded from the banking covenant calculations.

# Notes to the consolidated financial statements

30 June 2019

## Note 2. Critical accounting judgements, estimates and assumptions

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

- Note 8 – Current assets – trade and other receivables
- Note 9 – Current assets – inventories
- Note 11 – Non-current assets – property, plant and equipment
- Note 12 – Non-current assets – intangibles
- Note 15 – Current liabilities – provisions
- 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 CEO and Managing Director (who is identified as the Chief Operating Decision Maker ('CODM')) and is supported by the other members of the Board of Directors where required in assessing performance and in determining the allocation of resources including capital allocations.

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

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

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

### *Segment revenue*

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

### *Segment EBITDA*

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



## Operating segment information

Consolidated - 2019	Trade \$'000	Bapcor NZ \$'000	Specialist Wholesale \$'000	Retail \$'000	Unallocated / Head Office \$'000	Total \$'000
<b>Revenue</b>						
Sales	524,531	164,965	413,119	255,253	860	1,358,728
Total segment revenue	524,531	164,965	413,119	255,253	860	1,358,728
Intersegment sales						(62,146)
<b>Total revenue</b>						1,296,582
<b>EBITDA</b>	78,247	22,854	45,466	27,065	(4,978)	168,654
Intersegment EBITDA						(696)
Depreciation and amortisation						(17,100)
Finance costs						(15,267)
Acquisition costs						(932)
<b>Profit before income tax expense</b>						134,659
Income tax expense						(38,127)
<b>Profit after income tax expense</b>						96,532
<b>Assets</b>						
Segment assets	306,765	244,890	461,586	299,144	40,921	1,353,306
<b>Total assets</b>						1,353,306
<b>Liabilities</b>						
Segment liabilities	101,946	39,954	70,161	48,145	370,913	631,119
<b>Total liabilities</b>						631,119

# Notes to the consolidated financial statements

30 June 2019

## Note 3. Segment information (continued)

### Operating segment information (continued)

Consolidated - 2018	Trade \$'000	Bapcor NZ \$'000	Specialist Wholesale \$'000	Retail \$'000	Unallocated / Head Office \$'000	Total \$'000
<b>Revenue</b>						
Sales	501,591	177,850	364,343	239,114	-	1,282,898
Total segment revenue	501,591	177,850	364,343	239,114	-	1,282,898
Intersegment sales						(46,217)
Discontinued operations (note 7)						145,647
<b>Total revenue</b>						1,382,328
<b>EBITDA</b>	72,123	22,708	38,633	28,784	(11,546)	150,702
Intersegment EBITDA						(2,932)
Depreciation and amortisation						(15,582)
Finance costs						(13,452)
Acquisition costs						(702)
Discontinued operations (note 7)						13,870
<b>Profit before income tax expense</b>						131,904
Income tax expense						(37,584)
<b>Profit after income tax expense</b>						94,320
<b>Assets</b>						
Segment assets	291,888	230,040	373,980	283,528	48,081	1,227,517
<b>Total assets</b>						1,227,517
<b>Liabilities</b>						
Segment liabilities	100,024	30,551	82,502	42,084	330,010	585,171
<b>Total liabilities</b>						585,171

### Geographical information

	Geographical non-current assets	
	2019 \$'000	2018 \$'000
Australia	626,801	561,417
New Zealand	169,858	171,946
Other	1,075	488
	797,734	733,851

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

#### 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	
	2019 \$'000	2018 \$'000
<b>From continuing operations</b>		
Revenue from contracts with customers	1,296,582	1,236,681
Revenue from continuing operations	1,296,582	1,236,681

### Disaggregation of revenue

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

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Geographical regions</i>		
Australia	1,192,903	1,105,048
New Zealand	164,965	177,850
Thailand	860	-
Intersegment sales	(62,146)	(46,217)
	1,296,582	1,236,681
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	1,328,426	1,250,741
Services transferred over time	30,302	32,157
Intersegment sales	(62,146)	(46,217)
	1,296,582	1,236,681

### 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 other service fees*

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

# Notes to the consolidated financial statements

30 June 2019

## Note 5. Expenses

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Profit before income tax from continuing operations includes the following specific expenses:</i>		
<i>Depreciation and amortisation expense</i>		
Plant and equipment	9,356	8,297
Motor vehicles	4,331	3,890
Amortisation	2,946	2,861
Make good provision	467	534
	17,100	15,582
<i>Acquisition and divestment costs</i>		
Professional consultant costs	824	459
Other transaction costs	108	243
	932	702
<i>Finance costs</i>		
Interest and finance charges paid/payable	15,009	13,452
Borrowing cost write offs due to refinancing process	258	-
	15,267	13,452
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	42,208	40,895
<i>Superannuation expense</i>		
Defined contribution superannuation expense	18,065	16,075

## Note 6. Income tax

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Income tax expense</i>		
Current tax on profits for the year	38,930	33,318
Deferred tax expense	(299)	610
Adjustment recognised for prior periods	(504)	(273)
Relating to discontinued operations	-	3,929
Total income tax expense	38,127	37,584
Income tax expense is attributable to:		
Profit from continuing operations	38,127	33,655
Profit from discontinued operations	-	3,929
Total income tax expense	38,127	37,584
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	200	1,345
Decrease in deferred tax liabilities	(499)	(735)
Total deferred tax expense	(299)	610
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	134,659	118,034
Profit before income tax expense from discontinued operations	-	13,870
	134,659	131,904
Tax at the statutory tax rate of 30%	40,398	39,571
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Acquisition costs	280	211
Other	(410)	(657)
Gain on divestment	-	(1,963)
Gain on deferred settlement	(1,216)	-
Adjustment recognised for prior periods	(504)	(273)
Difference in overseas tax rates	(421)	695
Income tax expense	38,127	37,584

# Notes to the consolidated financial statements

30 June 2019

## Note 6. Income tax (continued)

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	1,954	1,769
Employee benefits	11,714	13,392
Trade and other receivables	1,985	2,296
Inventory	15,084	13,850
Other	8,708	8,337
	39,445	39,644
Amounts recognised in equity:		
Transaction costs on share issue	830	1,301
Amounts recognised in other comprehensive income:		
Cash flow hedge	191	394
Share-based payment	1,665	597
Total deferred tax asset	42,131	41,936
Set off deferred tax liabilities pursuant to set-off provisions	(23,707)	(24,181)
Net deferred tax asset	18,424	17,755
<i>Movements:</i>		
Opening balance	41,936	43,677
Charged to profit or loss	(200)	(1,345)
Charged to equity	(471)	(58)
Additions through business combinations (note 29)	2,590	790
Charged to other comprehensive income	866	(338)
Adjustment recognised for prior periods	(1,786)	(443)
Foreign currency translation	139	(347)
Derecognised on divestment	(943)	-
Closing balance	42,131	41,936



	Consolidated	
	2019 \$'000	2018 \$'000
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer contracts	5,642	6,158
Trademarks	17,565	17,643
Other	344	249
	23,551	24,050
Amounts recognised in other comprehensive income:		
Cash flow hedge	156	131
Total deferred tax liability	23,707	24,181
Set off deferred tax liabilities pursuant to set-off provisions	(23,707)	(24,181)
Net deferred tax liability	-	-
<i>Movements:</i>		
Opening balance	24,181	25,013
Credited to profit or loss	(499)	(735)
Charged/(credited) to equity	25	(97)
Finalisation of prior year business combinations	-	(78)
Foreign currency translation	58	108
Adjustment recognised for prior periods	(58)	(30)
Closing balance	23,707	24,181

### 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.

# Notes to the consolidated financial statements

30 June 2019

## Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are 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 7. Discontinued operations

### Description

The discontinued operations in the prior financial period relate to the business units of Footwear and Resource Services that were acquired as part of the Hellaby Holdings Limited acquisition and deemed held for sale on acquisition and subsequently successfully divested. The divestment in the current financial period relates to the TRS business unit of the Bapcor NZ segment that occurred 3 July 2018. This was not classified as a discontinued operation in the prior period.

### Financial performance information of discontinued operations

	Consolidated	
	2019 \$'000	2018 \$'000
Footwear	-	27,245
Resource Services	-	118,402
Total revenue	-	145,647
Footwear	-	(28,135)
Resource Services	-	(111,093)
Total expenses	-	(139,228)
Profit before reserve reclassification	-	6,419
Foreign currency reserve reclassification	-	(2,771)
Net investment hedge reserve reclassification	-	3,211
Profit before income tax expense post reserve reclassifications	-	6,859
Income tax expense	-	(3,929)
Profit after income tax expense	-	2,930
Gain before income tax	-	7,011
Income tax expense	-	-
Gain after income tax expense	-	7,011
Profit after income tax expense from discontinued operations	-	9,941

### Financial performance information of divested operations

	Consolidated	
	2019 \$'000	2018 \$'000
TRS	-	24,349
Total revenue	-	24,349
TRS	-	(21,831)
Total expenses	-	(21,831)
Profit before income tax expense	-	2,518
Income tax expense	-	(735)
Profit after income tax expense from divested operations	-	1,783

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

### Carrying amounts of assets and liabilities disposed

	Consolidated	
	2019 \$'000	2018 \$'000
Assets held for sale	-	110,963
Cash and cash equivalents	1,243	-
Trade and other receivables	2,404	-
Inventories	5,497	-
Derivative financial instruments	218	-
Property, plant and equipment	123	-
Intangibles	10,012	-
Deferred tax asset	943	-
Total assets	20,440	110,963
Liabilities held for sale	-	52,190
Trade and other payables	1,497	-
Income tax	709	-
Provisions	451	-
Total liabilities	2,657	52,190
Net assets	17,783	58,773

# Notes to the consolidated financial statements

30 June 2019

## Note 7. Discontinued operations (continued)

### Details of the disposal

	Consolidated	
	2019 \$'000	2018 \$'000
Net cash sale consideration, net of divestment costs paid	18,238	93,690
Carrying amount of net assets disposed	(17,783)	(58,773)
Net accrued consideration to be received	-	1,516
Accrued divestment and warranty costs	-	(859)
Cash proceeds used to settle intercompany debt	-	(31,506)
Derecognition of non-controlling interest	-	1,527
Derecognition of equity reserves	(455)	1,416
Gain on disposal before income tax	-	7,011
Gain on disposal after income tax	-	7,011

### Cash flow information

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

	Consolidated	
	2019 \$'000	2018 \$'000
Net cash from operating activities	-	3,054
Net cash used in investing activities	-	(108)
Net increase in cash and cash equivalents from divested operations	-	2,946

### Significant accounting policies

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

## Note 8. Current assets – trade and other receivables

	Consolidated	
	2019 \$'000	2018 \$'000
Trade receivables	143,352	134,735
Less: Allowance for credit notes	(1,325)	(1,280)
Less: Allowance for expected credit losses (trade receivables)	(5,560)	(5,971)
	136,467	127,484
Customer loans	933	1,352
Less: Allowance for expected credit losses (customer loans)	(605)	(805)
	328	547
Other receivables	18,268	12,586
Prepayments	7,431	6,083
	25,699	18,669
	162,494	146,700

Trade receivables are non-interest bearing and repayment terms vary by business unit. The total allowance for expected credit losses including the amount held in non-current receivables is \$6,235,000 (2018: \$6,918,000). This includes specifically identified provisions of \$5,471,000 (2018: \$6,292,000) and an estimated credit loss provision on the remaining trade receivables and customer loan balances of \$764,000 (2018: \$626,000).

Customer loans relate to loans with franchisees. Loans with repayment terms of less than twelve months are classified as current. Non-current customer loans are discounted to their present value. Of the total customer loans balance including the non-current portion, \$633,000 (2018: \$292,000) are non-interest bearing. \$418,000 (2018: \$1,281,000) of loans have a weighted average annual interest rate of 9.8% (2018: 10.2%).

Other receivables 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 including the non-current portion from note 10 are as follows:

	Consolidated	
	2019 \$'000	2018 <sup>1</sup> \$'000
Current and not due	75,952	77,072
31 – 60 days	43,386	36,083
61 – 90 days	10,619	9,551
91+ days	6,886	5,403
	136,843	128,109

1. Prior year comparatives have been restated to reflect the adoption of AASB 9 *Financial Instruments* from 1 July 2018.

# Notes to the consolidated financial statements

30 June 2019

## Note 8. Current assets – trade and other receivables (continued)

Movements in the allowance for expected credit losses of trade receivables and customer loans including the non-current portion from note 10 are as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Opening balance	6,918	8,288
Net additional provisions recognised	158	70
Additions through business combinations	576	88
Amounts utilised for debt write-off	(1,360)	(1,484)
Foreign currency translation	(20)	(44)
Derecognised on divestment	(37)	-
Closing balance	6,235	6,918

Bapcor recognised a loss of \$158,000 (2018: \$70,000) in respect of impaired receivables during the financial year.

### 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. Current assets – inventories

	Consolidated	
	2019 \$'000	2018 \$'000
Stock in transit – at cost	14,341	15,271
Stock on hand – at cost	355,453	318,905
Less: Provision for slow moving inventory	(43,647)	(46,839)
	311,806	272,066
	326,147	287,337

Total stock on hand and in transit has increased by \$35.6M since 30 June 2018, of which new greenfield stores, business acquisitions, divestments and foreign currency translation account for \$21.1M. The remaining \$14.5M relates to investment in new and existing ranges and the impact of cyclical purchases as discussed in the 'Operating and financial review' section of the Directors' Report.

### *Movements in provision for slow moving inventory*

	Consolidated	
	2019 \$'000	2018 \$'000
Opening balance	(46,839)	(53,985)
Additional provisions recognised against profit <sup>1</sup>	(580)	(1,977)
Additions through business combinations <sup>2</sup>	(3,505)	(1,224)
Inventory written off against provision <sup>3</sup>	4,155	9,920
Foreign currency translation	236	427
Derecognised on divestment	2,886	-
Closing balance	(43,647)	(46,839)

1. Represents inventory provisions raised during the normal course of business for slow moving and obsolete inventory and charged against profit.
2. Represents inventory provisions created for acquired businesses to record inventory in line with Bapcor policy.
3. Represents physical disposal and destruction of obsolete inventory which had been previously provided.

### **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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **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, the ageing of inventories and other factors that affect inventory obsolescence.

# Notes to the consolidated financial statements

30 June 2019

## Note 10. Non-current assets – trade and other receivables

	Consolidated	
	2019 \$'000	2018 \$'000
Customer loans	118	220
Less: Allowance for expected credit losses	(70)	(142)
	48	78

Customer loans relate to loans with franchisees. Refer to note 8 for further information on these customer loans.

## Note 11. Non-current assets – property, plant and equipment

	Consolidated	
	2019 \$'000	2018 \$'000
Plant and equipment – at cost	76,415	62,105
Less: Accumulated depreciation	(35,065)	(27,310)
	41,350	34,795
Motor vehicles – at cost	34,093	29,850
Less: Accumulated depreciation	(14,698)	(12,055)
	19,395	17,795
	60,745	52,590

### 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 2017	32,607	17,174	49,781
Additions	9,338	5,340	14,678
Additions through business combinations	946	190	1,136
Disposals	(117)	(599)	(716)
Foreign currency translation	(50)	(52)	(102)
Transfers in/(out)	368	(368)	-
Depreciation expense	(8,297)	(3,890)	(12,187)
Balance at 30 June 2018	34,795	17,795	52,590
Additions	14,902	6,765	21,667
Additions through business combinations (note 29)	513	526	1,039
Disposals	(429)	(934)	(1,363)
Divested	(119)	(4)	(123)
Foreign currency translation	107	48	155
Transfers in/(out)	937	(470)	467
Depreciation expense	(9,356)	(4,331)	(13,687)
Balance at 30 June 2019	41,350	19,395	60,745

## Note 11. Non-current assets – property, plant and equipment (continued)

### 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.

### 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. Non-current assets – intangibles

	Consolidated	
	2019 \$'000	2018 \$'000
Goodwill	646,442	594,118
Trademarks	59,194	58,979
Customer contracts	25,606	25,520
Less: Accumulated amortisation	(6,688)	(4,960)
	18,918	20,560
Software	17,010	9,925
Less: Accumulated amortisation	(7,035)	(5,846)
	9,975	4,079
	734,529	677,736

# Notes to the consolidated financial statements

30 June 2019

## Note 12. Non-current assets – 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 2017	561,844	59,442	22,292	4,253	647,831
Additions	-	-	-	966	966
Additions through business combinations	10,199	-	-	-	10,199
Finalisation of prior year business combinations	32,573	(277)	-	-	32,296
Foreign currency translation	(10,498)	(186)	-	(11)	(10,695)
Amortisation expense	-	-	(1,732)	(1,129)	(2,861)
Balance at 30 June 2018	594,118	58,979	20,560	4,079	677,736
Additions	-	-	92	7,508	7,600
Additions through business combinations (note 29)	55,778	-	-	15	55,793
Disposals	-	-	-	(1)	(1)
Divested	(9,983)	-	-	(29)	(10,012)
Foreign currency translation	6,529	215	-	82	6,826
Transfers in/(out)	-	-	-	(467)	(467)
Amortisation expense	-	-	(1,734)	(1,212)	(2,946)
Balance at 30 June 2019	646,442	59,194	18,918	9,975	734,529

### 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.

Cash flow projections were derived from management forecasts based on the five year strategic plan. 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: 11.81% (2018: 11.96%)
- Terminal value growth rate beyond five years (set at current CPI): 1.80% (2018: 1.90%)
- Forecast year on year revenue and EBITDA margin growth ranges as follows:

CGU	Revenue growth	EBITDA growth
Trade	2.3% - 3.2%	0 - 0.2 percentage points
Bapcor NZ	3.1% - 5.2%	0 - 0.5 percentage points
Specialist Wholesale	3.6% - 3.8%	0 - 0.4 percentage points
Retail	2.4% - 2.8%	0 - 0.3 percentage points

A reasonable possible change in assumptions would not cause the carrying value of the CGUs to exceed its recoverable amount in the Trade, Specialist Wholesale and Bapcor NZ CGU's.

The Retail CGU and Autopro brand are relatively more sensitive to changes in trading conditions. The following tables show sensitivities of a +5%/-5% change to the major financial metrics within the calculations:

#### Retail CGU

The recoverable amount of the Retail CGU is estimated to exceed its carrying amount at 30 June 2019 by \$12.2M.

Financial metric	+ 5% change	- 5 % change
Discount rate	Impairment of \$3.2M	Increase headroom by \$17.4M
Revenue growth (average)	Increase headroom by \$1.0M	Decrease headroom by \$1.0M
EBITDA margin growth (average)	Increase headroom by \$14.9M	Impairment of \$2.7M
Terminal value	Increase headroom by \$2.2M	Decrease headroom by \$2.2M

#### Autopro brand

The recoverable amount of the Autopro brand is estimated to approximate its carrying amount at 30 June 2019.

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

There have been no further indicators of impairment after the impairment testing date of 31 March 2019 up until the date of this report.

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

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Goodwill:</i>		
Trade	110,762	109,071
Bapcor NZ	158,339	161,947
Specialist Wholesale	243,438	191,586
Retail	133,903	131,514
	646,442	594,118

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Other intangible assets excluding computer software:</i>		
Bapcor NZ	5,569	5,356
Specialist Wholesale	20,903	20,998
Retail	51,554	53,185
Unallocated	86	-
	78,112	79,539

# Notes to the consolidated financial statements

30 June 2019

## Note 12. Non-current assets – intangibles (continued)

### 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.

#### *Tradenames*

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 two and five years. Large scale projects are individually assessed as part of the approval process and determination of finite life may exceed this range.

### 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. Non-current assets – other

	Consolidated	
	2019 \$'000	2018 \$'000
Make good asset	1,170	1,261
Employee loans	1,242	2,186
	2,412	3,447

Employee loans were made to key management personnel and other personnel to assist in the purchase of shares. These loans are secured by the underlying shares acquired. The loans are interest bearing and are repayable on the earlier of sale of the underlying shares, termination of employment or five years from the date of the loan in cash, and cannot be settled by the employees returning the shares to the company.

### Note 14. Current liabilities – trade and other payables

	Consolidated	
	2019 \$'000	2018 \$'000
Trade payables	142,444	146,165
Accrued expenses	41,201	41,588
	183,645	187,753

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

#### Significant accounting policies

The 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.

# Notes to the consolidated financial statements

30 June 2019

## Note 15. Current liabilities – provisions

	Consolidated	
	2019 \$'000	2018 \$'000
Employee benefits	29,464	29,079
Deferred settlements	16,946	22,337
Onerous lease provision	798	926
	47,208	52,342

### Deferred settlements

This provision represents the obligation to pay consideration following the acquisition of a business. Some of these are only due to the vendor if certain future targets are met. It is measured at the present value of the estimated liability.

As at 30 June, the following deferred settlements are provided for (across both current and non-current deferred settlement provisions; refer to note 17 for details on non-current portion):

- Precision Automotive; currently provided at nil (2018: \$646,000)
- Baxters Pty Ltd; currently provided at nil (2018: \$20,972,000)
- Tricor; currently provided at \$477,000 (2018: \$953,000)
- AADi; currently provided at \$1,903,000 (2018: \$1,833,000)
- Commercial Truck Parts group of entities; currently provided at \$16,500,000 (2018: Nil)
- Topperformance; currently provided at \$500,000 (2018: Nil)

During the financial year, the consolidated entity completed the Baxters acquisition deferred settlement payment for \$16,926,000 which resulted in the remaining provision of \$4,053,000 being released to profit. This has been presented in the statement of comprehensive income as 'other gains'.

### Onerous lease provision

This provision represents the present value of the estimated costs, net of any sub-lease revenue that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

### Amounts not expected to be settled within the next twelve 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	
	2019 \$'000	2018 \$'000
Employee benefits obligation expected to be settled after twelve months	6,158	5,282

### 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.

#### **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. Non-current liabilities – borrowings**

	Consolidated	
	2019 \$'000	2018 \$'000
Secured bank loans	382,960	328,391
Less: unamortised transaction costs capitalised	(2,584)	(1,903)
	380,376	326,488

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

#### *Refinancing*

In June 2019, the consolidated entity refinanced its debt facilities establishing a new \$520M debt facility with the pre-existing lenders ANZ, Westpac, MUFG Bank and HSBC, as well as a new lender being Metropolitan Life Insurance Company (MetLife). The new debt facility comprises funding in three, five and seven year tranches as follows:

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

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. Refer to note 27 for further information.

Borrowing costs of \$1,545,000 (2018: \$23,000) were incurred during the refinancing, and are being amortised over the life of the refinanced tranches and will be expensed to finance costs as effective interest expense in the statement of comprehensive income. As part of the refinancing activity, capitalised borrowing costs relating to the refinanced tranches of \$278,000 (2018: Nil) were expensed to finance costs. As at 30 June total borrowing costs of \$2,584,000 (2018: \$1,903,000) have not yet been amortised through the statement of comprehensive income.

# Notes to the consolidated financial statements

30 June 2019

## Note 16. Non-current liabilities – borrowings (continued)

### Financing arrangements

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

	Consolidated	
	2019 \$'000	2018 \$'000
Total facilities		
Bank loans including overdraft *	517,500	497,500
Used at the reporting date		
Bank loans including overdraft *	382,960	328,391
Unused at the reporting date		
Bank loans including overdraft *	134,540	169,109

- \* Total facilities available at 30 June was \$520M (2018: \$500M). The amount used in the above table excludes \$2.5M (2018: \$2.5M) of facility which relates to bank guarantees under the working capital tranche.

### Net debt reconciliations

	Consolidated	
	2019 \$'000	2018 \$'000
Cash and cash equivalents	47,610	40,154
Cash and cash equivalents relating to non-controlling interest	(1,019)	(2,481)
Borrowings excluding unamortised transaction costs capitalised	(382,960)	(328,391)
Net derivative financial instruments	54	1,266
Net debt	(336,315)	(289,452)

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

Consolidated	Cash relating				Total \$'000
	Cash \$'000	to NCI \$'000	Borrowings \$'000	Derivatives \$'000	
Balance at 30 June 2018	40,154	(2,481)	(328,391)	1,266	(289,452)
Cash flows	5,923	1,787	(54,100)	(1,239)	(47,629)
Foreign currency translation	1,533	(325)	(469)	27	766
Balance at 30 June 2019	47,610	(1,019)	(382,960)	54	(336,315)

### Significant accounting policies

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, the loans or borrowings are classified as non-current.

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. Non-current liabilities – provisions

	Consolidated	
	2019 \$'000	2018 \$'000
Employee benefits	4,065	3,459
Deferred settlements	2,434	2,067
Make good provision	9,141	8,725
Onerous lease provision	551	1,441
	16,191	15,692

### *Deferred settlements and onerous lease provision*

Refer to note 15.

### *Make good provision*

This 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.

### *Movements in provisions*

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

	Deferred settlements \$'000	Make good \$'000	Onerous lease \$'000
<b>Consolidated – 2019</b>			
Carrying amount at the start of the year	2,067	8,725	1,441
Additional provisions recognised	70	467	-
Additions through business combinations	1,500	821	344
Amounts transferred to current	(1,203)	-	(1,273)
Amounts used	-	(315)	-
Change in provision from re-measurement	-	(322)	-
Foreign currency translation	-	75	39
Derecognised on divestment	-	(310)	-
Carrying amount at the end of the year	2,434	9,141	551

### **Significant accounting policies**

#### *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.

# Notes to the consolidated financial statements

30 June 2019

## Note 18. Derivative financial instruments

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Current assets</i>	897	1,720
Forward foreign exchange contracts – cash flow hedges		
<i>Current liabilities</i>	(459)	(116)
Forward foreign exchange contracts – cash flow hedges	(35)	(8)
Interest rate swap contracts – cash flow hedges	(494)	(124)
<i>Non-current liabilities</i>		
Interest rate swap contracts – cash flow hedges	(349)	(330)
	54	1,266

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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated - 2019</b>				
<i>Assets</i>				
Derivative financial instruments	-	897	-	897
Total assets	-	897	-	897
<i>Liabilities</i>				
Derivative financial instruments	-	843	-	843
Deferred consideration	-	-	19,380	19,380
Total liabilities	-	843	19,380	20,223
<b>Consolidated - 2018</b>				
<i>Assets</i>				
Derivative financial instruments	-	1,720	-	1,720
Total assets	-	1,720	-	1,720
<i>Liabilities</i>				
Derivative financial instruments	-	454	-	454
Deferred consideration	-	-	24,404	24,404
Total liabilities	-	454	24,404	24,858

There were no transfers between levels during the financial 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.

# Notes to the consolidated financial statements

30 June 2019

## Note 19. Fair value measurement (continued)

### Significant accounting policies (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. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares	283,480,597	280,244,752	631,697	610,951
Treasury shares	-	-	(8,161)	(4,495)
	283,480,597	280,244,752	623,536	606,456

### Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2017	278,633,080	602,571
Issue for Dividend Reinvestment Plan	29 September 2017	932,347	4,896
Hellaby transaction costs (net of tax)		-	(290)
Issue for Dividend Reinvestment Plan	27 April 2018	679,325	3,774
Balance	30 June 2018	280,244,752	610,951
Issue for Dividend Reinvestment Plan	27 September 2018	830,414	6,039
Issue on acquisition	4 December 2018	1,396,952	9,150
Issue for Dividend Reinvestment Plan	12 April 2019	1,008,479	5,557
Balance	30 June 2019	283,480,597	631,697

### Movements in treasury shares

Details	Date	Shares	\$'000
Balance	1 July 2017	(200,000)	(1,896)
Return of employee shares	1 July 2017	(22)	-
Purchase of treasury shares	14 September 2017	(480,686)	(2,599)
Utilisation of treasury shares for LTI	14 September 2017	680,708	-
Balance	30 June 2018	-	(4,495)
Return of employee shares	1 July 2018	(800)	-
Purchase of treasury shares	12-13 September 2018	(490,201)	(3,666)
Utilisation of treasury shares for LTI	14 September 2018	491,001	-
Balance	30 June 2019	-	(8,161)

### 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 \$7.48 (2018: \$5.40) 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.

# Notes to the consolidated financial statements

30 June 2019

## Note 21. Equity - reserves

	Consolidated	
	2019 \$'000	2018 \$'000
Foreign currency reserve	(1,466)	(10,131)
Cash flow hedge reserve	35	667
Share-based payments reserve	8,739	5,819
	7,308	(3,645)

### 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	Net investment hedge reserve \$'000	Total \$'000
Balance at 1 July 2017	(918)	(2,519)	3,883	(648)	(202)
Revaluation	-	3,999	-	2,473	6,472
Deferred tax	-	(1,101)	(284)	17	(1,368)
Net investment hedge	-	-	2,220	-	2,220
Reclassified to profit and loss (note 7)	2,771	-	-	(3,211)	(440)
Foreign currency translation	(11,984)	89	-	-	(11,895)
Cancellation on divestment	-	199	-	1,369	1,568
Balance at 30 June 2018	(10,131)	667	5,819	-	(3,645)
Revaluation	-	(685)	-	-	(685)
Deferred tax	-	201	1,068	-	1,269
Foreign currency translation	-	8	-	-	8
Share-based payment expense	-	-	1,852	-	1,852
Foreign currency translation	7,714	-	-	-	7,714
Cancellation on divestment	951	(156)	-	-	795
Balance at 30 June 2019	(1,466)	35	8,739	-	7,308

## Note 22. Equity - retained profits

	Consolidated	
	2019 \$'000	2018 \$'000
Retained profits/(accumulated losses) at the beginning of the financial year	37,138	(17,067)
Profit after income tax expense for the year	96,978	94,656
Dividends paid (note 24)	(45,006)	(40,451)
Retained profits at the end of the financial year	89,110	37,138

## Note 23. Equity - non-controlling interest

	Consolidated	
	2019 \$'000	2018 \$'000
<b>Investment in Car Bits Asia, Thailand</b>		
Opening balance	2,397	-
Non-controlling interest on incorporation	-	2,554
Non-controlling interest loss for the financial year	(446)	(122)
Foreign currency revaluation	282	(35)
Closing balance	2,233	2,397

In March 2018, the consolidated group entered into a tri-party joint venture in Thailand holding 51% of the shares of the incorporated entity Car Bits Asia., Co. Ltd for the purposes of opening the Burson stores in Thailand. The consolidated group is considered to have effective control.

	Consolidated	
	2019 \$'000	2018 \$'000
<b>Resource Services</b>		
Opening balance	-	6,561
Non-controlling interest loss for the period	-	(214)
Finalisation of prior year business combinations	-	(4,820)
Divestment of non-controlling interest	-	(1,527)
Closing balance	-	-

As part of the acquisition of Hellaby Holdings Limited in FY17, the acquired Resource Services group had a non-controlling interest which was divested in FY18.

# Notes to the consolidated financial statements

30 June 2019

## Note 24. Equity – dividends

### Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Final dividend for the year ended 30 June 2018 (2018: 30 June 2017) of 8.5 cents (2018: 7.5 cents) per ordinary share *	23,821	20,882
Interim dividend for the year ended 30 June 2019 (2018: 30 June 2018) of 7.5 cents (2018: 7.0 cents) per ordinary share **	21,185	19,569
	45,006	40,451

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

\*\* \$5,557,000 (2018: \$3,774,000) of the interim dividend for the year ended 30 June 2019 (2018: 30 June 2018) was settled under the Dividend Reinvestment Plan.

The Board has declared a final dividend in respect of FY19 of 9.5 cents per share, fully franked. The final dividend will be paid on 26 September 2019 to shareholders registered on 30 August 2019.

The final dividend takes the total dividends declared in relation to FY19 to 17.0 cents per share, fully franked, representing an increase of dividends paid of 9.7% compared to the prior financial year. Dividends paid and declared in relation to FY19 represents 51.1% of pro-forma net profit after tax from continuing operations.

### Franking credits

	Consolidated	
	2019 \$'000	2018 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	80,460	51,234

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	
	2019 \$'000	2018 \$'000
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax	96,532	84,379
Non-controlling interest	446	122
Profit after income tax attributable to the owners of Bapcor Limited	96,978	84,501
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34.40	30.24
Diluted earnings per share	34.27	30.09

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax	-	9,941
Non-controlling interest	-	214
Profit after income tax attributable to the owners of Bapcor Limited	-	10,155
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	-	3.63
Diluted earnings per share	-	3.62

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Earnings per share for profit</i>		
Profit after income tax	96,532	94,320
Non-controlling interest	446	336
Profit after income tax attributable to the owners of Bapcor Limited	96,978	94,656
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34.40	33.88
Diluted earnings per share	34.27	33.71

# Notes to the consolidated financial statements

30 June 2019

## Note 25. Earnings per share (continued)

	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	281,885,783	279,416,138
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,113,893	1,407,835
Weighted average number of ordinary shares used in calculating diluted earnings per share	282,999,676	280,823,973

The weighted average number of ordinary shares for 2018 has been restated for the effect of the rights issues performed in accordance with AASB 133 *Earnings Per Share*.

Note: The 2018 comparatives have been restated for an immaterial difference to the weighted average number of ordinary shares and to include the non-controlling interest earnings into the earnings per share for profit from continuing and discontinuing operations.

### 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	
	2019 \$'000	2018 \$'000
Profit after income tax expense for the year	96,532	94,320
Adjustments for:		
Depreciation and amortisation	17,100	15,582
Net gain on disposal of property, plant and equipment	(104)	(60)
Unwinding of the discount on deferred settlements	86	858
Amortisation of capitalised borrowing costs	604	604
Write off of capitalised borrowing costs	258	-
Non-cash share-based payment expense	1,852	2,220
Other gain	(4,053)	-
Component relating to discontinued operations	-	(9,942)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(6,892)	(8,873)
Increase in inventories	(32,856)	(20,151)
Decrease/(increase) in other operating assets	(2,201)	936
Increase/(decrease) in trade and other payables	(7,015)	12,764
Increase/(decrease) in provision for income tax	1,122	(1,013)
Increase/(decrease) in other operating liabilities	1,208	(1,814)
Net cash from operating activities	65,641	85,431

### Significant accounting policies

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# Notes to the consolidated financial statements

30 June 2019

## 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	
	2019 \$'000	2018 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	47,610	40,154
Trade and other receivables*	155,111	140,695
Derivative financial instruments	897	1,720
Total financial assets	203,618	182,569
<b>Financial liabilities</b>		
Trade and other payables	183,645	187,753
Derivative financial instruments	843	454
Deferred settlements	19,380	24,404
Borrowings **	382,960	328,391
Total financial liabilities	586,828	541,002

\* Trade and other receivables in the table excludes prepayments which are not classified as financial instruments

\*\* 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.

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
<b>Consolidated - 2019</b>						
Derivative financial instruments	1%	-	333	(1%)	-	(340)
Other financial assets	1%	(372)	-	(1%)	380	-
Other financial liabilities	1%	329	-	(1%)	(336)	-
		(43)	333		44	(340)

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
<b>Consolidated - 2018</b>						
Derivative financial instruments	1%	-	262	(1%)	-	(267)
Other financial assets	1%	(398)	-	(1%)	406	-
Other financial liabilities	1%	367	-	(1%)	(374)	-
		(31)	262		32	(267)

#### 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.

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

	2019		2018	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Borrowings (principal)	3.47%	382,960	3.62%	328,391
Less: amounts covered by interest rate swaps	2.44%	(40,000)	2.39%	(60,000)
Net exposure to cash flow interest rate risk		342,960		268,391

As at 30 June, if the weighted average interest rate of the bank borrowings had changed by a factor of + / - 10%, interest expense would increase / decrease by \$1,329,000 (2018: \$1,189,000).

The amount recognised in other comprehensive income net of tax in relation to interest rate swaps was (\$32,000) (2018: \$209,000).

# Notes to the consolidated financial statements

30 June 2019

## 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 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 notes 8 and 10. 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	
	2019 \$'000	2018 \$'000
Bank loans including overdraft *	134,540	169,109

\* The unused facility value excludes any facility that relates to bank guarantees. Refer to note 16 for further information.

### 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.



	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
<b>Consolidated - 2019</b>					
Trade and other payables	183,645	-	-	-	183,645
Borrowings *	13,345	13,345	310,658	107,540	444,888
Deferred consideration	16,985	2,500	-	-	19,485
Total non-derivatives	213,975	15,845	310,658	107,540	648,018
<b>Derivatives</b>					
Interest rate swaps	35	349	-	-	384
Forward foreign exchange contracts	459	-	-	-	459
Total derivatives	494	349	-	-	843

	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
<b>Consolidated - 2018</b>					
Trade and other payables	187,753	-	-	-	187,753
Borrowings *	13,424	169,707	186,195	-	369,326
Deferred settlements	23,039	2,000	-	-	25,039
Total non-derivatives	224,216	171,707	186,195	-	582,118
<b>Derivatives</b>					
Interest rate swaps	8	105	225	-	338
Forward foreign exchange contracts	116	-	-	-	116
Total derivatives	124	105	225	-	454

#### *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.

The consolidated entity is not subject to externally imposed capital requirements, other than contractual banking covenants 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);
- Fixed charge cover ratio not below 1.75:1 (EBITDA plus Rent : Net Total Cash Interest plus Rent)

# Notes to the consolidated financial statements

30 June 2019

## 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 net assets of the following businesses:

- Autobarn Bundall
- Autobarn Gympie
- Autobarn Hervey Bay
- Autobarn Kawanah Waters
- Autobarn Maryborough
- Autobarn Mile End
- Autobarn Moonah
- Autobarn Warners Bay
- Autopro Batemans Bay
- Autopro Five Dock
- Allied Bearings
- Hoistman
- King Auto Parts
- Japanese Trucks Australia
- Toperformance

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

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

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

## Note 29. Business combinations (continued)

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

The Commercial Truck Parts fair value is materially consistent with the estimated position presented in the 31 December 2018 Financial Report.

	Commercial Truck Parts Fair value \$'000	Other acquisitions Fair value \$'000
Cash and cash equivalents	29,114	8
Trade and other receivables	5,187	781
Inventories	7,896	3,554
Plant and equipment	401	112
Motor vehicles	336	190
Software	15	-
Deferred tax asset	1,334	1,256
Trade and other payables	(1,897)	(169)
Provisions	(1,780)	(912)
Net assets acquired	40,606	4,820
Goodwill	48,048	7,730
Acquisition-date fair value of the total consideration transferred	88,654	12,550
Representing:		
Cash paid	63,004	9,849
Shares issued	9,150	-
Deferred settlement	16,500	500
Debt forgiven	-	1,204
	88,654	11,553
Cash used to acquire business, net of cash acquired:		
Cash consideration	63,004	9,849
Less: cash and cash equivalents	(29,114)	(8)
Net cash used	33,890	9,841

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

The Commercial Truck Parts acquisition contributed revenue of \$20,212,000 and net profit after tax of \$2,900,000 to the consolidated group since acquisition on 30 November 2018. Based on management results that have not been reviewed or audited, the contribution to revenue and net profit after tax if the Commercial Truck Parts acquisition had occurred on 1 July 2018 is estimated to have been \$36,561,000 and \$5,673,000 respectively.

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

Refer to note 5 for details on acquisition related costs incurred.

# Notes to the consolidated financial statements

30 June 2019

## Note 29. Business combinations (continued)

### *Deferred settlements*

Deferred consideration has been estimated and provided for on the Commercial Truck Parts and Topperformance Products acquisitions and are currently accrued at \$16,500,000 and \$500,000 respectively as at 30 June 2019 (refer notes 15 and 17).

### *Prior financial year acquisitions*

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

### **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 June 2017 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  
 Burson Automotive Pty Ltd  
 Car Bitz & Accessories Pty Ltd  
 Aftermarket Network Australia Pty Ltd  
 Automotive Brands Group Pty Ltd  
 Midas Australia Pty Ltd  
 Specialist Wholesalers Pty Ltd  
 MTQ Engine Systems (Aust) Pty Ltd  
 Baxters 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  
 Bapcor Australia Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' Report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

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

	2019 \$'000	2018 \$'000
<b>Statement of comprehensive income</b>		
Revenue	1,101,430	1,057,362
Expenses	(994,221)	(949,937)
<b>Profit before income tax expense</b>	107,209	107,425
Income tax expense	(30,486)	(29,103)
<b>Profit after income tax expense</b>	76,723	78,322
<b>Other comprehensive income</b>		
Other comprehensive income for the year, net of tax	7,921	(5,378)
<b>Total comprehensive income for the year</b>	84,644	72,944
<b>Equity - retained profits</b>	2019 \$'000	2018 \$'000
Retained profits/(accumulated losses) at the beginning of the financial year	9,687	(28,184)
Profit after income tax expense	76,723	78,322
Dividends paid	(45,006)	(40,451)
Retained profits at the end of the financial year	41,404	9,687

# Notes to the consolidated financial statements

30 June 2019

## Note 30. Deed of cross guarantee (continued)

Statement of financial position	2019 \$'000	2018 \$'000
<b>Current assets</b>		
Cash and cash equivalents	31,647	28,322
Trade and other receivables	133,414	124,535
Inventories	269,893	243,988
Derivative financial instruments	801	1,090
	435,755	397,935
<b>Non-current assets</b>		
Trade and other receivables	48	78
Property, plant and equipment	54,430	49,096
Intangibles	511,005	506,788
Deferred tax	15,403	10,260
Other	2,412	3,447
Investments	427,035	340,416
	1,010,333	910,085
<b>Total assets</b>	1,446,088	1,308,020
<b>Current liabilities</b>		
Trade and other payables	154,850	160,855
Derivative financial instruments	249	89
Income tax	1,988	2,341
Provisions	44,162	50,512
	201,249	213,797
<b>Non-current liabilities</b>		
Borrowings	368,616	315,197
Derivative financial instruments	349	330
Provisions	13,146	12,868
Intercompany	190,373	153,531
	572,484	481,926
<b>Total liabilities</b>	773,733	695,723
<b>Net assets</b>	672,355	612,297
<b>Equity</b>		
Issued capital	623,536	606,456
Reserves	7,415	(3,846)
Retained profits	41,404	9,687
<b>Total equity</b>	672,355	612,297



### Note 31. Parent entity information

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

	2019 \$'000	2018 \$'000
<b>Statement of comprehensive income</b>		
Loss after income tax	(5,626)	(9,809)
Internal dividend income	18,753	51,337
Total comprehensive income	13,127	41,528
<b>Statement of financial position</b>		
Total current assets	-	-
Total assets	669,207	681,085
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	623,537	606,456
Other reserves	8,739	5,819
Current year profits/(losses)	13,127	41,528
Dividends paid	(45,006)	(40,451)
Prior years retained earnings	68,810	67,733
Total equity	669,207	681,085

# Notes to the consolidated financial statements

30 June 2019

## 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	
		2019 %	2018 %
Bapcor Finance Pty Ltd	Australia	100.0%	100.0%
Bapcor Services Pty Ltd	Australia	100.0%	100.0%
Bapcor International Pty Ltd	Australia	100.0%	100.0%
Car Bits Asia Co. Ltd	Thailand	51.0%	51.0%
Burson Automotive 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%
Automotive Brands Group 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	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%	-
He Knows Truck Parts Pty Ltd	Australia	100.0%	-
I Know Parts and Wrecking Pty Ltd	Australia	100.0%	-
Commercial Spares Pty Ltd	Australia	100.0%	-
Commercial Parts Pty Ltd	Australia	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	United States	100.0%	100.0%
Benequity Properties, LLC	United States	100.0%	100.0%
Bapcor Australia Pty Ltd *	Australia	100.0%	100.0%
Hellaby Resource Services Ltd *	New Zealand	100.0%	100.0%
Hellaby Investment No 8 Ltd *	New Zealand	100.0%	100.0%
Bapcor Automotive Australia Pty Ltd **	Australia	-	100.0%
Ryde Batteries Pty Ltd **	Australia	-	100.0%
Bapcor Auto Electrical Pty Ltd **	Australia	-	100.0%
Hellaby Auto Fuel Pty Ltd **	Australia	-	100.0%
ACN 119 121 729 Pty Ltd **	Australia	-	100.0%
Generator Fund Ltd **	New Zealand	-	100.0%
TRS Tyre & Wheel Ltd **	New Zealand	-	100.0%

\* These subsidiaries are non-trading and are in the process of being wound up.

\*\* These subsidiaries were wound up or divested during the period.

### Note 33. Related party transactions - key management personnel disclosures

#### Compensation

	Consolidated	
	2019 \$'000	2018 \$'000
Short-term employee benefits	7,407	8,114
Post-employment benefits	239	236
Long-term benefits	71	68
Share-based payments	1,751	1,822
	9,468	10,240

#### Loans

	Consolidated	
	2019 \$'000	2018 \$'000
Opening balance	642	1,354
Amounts repaid	(59)	(583)
Amounts recovered by deferred STI	18	(129)
	601	642

Refer to the audited Remuneration Report within the Directors' Report for further details on key management personnel compensation, as well as note 13 for further details on the loans made to key management personnel.

### Note 34. Share-based payments

The Long Term Incentive ('LTI') plan is intended to assist in the motivation, retention and reward of nominated senior executives. The LTI is a payment contingent on two or 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.

# Notes to the consolidated financial statements

30 June 2019

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

A summary of the terms for the Performance Rights granted in the current and prior financial years are set out in the following tables:

Grant date	26/9/18		29/10/18	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/7/18 to 30/6/21		1/7/18 to 30/6/21	
Test date	30/6/21		30/6/21	
Expiry date	26/9/33		29/10/33	
Quantity granted	113,096	113,099	85,443	85,443
Exercise price	Nil		Nil	
Fair value at grant date <sup>1</sup>	\$4.860	\$7.010	\$3.970	\$6.140
Other conditions	Restriction on sale to 30/6/22		Restriction on sale to 30/6/22	
Share price on valuation date	\$7.48		\$6.53	
Volatility	24.47%		24.86%	
Dividend yield	2.35%		2.35%	
Risk free rate	2.13%		2.01%	

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

## Relative total shareholder return ('TSR') hurdle

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

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

## Earnings per share ('EPS') growth

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

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

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

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

Performance Rights lapse if the vesting conditions are not met or on the expiry date (if applicable).

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

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

## 2019

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/12/2015	30/06/2018	\$0.00	223,734	-	(223,734)	-	-
24/12/2015	30/06/2018	\$0.00	146,574	-	(146,574)	-	-
20/12/2016	30/06/2018	\$0.00	114,872	-	(112,856)	(2,016)	-
15/08/2017	30/06/2019	\$0.00	7,977	-	(7,837)	(140)	-
20/12/2016	30/06/2019	\$0.00	219,408	-	-	(37,188)	182,220
15/08/2017	30/06/2019	\$0.00	15,236	-	-	(15,236)	-
04/12/2017	30/06/2019	\$0.00	177,603	-	-	-	177,603
04/12/2017	30/06/2020	\$0.00	567,067	-	-	(100,970)	466,097
26/09/2018	30/06/2021	\$0.00	-	226,195	-	-	226,195
29/10/2018	30/06/2021	\$0.00	-	170,886	-	-	170,886
			1,472,471	397,081	(491,001)	(155,550)	1,223,001

## 2018

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/04/2014	30/06/2017	\$0.00	475,362	-	(475,362)	-	-
24/12/2015	30/06/2017	\$0.00	128,868	-	(128,868)	-	-
24/12/2015	30/06/2017	\$0.00	76,478	-	(76,478)	-	-
24/12/2015	30/06/2018	\$0.00	246,986	-	-	(23,252)	223,734
24/12/2015	30/06/2018	\$0.00	146,574	-	-	-	146,574
20/12/2016	30/06/2018	\$0.00	124,286	-	-	(9,414)	114,872
15/08/2017	30/06/2019	\$0.00	-	7,977	-	-	7,977
20/12/2016	30/06/2019	\$0.00	237,389	-	-	(17,981)	219,408
15/08/2017	30/06/2019	\$0.00	-	15,236	-	-	15,236
04/12/2017	30/06/2018	\$0.00	-	177,603	-	-	177,603
04/12/2017	30/06/2019	\$0.00	-	567,067	-	-	567,067
			1,435,943	767,883	(680,708)	(50,647)	1,472,471

The weighted average exercise price for the Performance Rights exercised in the current financial year was \$7.48 (2018: \$5.40).

The weighted average contractual lives are 1.63 years (2018: 1.74 years).

The expense arising from share-based payment transactions relating to the LTI during the year as part of employee benefits expense was \$1,852,000 (2018: \$2,220,000).

Note: The numbers in the disclosures below 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.

# Notes to the consolidated financial statements

30 June 2019

## Note 34. Share-based payments (continued)

### *Employee Salary Sacrifice Share Plan*

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

#### **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, and its network firms:

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Audit services – PricewaterhouseCoopers</i>		
Audit or review of the financial statements	596,502	622,752
<i>Other services – PricewaterhouseCoopers</i>		
Tax compliance services	25,850	61,594
Consulting services	7,000	49,600
	32,850	111,194
	629,352	733,946
<i>Audit services – network firms</i>		
Audit or review of the financial statements	-	61,905
<i>Other services – network firms</i>		
Tax compliance services	105,762	121,799
Consulting services	15,218	65,451
	120,981	187,250
	120,981	249,155
Total auditor remuneration	750,333	983,101



# Notes to the consolidated financial statements

30 June 2019

## Note 36. Commitments and contingent liabilities

### Commitments

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Guarantees in relation to leases	3,391	3,372
Letters of credit in relation to the purchase of inventory	-	555
<i>Operating lease payables - continuing operations</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	47,450	40,792
One to five years	84,727	73,171
More than five years	6,790	5,463
	138,967	119,426
<i>Operating lease receivables - continuing operations</i>		
Committed at the reporting date and recognised as assets, receivable:		
Within one year	2,908	3,840
One to five years	5,650	5,879
More than five years	239	19
	8,797	9,738

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

### Contingent liabilities

There are no contingent liabilities (2018: Nil).

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

## Note 37. Net tangible assets

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

Net tangible assets per share at 30 June 2019 was (10.9) cents per share (2018: (19.0) cents per share).

Net assets per share at 30 June 2019 was \$2.48 (2018: \$2.25) per share.

## Note 38. 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 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, 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 2019 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



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**Andrew Harrison**  
Chairman



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**Darryl Abotomey**  
Chief Executive Officer and Managing Director

21 August 2019  
Melbourne



## *Independent auditor's report*

To the members of Bapcor Group Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Bapcor Group 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 2019 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 2019
- 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 a summary of significant accounting policies
- the directors' declaration.

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#### *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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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### *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**

- For the purpose of our audit we used overall Group materiality of \$6.6 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.

#### **Audit Scope**

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
  - Audit procedures were performed on the Australian and New Zealand operations assisted by local component auditors in New Zealand under the supervision of the Group engagement team.
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## 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
<p><b>Carrying value of goodwill and intangible assets with indefinite lives</b> Refer to note 12 [\$734.5 million]</p> <p>At 30 June 2019, the Group recognised \$646.4 million of goodwill and \$59.2 million of intangible assets with indefinite lives (trade names).</p> <p>At least annually, an impairment test is performed by the Group over the goodwill and intangible assets with indefinite lives, in each of the Group's cash generating units (CGUs) based on a 'value in use' discounted cash flow model or 'fair value less cost of disposal' model (the models). Impairment losses for identified shortfalls in value are recognised in the consolidated statement of comprehensive income.</p> <p>Significant judgement is required by the Group to estimate the key assumptions in the models to determine the recoverable amount of the goodwill and intangible assets with indefinite lives, and the amount of any resulting impairment (if applicable). The key assumptions applied by the Group include:</p> <ul style="list-style-type: none"> <li>• cash flow forecasts, including the terminal value forecast</li> <li>• short-term and future growth rates in revenue and EBITDA margin</li> <li>• the discount rate adopted in the models</li> <li>• relief from royalty rate in determining the fair value less cost to sell of trade names</li> </ul>	<p>In assessing the models, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing whether the allocation of the Group's goodwill and intangible assets into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting</li> <li>• Assessing whether the grouping of CGUs appropriately included the assets, liabilities and cash flows directly attributable to each CGU and an allocation of corporate overheads</li> <li>• Evaluating forecast cash flows used in the models for consistency with the Group's most up-to-date budgets and business plans formally approved by the Board of Directors</li> <li>• Assessing the Group's historical ability to forecast cash flows by comparing budgets to reported actual results for the past year</li> <li>• Considering whether the cash flows used in the model were reasonable and based on supportable assumptions by comparing actual cash flows for previous years to forecast cash flows and evaluating the support available from the Group for significant differences in actual and forecast cash flows</li> <li>• Assessing the sensitivity to change of key assumptions used in the models that either individually or collectively would result in the impairment of assets</li> </ul>



### Key audit matter

Given the level of judgement applied by the Group, and the magnitude of the goodwill and intangible assets with indefinite lives recognised in the Group's consolidated statement of financial position, we determined that this continues to be a key audit matter.

### How our audit addressed the key audit matter

- Together with PwC valuation experts, evaluating whether:
  - discount rates used in the models appropriately reflected the risks of the CGUs by considering relevant industry and market factors
  - the value in use models applied to test goodwill for impairment included the appropriate inputs as required under Australian Accounting Standards
  - the fair value less costs of disposal valuation method used to determine fair value for trade names was the best basis upon which to infer value of the trade names
  - the key inputs to the fair value less costs of disposal including the discount rate, relief from royalty rate, and marketing and administration cost recharges were appropriate by reference to comparable market transactions to enable a reliable estimate to be made
- Testing the mathematical accuracy of the models on a sample basis.

We also considered the adequacy of disclosures in note 12, including those regarding the key assumptions, in accordance with the requirements of Australian Accounting Standards.

### Carrying value of Inventory Refer to note 9 [\$326.1 million]

At 30 June 2019, the Group recorded a provision for aged and slow-moving inventory of \$43.6 million. The provision is calculated by applying judgemental provisioning rates to aged and slow-moving inventory categories. Specific provision is also recorded for items where the known net realisable value is lower than cost.

We considered this to be a key audit matter because of the significant judgement required by the Group in determining 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
- Evaluating whether the methodology applied to the provision calculation was consistent with that applied in the prior year and was in accordance with Australian Accounting Standards
- Testing the movement in the inventory provision, including agreeing a sample of

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



## Key audit matter

## How our audit addressed the key audit matter

inventory written off to supporting documentation such as Board approvals

- Considering the adequacy of disclosures in note 9 in light of the requirements of Australian Accounting Standards.

## Accounting for the acquisition of Commercial Truck Parts Group Refer to note 29

The Group acquired Commercial Truck Parts Group in November 2018 for \$88.7 million paid to the vendors (\$59.5 million net of cash acquired) in a combination of cash, deferred consideration and the issue of new shares in Bapcor.

The Group has recognised the fair value of assets and liabilities for the acquired business, which included goodwill of \$48.0 million.

We considered this a key audit matter because of the significant judgement involved by the Group in the following areas:

- Determining the acquisition date
- Estimating the purchase consideration, particularly in respect of deferred consideration payable subject to certain conditions
- Identifying all assets and liabilities of the newly acquired business and estimating the fair value of each asset and liability for initial recognition by the Group.

Our procedures included the following, amongst others:

- Evaluating the Group's accounting against the requirements of Australian Accounting Standards, key transaction agreements, our understanding of the business acquired and its industry and legal correspondence
- Assessing the determination of the acquisition date against supporting documentation including ASX announcements, relevant share registers and the requirements of Australian Accounting Standards
- Assessing the fair value of the purchase consideration by comparing a sample of payments to bank records and ASX take over announcements
- Assessing the Group's evaluation whether the conditions required for the deferred consideration to be paid were likely to be met in the future
- Assessing the fair values of the acquired assets and liabilities recognised including assessing the existence of identifiable intangible assets
- Evaluating the adequacy of the disclosures made in note 29 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 2019, 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 Directors' Report and Corporate Directory. 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.

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.

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### *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.

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### *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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

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



## *Report on the remuneration report*

### *Our opinion on the remuneration report*

We have audited the remuneration report included in the Directors' Report for the year ended 30 June 2019.

In our opinion, the remuneration report of Bapcor Group Limited for the year ended 30 June 2019 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.

A stylized signature of PricewaterhouseCoopers in a cursive script.

PricewaterhouseCoopers

A stylized signature of Jason Perry in a cursive script.

Jason Perry  
Partner

Melbourne  
21 August 2019

# Shareholder Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 21 August 2019 ('Reporting Date').

## 1. Corporate Governance Statement

Bapcor ('the Company') has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on the Company's website [www.bapcor.com.au](http://www.bapcor.com.au), and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

## 2. Distribution and number of shareholders of equity securities

The distribution and number of holders of equity securities on issue in the Company as at the Reporting Date, and the number of holders holding less than a marketable parcel of the Company's ordinary shares, based on the closing market price as at the Reporting Date, is as follows:

### 2.1 Distribution of ordinary shareholders

Range	Total holders	Shares	% of Issued Capital
1 – 1,000	6,750	3,203,144	1.13
1,001 – 5,000	7,039	17,841,110	6.29
5,001 – 10,000	1,618	11,684,073	4.12
10,001 – 100,000	870	18,901,807	6.67
100,001 +	62	231,850,463	81.78
<b>Total</b>	<b>16,339</b>	<b>283,480,597</b>	<b>100.00</b>
Holders of less than a marketable parcel of \$500 included in above total	262	4,437	

### 2.2 Distribution of holders of performance rights

Range	Total holders	Performance Rights	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 1, 000	-	-	-
10,001 – 100,000	6	274,964	22.48
100,001 +	4	948,037	77.52
<b>Total</b>	<b>10</b>	<b>1,223,001</b>	<b>100%</b>

## Shareholder Information

### 3. Twenty largest quoted equity security holders

The Company only has one class of quoted securities, being ordinary shares. The names of the twenty largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder is as follows:

Name	Ordinary Shares	
	Number Held	% of Issued Capital
HSBC Custody Nominees (Australia) Limited	87,541,080	30.88
J P Morgan Nominees Australia Limited	49,418,664	17.43
Citicorp Nominees Pty Limited	32,003,640	11.29
BNP Paribas Nominees Pty Ltd	20,719,723	7.31
National Nominees Limited	16,454,319	5.80
Garrmar Investments Pty Ltd	6,922,699	2.44
EQT Wealth Services Limited	2,217,763	0.78
Mutual Trust Pty Ltd	1,815,176	0.64
D Abotomey	1,641,323	0.58
AMP Life Limited	1,499,330	0.53
Netwealth Investments Limited	1,384,878	0.49
Glendale Investment Group Pty Ltd	1,000,000	0.35
Shopee Nominees Pty Ltd	934,567	0.33
UBS Nominees Pty Ltd	864,821	0.31
Schram Investments Pty Ltd	809,164	0.29
Daycliff Pty Ltd	806,877	0.28
C Magill	631,424	0.22
ANZ Trustees Limited	593,620	0.21
Equity Trustees Wealth Services Limited	563,041	0.20
JMB Family Investments Pty Ltd	400,000	0.14
	228,222,109	80.51
Other Shareholders	55,258,488	19.49
<b>Total Shareholders</b>	<b>280,244,752</b>	<b>100.00</b>

### 4. Substantial holders

As at the Reporting Date, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Name	Number Held	% of Issued Capital
FMR LLC	16,844,711	5.94
Vanguard Group	14,309,060	5.05
Paradice Investment Management Pty Ltd	14,219,603	5.02

## **5. Voting rights**

The voting rights attaching to each class of equity securities are set out below:

### **5.1 Ordinary shares**

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held.

### **5.2 Performance rights**

Performance rights do not carry any voting rights.

## **6. Unquoted equity securities**

1,223,001 unlisted performance rights have been granted to 10 persons. There are no persons who hold 20% or more of performance rights that were not issued or acquired under an employee incentive scheme.

## **7. Voluntary escrow**

There are no securities subject to voluntary escrow in the Company as at the Reporting Date.

## **8. On-market buy-back**

The Company is not currently conducting an on-market buy-back.

## Corporate directory

30 June 2019

Directors	Andrew Harrison (Independent, Non-Executive Director and Chairman)
	Darryl Abotomey (Chief Executive Officer and Managing Director)
	Therese Ryan (Independent, Non-Executive Director)
	Margaret Haseltine (Independent, Non-Executive Director)
	Jennifer Macdonald (Independent, Non-Executive Director)
Company secretary	Gregory Fox
Notice of annual general meeting	The details of the annual general meeting of Bapcor Limited are: Date: 1 November 2019 Time: 1.30pm Address: Holding Redlich, Level 8, 555 Bourke Street, Melbourne VIC 3000
Registered office	61 Gower Street Preston VIC 3072 Australia
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford VIC 3067 Australia Ph: +61 3 9415 4000
Auditor	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia
Stock exchange listing	Bapcor Limited shares are listed on the Australian Securities Exchange (ASX code: BAP)
Website	<a href="http://www.bapcor.com.au">www.bapcor.com.au</a>





