Bapcor Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Bapcor Limited
ABN:	80 153 199 912
Reporting period:	For the year ended 30 June 2020 ('FY20')
Previous period:	For the year ended 30 June 2019 ('FY19')

2. Results for announcement to the market

			$'000s	%		$'000s
IFRS financial measures						
Revenue	Statutory	Up	166,165	12.8	to	1,462,747
Net profit after tax ***	Statutory	Down	(17,806)	(18.4)	to	79,172
Earnings per share - basic (cents per share)	Statutory	Down	(7.43 cps)	(21.6)	to	26.97 cps
Non-IFRS financial measures*						
Earnings before interest, taxes, depreciation and amortisation	Statutory	Up	44,163	26.4	to	211,189
	Pro-forma inc. AASB 16**	Up	52,443	31.9	to	217,071
	Pro-forma exc. AASB 16**	Down	(6,812)	(4.1)	to	157,816
Net profit after tax ***	Pro-forma inc. AASB 16**	Down	(5,539)	(5.9)	to	88,748
	Pro-forma exc. AASB 16**	Down	(5,157)	(5.5)	to	89,130
Earnings per share - basic (cents per share)	Pro-forma inc. AASB 16**	Down	(3.22 cps)	(9.6)	to	30.23 cps
	Pro-forma exc. AASB 16**	Down	(3.09 cps)	(9.2)	to	30.36 cps

* The directors believe the presentation of non-IFRS financial measures are useful for the users of the financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review. Refer to the Directors' Report for further details

** Pro-forma results include adjustments from statutory results for acquisitions, restructuring activities, transition costs associated with the new Distribution Centre at Tullamarine as well as the adoption of AASB 16 *Leases* to reflect the underlying performance of the business and ensure comparability between periods being presented. Refer to reconciliations provided in the Directors' Report

*** Net profit after tax attributable to the members of Bapcor Limited

On 1 July 2019, Bapcor adopted AASB 16 *Leases* and as per the transition provisions the comparative periods have not been adjusted. The pro-forma results excluding AASB 16 *Leases* include an adjustment to remove the impact of this standard adoption allowing comparability with prior periods. Refer to details contained within the Directors' Report.

Revenue for FY20 increased by 12.8% compared to FY19, mainly through the addition of the Truckline business, growth in Burson Trade and Retail and offset particularly by the COVID-19 impact in New Zealand. Pro-forma earnings before interest, taxes, depreciation and amortisation ('EBITDA') and net profit after tax ('NPAT') excluding any impact of the adoption of AASB 16 *Leases* for FY20 decreased by 4.1% and 5.5% respectively. Record revenue and EBITDA were achieved in Burson Trade and Retail, predominately offset by the COVID-19 impact in New Zealand, and the bushfires and ongoing drought in Australia.

Pro-forma earnings per share ('EPS') for FY20 was 30.36 cents, down 9.2% compared to FY19 (based on pro-forma NPAT excluding any impact of the adoption of AASB 16 *Leases*). This was partially reduced due to the equity issue undertaken in April and May 2020 to strengthen Bapcor's financial position. Excluding the equity issue, pro-forma EPS would have been approximately 31.31 cents, a reduction of 6.4% from FY19.

Pro-forma net debt at 30 June 2020 was $109.2M representing a leverage ratio of approximately 0.7X (pro-forma net debt[1] : last twelve months EBITDA annualised for new acquisitions). The level of debt represents a decrease of $226.1M compared to 30 June 2019 and reflects the equity raising performed during the financial year, positive cash generation through the ordinary course of business offset by the Truckline and Diesel Drive acquisitions and the deferred settlement paid on the Don Kyatt (Qld) light commercial truck group acquisition that was completed in December 2018.

FY20 was a year unlike any other – the impact of the bushfires and ongoing drought in Australia compounded with the COVID-19 government imposed restrictions in Australia, New Zealand and Thailand. Each of these events had a negative impact on the Bapcor business, as they did on the economy generally. However, despite these impacts Bapcor has delivered a strong result in FY20 and is in a very solid financial position to optimise opportunities that arise.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the year ended 30 June 2020 and the accompanying Directors' Report.

3. Dividends

	Amount per security Cents	Franked amount per security Cents
2019 Interim dividend	7.5	7.5
2019 Final dividend	9.5	9.5
2020 Interim dividend	8.0	8.0
2020 Final dividend (declared after balance date but not yet paid)	9.5	9.5

Record date for determining entitlements to the dividend:	31 August 2020
Date dividend payable:	11 September 2020

4. Dividend reinvestment plan

Bapcor operates a Dividend Reinvestment Plan ('DRP'), which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the Company. Given the strong financial position and level of gearing as at the end of 30 June 2020, the Bapcor Board has decided to, in accordance with the DRP rules, suspend the DRP for the 2020 final dividend.

5. Net tangible assets

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

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	63.0	(10.9)

[1] Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position which is consistent with banking covenant requirements. Refer to note 18 of the financial report for a reconciliation between statutory and pro-forma net debt.

6. Basis of preparation

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

7. Attachments

The Financial Report of Bapcor Limited for the year ended 30 June 2020 is attached.

Bapcor Limited

ABN 80 153 199 912

Financial Report - 30 June 2020

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 2020 (‘FY20’).

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

2. Principal activities

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

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

3. Significant changes in the state of affairs

FY20 was a year of unpredicted and unexpected events, including the Australian bushfires and drought as well as the international effect of the COVID-19 pandemic with enforced government lockdowns and restrictions on business. Bapcor, like most other businesses, was impacted negatively by these events. However the resilience of the business was once again shown, with the rapid recovery experienced once COVID-19 lockdowns were eased. When the epidemic was first affecting China, Bapcor took swift action to ensure our supply chain was not adversely affected. Also, when the pandemic started to affect Australia and New Zealand, management quickly took steps to ensure the safety of our team members, customers and suppliers. Discretionary expenditure was minimised as were capital investments. Expenditure was reduced in line with the reduction in sales.

In April 2020 Bapcor implemented a share placement and share purchase plan, raising $231.5M (net of costs), to underpin the financial strength of the business and ensure we were well placed during the impacts of the pandemic and to capitalise on opportunities that may arise. The equity issues were solidly supported by shareholders – with both being substantially oversubscribed.

Business efficiencies were reviewed in May 2020 across all businesses resulting in a reduction of approximately 5% of team members.

The group committed to a new Tullamarine Victoria Distribution Centre – which will be approximately 50,000m^2. The state of the art facility will include a highly automated storage system called “goods to person”. This facility is due to be completed by the second half of FY21. Following commissioning of the new facility, all Bapcor’s current Melbourne distribution centres will progressively be transitioned to the new facility, delivering significant increases in efficiency and reductions in duplicated inventory holdings.

Bapcor continues to invest in upgrading the technology it utilises. In FY20, a state of the art warehouse management system was implemented in one of the distribution centres and will be progressively rolled out into others. A significant upgrade in the central computer hardware systems was completed and a new “retail point of sale” system launched. Further investments in Bapcor’s digital platforms are underway.

On 2 December 2019, Bapcor acquired the business operations of Truckline and Diesel Drive which now form part of the Commercial Truck Parts group and improves the offering of both heavy and Japanese commercial truck spare parts. Throughout the year, Bapcor also acquired the smaller business operations of AFI, Brakeforce, Brookers, and RTS, as well as numerous retail franchised stores and set up new greenfield stores in most of its business segments.

Bapcor has also expanded its presence in Thailand and as at 30 June 2020 operates six automotive parts stores around Bangkok.

4. Dividends

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

26 September 2019	$26,931,000 (9.5 cents per share); $7,274,000 settled via DRP
13 March 2020	$22,763,000 (8.0 cents per share); $6,770,000 settled via DRP

The Board has declared a final dividend in respect of FY20 of 9.5 cents per share, fully franked. The final dividend will be paid on 11 September 2020 to shareholders registered on 31 August 2020.

The final dividend takes the total dividends declared in relation to FY20 to 17.5 cents per share, fully franked, representing an increase of dividends paid of 2.9% compared to the prior financial year. Dividends paid and declared in relation to FY20 represents 61.7% of pro-forma net profit after tax.

5. Review of operations

Statutory:
- Revenue increased by 12.8% from $1,296.6M to $1,462.7M
- Statutory earnings before interest, taxes, depreciation and amortisation ('EBITDA') increased by 26.4% to $211.2M
- Statutory net profit after tax ('NPAT') decreased by 18.4% to $79.2M
- Statutory earnings per share ('EPS') decreased by 21.6% to 26.97 cents per share

Pro-forma excluding the impact of adopting AASB 16 Leases:
- Revenue increased by 12.8% from $1,296.6M to $1,462.7M
- Pro-forma EBITDA decreased by 4.1% to $157.8M
- Pro-forma NPAT decreased by 5.5% to $89.1M
- Pro-forma EPS decreased by 9.2% to 30.36 cents per share

Pro-forma including the impact of adopting AASB 16 Leases:
- Revenue increased by 12.8% from $1,296.6M to $1,462.7M
- Pro-forma EBITDA increased by 31.9% to $217.1M
- Pro-forma NPAT decreased by 5.9% to $88.7M
- Pro-forma EPS decreased by 9.6% to 30.23 cents per share

Net debt:
- Pro-forma net debt[2] at 30 June 2020 was $109.2M representing a leverage ratio of approximately 0.7X (pro-forma net debt : last twelve months pro-forma EBITDA annualised for new acquisitions, noting that the annualised pro-forma EBITDA for the Truckline acquisition was $1.5M).

[2] Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position which is consistent with banking covenant requirements. Refer to note 18 of the financial report for a reconciliation between statutory and pro-forma net debt.

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

$'M	Note	Consolidated FY20	FY19
Statutory NPAT	1	**79.2**	**97.0**
Victorian DC Consolidation	2	11.6	-
Other activities	3	1.7	1.7
Other gains adjustment	4	-	(4.1)
Finance cost adjustment	5	-	0.3
Tax adjustment	6	(3.8)	(0.6)
Pro-forma NPAT inc. AASB 16		**88.7**	**94.3**
AASB 16 *Leases* adjustment	7	0.6	-
Tax adjustment	6	(0.2)	-
Pro-forma NPAT exc. AASB 16		**89.1**	**94.3**

$'M	Note	Consolidated FY20	FY19
Statutory net profit before tax ('NPBT')		**111.4**	**134.7**
Add back depreciation and amortisation	8	80.1	17.1
Add back finance costs		19.8	15.3
Statutory EBITDA		**211.2**	**167.0**
Victorian DC Consolidation	2	4.2	-
Other activities	3	1.7	1.7
Other gains adjustment	4	-	(4.1)
Pro-forma EBITDA inc. AASB 16		**217.1**	**164.6**
AASB 16 *Leases* adjustment	7	(59.3)	-
Pro-forma EBITDA exc. AASB 16		**157.8**	**164.6**

		Consolidated				
		FY20			FY19	
$'M	Note	Stat	Pro-forma inc. AASB 16	Pro-forma exc. AASB 16	Stat	Pro-forma
NPAT	1	**79.2**	**88.7**	**89.1**	**97.0**	**94.3**
Weighted average number of ordinary shares		293.6	293.6	293.6	281.9	281.9
Earnings per share (cps)		**26.97**	**30.23**	**30.36**	**34.40**	**33.45**

1 NPAT attributable to members of Bapcor Limited.
2 The Victorian DC Consolidation relates to the significant items incurred in relation to the new Tullamarine Victoria Distribution Centre and includes the recognition of provisions for restructure and make good as well as the accelerated depreciation of property, plant and equipment and right-of-use assets. Refer to note 17 of the financial report for further details.
3 The other activities in current and prior period relates to one off consulting costs incurred relating to acquisitions that did not proceed or are considered major acquisitions.
4 The prior period other gains adjustment relates to a one off gain realised on the Baxters acquisition final deferred settlement payment.
5 The prior period finance cost adjustment relates to the write off of borrowing costs performed due to refinancing activities.
6 The tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.
7 The current period AASB 16 *Leases* adjustment relates to the adoption of the standard effective 1 July 2019 for which comparatives have not been restated. Refer to note 3 of the financial report for further details.
8 Depreciation in the current period includes the right-of-use assets depreciation from the adoption of AASB 16 *Leases* of $58.5M.

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

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

	Revenue			Pro-forma EBITDA exc. AASB 16		
	FY20 $'M	FY19 $'M	Change %	FY20 $'M	FY19 $'M	Change %
Trade	561.7	524.5	7.1%	81.1	78.2	3.7%
Bapcor NZ	156.3	165.0	(5.2%)	19.6	22.9	(14.0%)
Specialist Wholesale	520.4	413.1	26.0%	50.3	46.3	8.7%
Retail	292.7	255.3	14.7%	30.5	27.1	12.8%
Unallocated / Head Office*	(68.4)	(61.3)	(11.4%)	(23.7)	(9.9)	(141.9%)
Total	**1,462.7**	**1,296.6**	**12.8%**	**157.8**	**164.6**	**(4.1%)**

* 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 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.

In FY20, Burson Trade was impacted by the Australian bushfires and drought as well as the COVID-19 restrictions, especially in April 2020, however it was still able to deliver record revenue and EBITDA. Compared to FY19, the Trade segment recorded revenue growth of 7.1% and EBITDA growth of 3.7%.

The increase in revenue of 7.1% included same store sales growth of 6% (compared to 2.2% in FY19). Burson did record negative same store sales in April 2020 of 11.4% - the major period that COVID-19 impacted this business. Trade's EBITDA to revenue percentage was 0.5 percentage points below FY19 reflecting the impact of lower gross margin as a result of pricing pressure due to market competition and the impact of a sales promotion to attract new business.

During FY20, Burson continued to expand its store network with the number of stores increasing from 181 at 30 June 2019 to 186 at 30 June 2020. The increase of five stores consisted of four greenfield store developments and one acquisition. The average cost per new greenfield store including inventory was $717,000.

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

The Precision Equipment business achieved record revenue of $39.4M, despite a fall in demand from new car dealerships, and continues to grow strongly.

During the year, inventory holdings decreased by $3.1M (excluding new stores) due to a focus on improving inventory efficiency during the second half of FY20.

5.2 Operating and financial review – Bapcor NZ

Bapcor NZ consists of Trade and Specialist Wholesale businesses based in New Zealand operating across 81 locations.

BNT is the predominant business with 73 stores supplying automotive parts and accessories to workshops, truck and trailer parts through the Truck and Trailer Parts brand. BNT is similar in nature to Bapcor's Burson Auto Parts business in Australia.

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

The COVID-19 pandemic had a large impact on Bapcor NZ, with the government required lockdowns heavily affecting trading ability in the second half of FY20. In FY20, revenue declined by 5.2% and EBITDA by 14% compared to FY19. EBITDA to revenue percentage was 1.3 percentage points below FY19.

Same store sales growth in FY20 for Bapcor NZ's largest business, BNT, declined by 9% largely reflecting the impact of the COVID-19 restrictions. Prior to the restrictions being put in place in March 2020, same store sales growth were flat. For the period of March to June 2020, same store sales were down by 26%. During FY20, BNT continued to expand its store network with the number of stores increasing from 70 at 30 June 2019 to 73 at 30 June 2020. The increase of three stores related to greenfield store developments. The average cost per new store including inventory was $483,000.

During the year, inventory holdings decreased by $4.8M (excluding new stores and adjusted for foreign currency) due to a focus on improving inventory quality and realignment to reduced demand as a response to the COVID-19 pandemic.

5.3 Operating and financial review – Specialist Wholesale

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

The Specialist Wholesale segment achieved revenue growth of 26.0% and EBITDA growth of 8.7% compared to FY19. FY20 included the full year impact of the acquisition of the Don Kyatt (Qld) light commercial truck group in December 2018. Excluding this and the Truckline and Diesel Drive acquisitions from FY20, revenue grew by 5.5% and EBITDA declined by 7.1%. These two recent acquisitions have exceeded expectations in the first seven months operating as part of the Bapcor Group.

Due to the significant increase in size of the Specialist Wholesale segment, Bapcor has increased the investment in people resources for management, finance, human resources and marketing.

EBITDA to revenue percentage declined 1.5 percentage points below FY19 as a result of the Truckline acquisition and the increased investment in people resources. The volume and product groups that the Specialist Wholesale segment supplies into other Bapcor group businesses grew by 16.6% on FY19.

During the year, inventory holdings increased by $0.7M (excluding acquisitions).

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 brands, and the Midas and ABS workshop service brands. The majority of this segment is franchised stores and workshops, although an increasing proportion of Autobarn stores are now company owned.

The Retail segment achieved record revenue and EBITDA for FY20. Revenue increased by 14.7% compared to FY19. Autobarn same store sales growth for company owned stores was 14.5% and for franchise stores was 6.6%. For the second half of FY20, Autobarn achieved same store sales of 20.7%, of which the April to June 2020 quarter delivered same store sales growth of 33%. Company owned store growth was higher than franchise store growth reflecting the maturing of previously opened greenfield stores as well as the performance improvement of franchise stores that were converted to company stores.

FY20 EBITDA to revenue percentage of 10.4% was 0.2 percentage points below FY19. EBITDA in FY20 was 12.8% higher compared to FY19, predominately reflecting the improvements in Autobarn company owned stores and increased sales through franchisees.

Bapcor has continued to grow the number of company owned Autobarn stores via both greenfield Autobarn stores as well as some select conversion of franchise stores to company owned stores. The total number of Autobarn stores at 30 June 2020 was 134 stores, the same number as at 30 June 2019. The number of company owned stores increased from 66 to 79, with the 13 new stores consisting of two greenfield stores and the conversion of eleven franchise operations. The percentage of company owned Autobarn stores at 30 June 2020 was 59%, up from 49% at 30 June 2019.

At 30 June 2020 the total number of company owned and franchise stores in the Retail segment was 350 consisting of Autobarn 134 stores, Autopro 80 stores, Sprint Auto Parts 34 stores and Midas and ABS 102 stores.

During the year, inventory holdings increased by $6.2M (excluding new stores) due to product range extensions and a policy of increasing stock holdings in the stores to support increased sales levels.

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 increased from $9.8M in FY19 to $23.7M in FY20 which was primarily due to increased investment in support functions such as human resources, legal, governance and IT as well as additional provisions that have been prudently taken in light of the COVID-19 pandemic for potential impacts to debtor collections and stock obsolescence.

Intercompany sales increased by 16.6% compared to FY19, reflecting a higher proportion of sourcing product internally and increasing the volume of “own brand” product.

The head office result includes the Thailand operations which recorded revenue of $4.2M and an EBITDA loss of $0.7M with Bapcor’s share of the Thailand business being 51%. During the year, inventory holdings for the Thailand based operations increased by $0.3M.

5.6 Financial Position - Capital Raising and Debt

In September 2019, Bapcor issued 1,054,992 shares to participating shareholders under its Dividend Reinvestment Plan, in respect of the FY19 final dividend. In March 2020, Bapcor issued 1,205,595 shares to participating shareholders under its Dividend Reinvestment Plan, in respect of the FY20 interim dividend.

During April and May 2020, Bapcor raised $236.1M of share capital in order to strengthen its balance sheet and increase funding flexibility through the issue of 40,909,091 shares under a placement to institutional investors, and the issue of 12,762,225 shares under a share purchase plan offer to existing shareholders.

As a result of the issues of shares described above, ordinary shares on issue increased from 283,480,597 as at 30 June 2019 to 339,412,500 as at 30 June 2020.

The adoption of AASB 16 *Leases* increases reportable net debt by the inclusion of $181.8M of lease liabilities as at 30 June 2020. Given this is excluded from a banking covenant perspective, pro-forma net debt has also been disclosed. Pro-forma net debt at 30 June 2020 was $109.2M representing a leverage ratio of approximately 0.7X (pro-forma net debt : last twelve months pro-forma EBITDA annualised for new acquisitions).

6. Strategy

Bapcor’s strategy is to be Asia Pacific’s leading provider of vehicle parts, accessories, equipment, service and solutions.

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 186 stores at the end of June 2020 to 230 stores with at least 35% home brand product content.

Bapcor NZ

Bapcor NZ’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 73 stores to over 85, as well as grow its electrical businesses organically and potentially through acquisition. Bapcor NZ also has a target to grow home brand content to more than 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 parts for light and heavy commercial vehicles.

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 2020 including 79 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 exceed 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 102 stores at 30 June 2020 of which 100 were franchised. Bapcor considers 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 six 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 two years of operations has achieved positive momentum.

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. Bapcor is investing in technology and new distribution facilities such as the new Distribution Centre at Tullamarine in Victoria to ensure it has a state of the art supply chain.

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 predominately driven by the number of kilometres travelled, with the number of kilometres travelled by passenger and light commercial vehicles not normally significantly impacted by economic conditions. Volatility in new vehicle sales does not directly impact demand as parts distributed by Bapcor are predominantly used to service vehicles that are aged four years or older. With the impact of COVID-19, demand for second hand vehicles has increased as people seek to ensure social distancing with reduced reliance on public transport, as well as the expected increase in domestic holidays utilising motor vehicles. All of these factors lead to more demand for vehicle servicing, replacement parts and maintenance.

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

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 online competition will have a material impact on Bapcor’s trade business over the next few years.

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 19 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 any impact to the Bapcor business within the next ten years as minimal.

8. Key business risks

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

Pandemic risk - As has been shown in the past six months, a pandemic which results in restrictions on doing business, will have an impact on Bapcor. Pandemic, as well as other risks such as bushfires are unpredictable by their very nature. Once such situations are evident Bapcor will move swiftly to minimise the impact on its revenue, profitability and cash.

Competition risk - The Australian, NZ and Thai automotive aftermarket parts and accessories distribution industries are 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, 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 continued 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 employees. 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 network, 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 staff 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 staff 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.

9. Likely development and expected results of operations

In July 2020, all of Bapcor's businesses performed strongly. Retail same store sales were c50% above the prior year, Burson Trade up c15%, New Zealand up c15% and Specialist Wholesale up c15%. Also, Thailand achieved record revenue.

In early August 2020, in relation to the COVID-19 pandemic, the Victorian Government mandated closures of many Melbourne based businesses for six weeks. This included the closure of all of Bapcor's Melbourne Retail stores, restrictions on all other businesses and a reduction of 30% of warehouse staffing. It is not yet possible to determine the financial impact of such restrictions. This has come at a time when there is strong performance in all of Bapcor's businesses across Australia, New Zealand and Thailand.

10. Information on directors

Name:	Andrew Harrison
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 Vend Limited and is 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:	85,389 ordinary shares

Name:	Darryl Abotomey
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 fourteen 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 (Repco). 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:	1,431,154 ordinary shares
Interests in rights:	581,448 performance rights

Name:	Therese Ryan
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:	40,256 ordinary shares

Name:	Margaret Haseltine
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 Bagtrans Pty. Ltd. (Chairman), Droppoint (Chairman) and Newcastle Permanent Building Society.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee Member of the Nomination and Remuneration Committee
Interests in shares:	39,849 ordinary shares

Name:	Jennifer Macdonald
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 Property Guru Pte. Ltd, Australian Pharmaceuticals Ltd and Redbubble Ltd.
Former directorships (last 3 years):	Redflow Ltd.
Special responsibilities:	Chair of the Audit and Risk Committee Member of the Nomination and Remuneration Committee
Interests in shares:	23,363 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

Previous Chief Financial Officer and Company Secretary

Gregory Lennox Fox (2 March 2012 – 2 July 2020)

Greg retired on 2 July 2020, after a successful eight years as Chief Financial Officer and Company Secretary. Greg joined Bapcor in 2012 with responsibility for finance, legal, company secretarial and played 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.

Current Chief Financial Officer and Company Secretary

Noel Meehan (2 July 2020 – present)

Noel joined Bapcor on 2 July 2020 as Chief Financial Officer and Company Secretary following a successful career as Chief Financial Officer at Toll Group, Chief Finance Officer at Treasury Wines Estates Limited, Executive Director Finance and other roles at Orica Limited and various positions at Qantas. Noel is a Fellow of the Australian Society of Certified Practising Accountants and a Member of the Australian Institute of Company Directors.

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 2020, 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	12	12	3	3	4	4
Darryl Abotomey*	12	12	-	-	-	-
Therese Ryan	12	12	3	3	4	4
Margaret Haseltine	11	12	3	3	3	4
Jennifer Macdonald	12	12	3	3	4	4

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), Andrew Harrison, Therese Ryan and Margaret Haseltine. 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.
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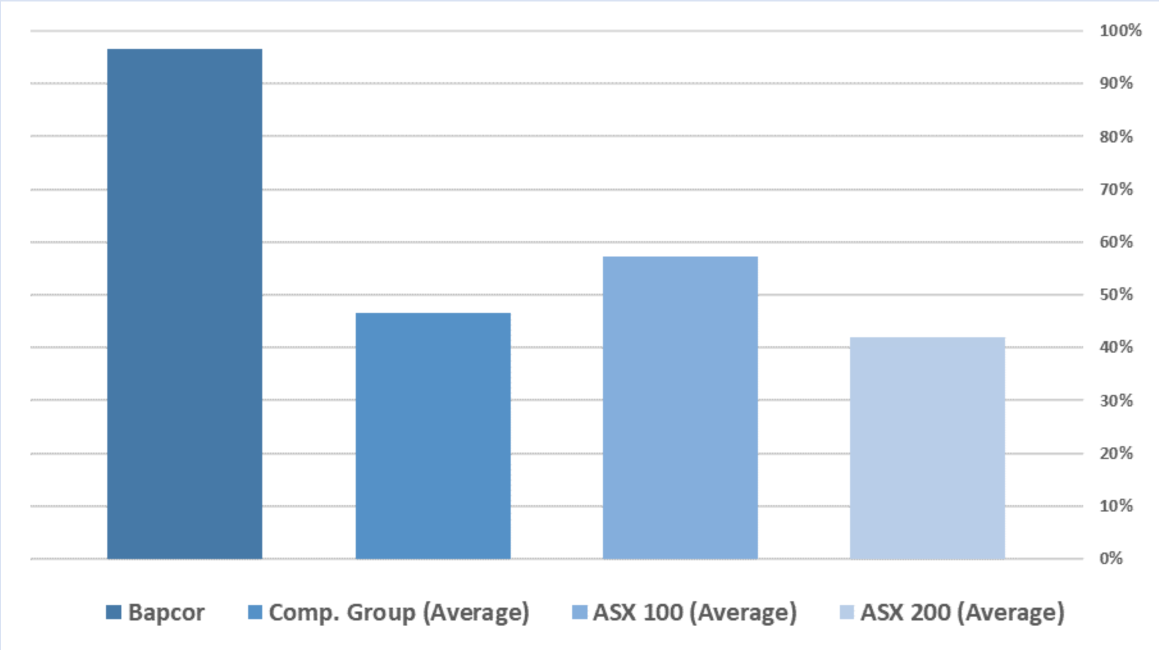
13. Remuneration report

The Bapcor Board is pleased to share with you our Remuneration Report for the financial year ended 30 June 2020.

Since listing on the Australian Securities Exchange ('ASX') in 2014, Bapcor, its executive and team members have consistently performed and delivered growth. This continued in FY20, even with the business being impacted by a number of unpredicted and unprecedented events including the ongoing drought in Australia and the bushfires across the Australian eastern seaboard during what is typically one of the busiest trading periods. The enormity of these events and their impact on the business was then surpassed by the COVID-19 global pandemic. COVID-19 initially disrupted much of our supply chain from China then having the most significant impact on Bapcor's businesses in Australia, New Zealand and Thailand with government imposed lockdowns, especially in New Zealand where the restrictions were the most severe requiring our business to effectively shut down with 48 hours' notice.

Despite the impact of the drought, bushfires and COVID-19 we consider that Bapcor and its executive leadership team has continued to perform strongly delivering a 12.8% increase in revenue to $1,463M and pro-forma net profit after tax ('NPAT') of $89.1M (excluding the impact of AASB 16[3]) which is a 5.5% reduction from the prior year. Statutory NPAT was $79.2M, which included expensing $11.7M of transition costs relating to the new consolidated DC being built at Tullamarine in Victoria.

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



Source: KPMG

[3] On 1 July 2019, Bapcor adopted AASB 16 *Leases* and as per the transition provisions the comparative periods have not been adjusted. The pro-forma results excluding AASB 16 *Leases* include an adjustment to remove the impact of this standard adoption allowing comparability with prior periods. Refer to details contained within the Directors' Report.

FY20 was a year unlike any other – the impact of the COVID-19 restrictions in Australia, New Zealand and Thailand, the bushfires in Australia and the ongoing drought across Australia. Each of these events had a negative impact on the Bapcor business, as they did on the economy generally.

However, in spite of the impact of these events Bapcor's businesses have performed incredibly strongly. The Burson Trade business achieved record revenue and record earnings, the Retail business delivered record sales and record earnings, and the new truck parts businesses have performed strongly. Bapcor has also invested in updating its digital capabilities with investments in computer infrastructure, implementing a tier one warehouse management system, and a new retail point of sale system as well as expansion of stores in Thailand and the development of a new mega distribution centre which is underway in Tullamarine, Victoria. This is in addition to the 43 new locations that were added to Bapcor's network during FY20 bringing the network to approximately 1,040 sites throughout Australia, New Zealand and Thailand.

When COVID-19 impacted China in January 2020 and had the potential to disrupt the group's supply chain, management moved swiftly to ensure availability of product. When COVID-19 impacted Australia and New Zealand, management acted quickly to ensure the safety of team members, customers and suppliers. Steps were taken to conserve cash by minimising discretionary expenditure, ceasing capital and expansion investment where sensible, reducing people resources in line with forecasted sales reduction and positioning the business for the duration of the government mandated restrictions. In addition the company's gearing was reviewed, with the decision to undertake a share placement and share purchase plan to underpin the company's financial strength. All these steps were put into place, at the same time as guiding the business through the challenges of operating an essential service of providing replacements vehicle parts to keep cars and trucks operating.

To be able to consistently deliver strong results and navigate through times of increasing economic uncertainty, it is essential that Bapcor attracts and retains a talented leadership team that can envision and deliver the strategy. The Board is very mindful that to attract and retain a talented and committed leadership team, executive key management personnel ('KMP') should be appropriately rewarded for their achievements as well as their skills and experience. Bapcor's approach to remuneration to ensure this includes:

Setting fixed remuneration that is appropriate and market competitive to attract, retain and motivate our talented team in a highly competitive market at a time when there is increasing economic uncertainty. In FY20 modest fixed remuneration increases were made to KMP. These increases were based on independent market remuneration benchmarking which, as in previous years, targeted the 50th percentile of the benchmark, with a range of plus or minus 20%.

Given the economic challenges and uncertainty created by COVD-19, all executive KMP and Directors voluntarily took a reduction in their base remuneration of up to 30% for two months in the latter part of FY20.

Providing incentives to propel outperformance is the purpose of the other elements of our remuneration approach. These are underpinned by targets, established each year after in-depth consideration by the Bapcor Board, that will deliver the strategy and provide shareholder growth.

The Short Term Incentive ('STI') plan is structured by the Board to reward our executive KMP for delivering on our growth strategy with aggressive targets for both financial and non-financial indicators. To realise an STI, executive KMP need to face into challenges and take measured risks that will benefit our investors in the short term and continue to build the foundations and capital investments for long term sustainability. Primarily, STI payments are awarded for achieving and exceeding the NPAT or earnings before interest and tax ('EBIT') targets as well as improvements in working capital levels. Normally, these financial targets are set at levels greater than prior year. The targets that were set for FY20 obviously did not take account of the unforeseen circumstances of COVID-19, the bushfires or the drought – all of which are beyond the control of management. Taking into consideration these unforeseen circumstances and reflecting the extraordinary achievements of the executive leadership team in the face of this, the Board has exercised its discretion in accordance with the rules of the STI plan and has revised the minimum threshold at which payment for achievement of these financial targets is made – noting that the targets themselves have not changed from those set at the beginning of FY20 which were set above the prior year and with consideration of market expectations at that time. In addition to financial targets, the STI includes non-financial targets for each executive KMP designed to drive key elements such as safety, people, long term strategy, compliance and governance. The Board also considered whether to defer FY20 STI payments and determined not to amend the normal payment process where only above target achievements are deferred for twelve months.

Bapcor has a variety of short term incentive plans across the business units, all aimed at driving solid results and to encourage engagement by all team members. The contribution of all team members during FY20 is acknowledged and appreciated, with a once off special “thank you” incentive of $300 to be given to full time permanent team members and $150 to part time permanent team members, by way of Bapcor gift cards.

Since Bapcor’s initial public offering (‘IPO’) in 2014, the Long Term Incentive (‘LTI’) has consistently measured relative shareholder return (‘TSR’) and statutory earnings per share (‘EPS’) growth. The view of the Board continues to be 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. As an incentive intended to drive long term shareholder value there have been no changes made or discretion applied to the LTI in FY20 despite the economic conditions. Once again, we believe our investors will be pleased with a compound annual statutory EPS growth rate over five years of 10.9% and that the executive team that achieves such strong and consistent results over the long term should be rewarded for its efforts. The Board also reports that 49.5% of the FY18 LTI plan allocated to the CEO and KMP’s vested.

As well as a capable and committed executive leadership team, Bapcor needs engaged, high calibre team members in every part of the Group to enact the strategy, accomplish financial targets and provide shareholder value. Ensuring all Bapcor team members are safe, engaged and able to realise their full potential remains, as it has always been, essential to the Group’s success. In FY20 the focus on team member engagement and development continued, at the heart of which was articulating and embedding Our Values. To establish the shared language for Our Values, Bapcor engaged more than 100 team members in cross-business unit workshops across Australia and New Zealand. This culminated in October 2019 when we launched Our Values of:

- *We give a damn…*
- *We are in it together…*
- *We get it done…*
- *We do the right thing…*

Our Values guide our decision making across the Group and are brought to life through being embedded in processes such as performance reviews. In the spirit of Our Values, safety has continued to be a priority across the Group with a range of improvements, programs and initiatives. A new Bapcor Work, Health and Safety (‘WHS’) Policy was launched in September 2019 to align the various policies from across the Group. The new WHS Policy is the cornerstone of the framework to lead and manage our approach to safety risks and is underpinned by a range of policies and safe operating procedures that form part of our Safety Management System. Pleasingly, the ongoing focus on keeping each other safe and well has seen a reduction of 9% in our twelve month rolling lost time injury frequency rate (‘LTIFR’) from 6.51 in June 2019 to 5.92 in June 2020. Part of our focus on safety also includes wellbeing and we were pleased to launch the Thrive Wellbeing Program in May 2020. Thrive provides training, tools, resources and information across four pillars of mental, physical, financial and social wellness. Our initial focus is on mental health and as a part of this, in addition to our existing Employee Assistance Program (EAP), we were pleased to provide all team members with on-line training and tools from the Black Dog Institute. After launching our Group-wide intranet, CORE, in December 2018 to connect and communicate with all team members regardless of their role, business or location, we continued to develop this throughout FY20 and were pleased to launch CORE Learning in May 2020 as our platform for on-line learning.

With the issues and uncertainty created by COVID-19, bushfires and drought, FY20 has been a year unlike any ever experienced by Bapcor. The Board is extremely pleased with the efforts, focus and determination of the executive team, and the Bapcor team more broadly, to achieve the financial and non-financial results that consistently improve returns to our shareholders and support all our stakeholders, even in the face of the unprecedented economic uncertainty.

As we move into FY21, the Board has approved a special short term incentive plan for achieving financial targets in the first quarter of the year. The purpose of this special incentive plan is to ensure a strong start to the new financial year especially in light of the uncertain and challenging circumstances around COVID-19 and the underlying economic conditions. This plan is in addition to the standard full year short term incentive plan. The full year FY21 STI targets have been set and are in line with current market expectations, however these will be reviewed at the end of the first quarter based on the prevailing market conditions.

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:

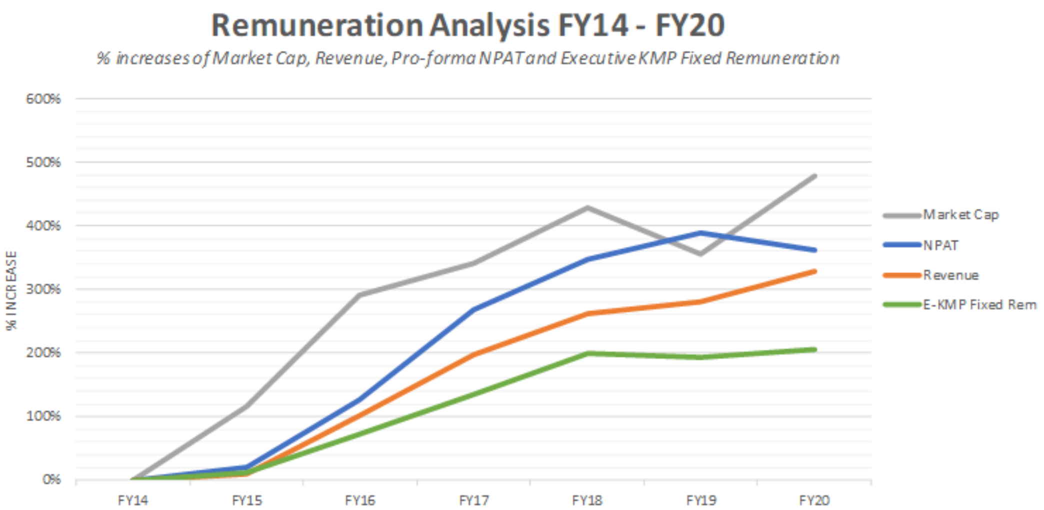
- 14.1 Overview
- 14.2 Remuneration governance
- 14.3 Remuneration framework
- 14.4 Key management personnel
- 14.5 Executive remuneration
- 14.6 Cash and realisable remuneration (non-statutory)
- 14.7 Statutory details of remuneration

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 six years

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



	FY14	FY15	FY16	FY17	FY18	FY19	FY20
E-KMP fixed $M	1.66	1.87	2.87	3.91	4.96	4.89	5.07
E-KMP roles at year end	5	6	7	9	9	9	9
Avg fixed $000's	333	312	410	435	551	543	564

14.1.2 Key Questions

Key Questions	Our Approach
How is FY20 executive remuneration different from FY19?	The approach to executive remuneration remains consistent with FY19. Modest adjustments were made to executive remuneration based on independent market benchmarks with executive remuneration remaining 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 changes in to executive remuneration during FY20 in response to COVID-19 and other events?	Yes. All executive KMP volunteered a remuneration reduction of up to 30% for two months in the latter part of FY20.
Were there any increases to non-executive directors in FY20?	Yes. Non-executive directors' base fees were increased by 3% at the beginning of FY20. The last time Directors base fees were increased was 1 July 2016. Committee fees have not been increased since 1 July 2016.
Were there any changes to executive remuneration in FY20?	Increases in executive remuneration were made in line with recommendations provided by the independent advisors – Godfreys. The CEO received a 3% increase in his fixed remuneration. Other KMP increases varied depending on the benchmarking. The target STI for KMP (excluding the CEO) was increased from 40% to 50% of Total Fixed Remuneration ('TFR') and the maximum increased from 70% to 75% of TFR. These changes were as recommended based on the benchmarking data provided by Godfreys.
Were there any changes to non-executive director fees during FY20 in response to COVID-19 and other events?	Yes. All non-executive directors volunteered a 30% base fee reduction for two months in the latter part of FY20.

Key Questions	Our Approach
How much STI was earned by the executives for FY20 and what were the reasons for the level of payment?	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. The aggregate of STI paid to the executive KMP for performance in FY20 was $2,220,926 which is 52.8% of the maximum that could have been paid. The Board's view is that executive KMP have performed extremely well in navigating the economic impacts of COVID-19, bushfires and drought and, as such, has exercised its discretion by reducing the threshold at which payment for STI financial targets are made to 75% of target from 95% of target. Incentives are based on various components of the company's financial performance including: • Revenue increase • Pro-forma EBIT • Group pro-forma NPAT • Working Capital to sales percentage • Inventory to sales percentage As no awards exceeded the target value, there has been no deferred components in FY20. 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.
Did the Board exercise discretion when determining the payments under the STI plan?	Yes. The Board exercised its discretion reducing the threshold at which payment for STI financial targets are made from 95% to 75% of the original target given the unexpected economic impacts of the COVID-19 pandemic in Australia, New Zealand and Thailand, and the bushfires and drought in Australia. In addition, the Chief Financial Officer, Greg Fox, was deemed to be a good leaver given his significant contribution to the growth and success of Bapcor and his FY20 STI payment will be made. Also, as in prior financial years, the STIs are structured to include personal objectives that contribute to the longer-term strategy and sustainability of the business and may be non-financial or not numeric in nature. As such, some judgement is required by the Board to assess the achievement of these personal objectives.
What were the FY20 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 FY20.

Key Questions	Our Approach
How did the Board establish the STI performance measures for FY20?	The Board has again determined that the focus of the executive team should be on growing NPAT for the CEO and CFO and Revenue and EBIT for all other executive KMP as well as targets for reducing working capital. Therefore 70% of the target STI award is tied to financial measures. Any above target STI awards are entirely based on the financial measures. Achievement of the non-financial measures aligns to the strategy and underpins the future growth and sustainability of the Company. NPAT target took into consideration analysts' consensus expectations at the start of the financial year. Refer to 14.5.2 for more details.
How did the Board determine the 75% threshold that was applied in FY20 for STI's?	The unexpected and unforeseen impact of the bushfires and the COVID-19 pandemic contributed to analysts' consensus forecasts of Bapcor's NPAT reducing to approximately 75% of their original forecasts for FY20. The Board considered that this was a reasonable proxy for market expectations, and based the threshold for STI's on this expectation. The Board did not amend the NPAT target for FY20 that was set at the beginning of the financial year.
Did Bapcor receive any government incentives or support during COVID-19 – e.g. Jobkeeper	In Australia no Bapcor business has received any subsidy such as Jobkeeper or benefit such as deferred payments of tax except for a Queensland payroll tax reimbursement. No benefits have been received in Thailand. In New Zealand Bapcor received a wage subsidy of $3.9M, of which 100% was paid to team members. In addition, Bapcor topped up the wages of New Zealand team members to pre-COVID levels although there was no obligation to do so. This ensured we retained our talented team allowing the New Zealand business to re-open swiftly once restrictions were lifted. During the twelve week period the subsidy was applicable to, Bapcor paid an additional $4.1M to team members. The subsidy did not contribute to NPAT. Bapcor NZ's revenue fell by up to 80% during the lockdown.
Is there provision for deferral of STI and what if any has been deferred?	Yes. Under the rules of the plan the component of the STI that is above target is deferred for twelve months. In FY20, there was no achievement above target and therefore no deferred amounts. There are also no deferred amounts from FY19 requiring payment in August 2020.
What LTI grants have vested in FY20? What was the basis for the vesting of those grants?	The three year tranche of the LTI granted to 9 executives on 4 December 2017 being 76.2% of the total number granted, was independently tested by a third party against the company's FY20 TSR and EPS performance. The extent to which they vested is as follows: *Relative TSR Rights:* Bapcor's TSR performance ranked at the 64.2% percentile of the comparator group. This resulted in 78.4% of TSR rights vesting. *Compound annual growth rate ('CAGR') of EPS*: Bapcor's CAGR of EPS was 7.6%. This resulted in 20.6% 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.

Key Questions	Our Approach
Did the Board exercise any discretion in the vesting of LTIs in FY20 given the economic impacts of COVID-19 and other events?	No. As a long-term plan designed to achieve long-term outcomes for investors and consistent with the approach since the IPO, the Board has not exercised any discretion or made any amendments to the vesting of LTIs. The Chief Financial Officer, Greg Fox, was deemed to be a good leaver given his significant contribution to the growth and success of Bapcor and will receive the LTI which vested in FY20.
What is the performance period for the LTIs?	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.
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.
Did the Board make any one-off payment to executive KMPs in FY20?	No. There were no one-off payments to executive KMPs in FY20.
Has the company made any loans to the executives in FY20?	No loans were provided to any executive KMP in FY20.
Are any STI's paid to other team members	Bapcor has a range of incentive plans to encourage and reward performance. These incentive plans apply to all levels of the organisation. In FY20 Bapcor will make a discretionary payment to acknowledge all eligible team members contribution during the challenging events in FY20.

14.2 Remuneration governance

Consultation with shareholders and other key stakeholders

Bapcor Board

- Overall accountability for Bapcor's remuneration approach
- Determines remuneration quantum and structure for executive and non-executive KMP after considering recommendations made by the NRC
- Has ultimate discretion in determining the outcomes of incentive arrangements to ensure anomalous outcomes do not arise. This discretion may be exercised for both positive and negative adjustments to incentive outcomes to ensure these outcomes reflect the experience of shareholders.
- Has discretion to exercise clawback provisions should any material financial misstatements arise.

Nomination and Remuneration Committee (NRC)

Meets regularly to:
- understand and review the effectiveness of the remuneration arrangements
- review the remuneration framework to ensure it remains fit for purpose
- make recommendations to the Board on the structure of the remuneration framework
- make recommendations to the Board regarding fixed remuneration, STI awards and outcomes, and LTI awards and outcomes
- has absolute discretion in recommending to the Board the outcomes of incentive arrangements to ensure anomalous outcomes do not arise. This discretion may be exercised for both positive and negative adjustments to incentive outcomes to ensure these outcomes reflect the experience of shareholders.
- assess executive KMP performance
- NRC's charter can be found at www.bapcor.com.au/about/governance.

External Advisors

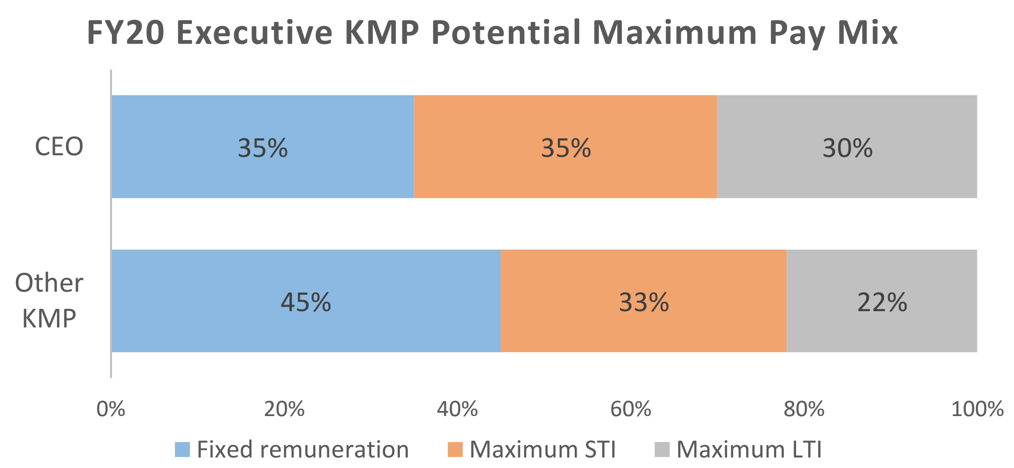
- NRC seeks external advice and assistance from independent remuneration consultants as it considers appropriate.
- Protocols are in place with the Board and NRC to ensure the engagement of remuneration advisors is independent of management and is able to be carried out free of any undue influence
- During FY20 the NRC engaged Godfrey Remuneration Group to provide benchmarking reports in respect of executive KMP remuneration and NED fees. This resulted in Godfrey Remuneration Group providing remuneration recommendations as defined in section 9B of the Corporations Act 2001 in respect of the quantum and mix of the executive KMP remuneration and in respect of the NED fees. Godfrey Remuneration Group was paid $35,000 excluding GST and disbursements for these services. Guerdon Associates provided during FY20 a review of the remuneration plans with a focus on the impact of COVID-19, and were paid $23,550 excluding GST and disbursements for their services.

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 all executive KMP. Revenue and working capital targets apply to all KMP. Personal objectives include safety, team, talent, strategic growth, governance and investor relations.	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 FY20 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 FY20 and their positions are those in the following table.

Name	Position
Non-executive Directors ('NED')	
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
Jennifer Macdonald	Chair Audit and Risk Committee Member Nomination and Remuneration Committee
Executive Director	
Darryl Abotomey	Managing Director and Chief Executive Officer
Executive KMP	
Greg Fox	Chief Financial Officer and Company Secretary (resigned 2 July 2020)*
Craig Magill	Executive General Manager, Burson Trade
Martin Storey	Executive General Manager, Bapcor NZ
Mathew Cooper	Executive General Manager, Specialist Wholesale – Mechanical
Steve Drummy	Executive General Manager, Specialist Wholesale – Engine Management
Tim Cockayne	Executive General Manager, Retail
Jeff Nicol	Chief Operating Officer (appointed 8 July 2019)
Alison Laing	Executive General Manager, Human Resources

* On Greg Fox's resignation, Noel Meehan was appointed Chief Financial Officer and Company Secretary and as such was not considered a KMP during FY20 but will be included from FY21.

14.5 FY20 executive remuneration

The following sections explain FY20 executive KMP remuneration:

- 14.5.1 Financial performance over the last six 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 six years

Bapcor's financial performance over the last six 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 six complete financial years since it listed on 23 April 2014. The table excludes the impact of AASB16 *Leases*.

	2015	2016	2017	2018	2019	2020
Revenue from continuing operations $m	375.3	685.6	1,013.6	1,236.7	1,296.6	1,462.7
Increase/(decrease) in revenue	*9.9%*	*82.7%*	*47.8%*	*22.0%*	*4.8%*	*12.8%*
Pro-forma NPAT from continuing operations $m[2,3]	23.1	43.6	65.8	86.5	94.3	89.1
Increase/(decrease) in pro-forma NPAT	*19.7%*	*88.7%*	*50.9%*	*31.6%*	*9.0%*	*(5.5%)*
Pro-forma EPS from continuing operations (cents)[1,3]	13.62	17.85	24.40	30.97	33.45	30.36
Increase/(decrease) in pro-forma EPS – TERP adjusted	*19.1%*	*31.0%*	*36.7%*	*26.9%*	*8.0%*	*(9.2%)*
Statutory NPAT $m[2]	19.5	43.6	64.0	94.7	97.0	79.2
Increase/(decrease) in statutory NPAT	*1,581.6%*	*123.4%*	*47.0%*	*47.8%*	*2.4%*	*(18.4%)*
Statutory EPS – TERP adjusted (cents)[1]	13.62	17.85	23.76	33.88	34.40	26.97
Increase/(decrease) in statutory EPS – TERP adjusted	*19.1%*	*31.0%*	*33.1%*	*42.6%*	*1.5%*	*(21.6%)*
Dividend declared (cents per share)	8.7	11.0	13.0	15.5	17.0	17.5
Increase/(decrease) in dividend declared	*n/a*	*26.4%*	*18.2%*	*19.2%*	*9.7%*	*2.9%*
Share price 30 June $	3.40	5.52	5.49	6.55	5.58	5.90
Increase/(decrease) in share price	*60.4%*	*62.4%*	*(0.5%)*	*19.3%*	*(14.8%)*	*5.7%*
Market capitalisation $m 30 June	746.9	1,357.1	1,529.7	1,835.6	1,581.8	2,002.5

1 Where appropriate, EPS has been adjusted to take into consideration the impact of rights issues performed and the impact on the number of shares as per AASB 133 *Earnings Per Share*
2 NPAT attributable to members of Bapcor Limited
3 Excludes the impact of AASB16 *Leases*

14.5.2 FY20 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. Given the economic impact of the COVID-19 pandemic and other events in FY20 such as bushfires and drought, the Board has exercised its discretion and reduced the threshold for payment of financial objectives from 95% to 75% of the target performance. This has been done to recognise the achievement and commitment of executive KMP in delivering results for all stakeholders during unprecedented conditions.

70% of the target STI opportunity of the executive KMP is contingent on meeting financial objectives of a combination of annual Revenue, NPAT, EBIT, working capital to sales percentage and inventory to sales percentage. The FY20 objectives set by the Board were at levels higher than the previous year's achievement.

The remaining 30% of target STI is subject to meeting other annual personal objectives which are non-financial measures.

The unexpected and unforeseen impact of the bushfires and the COVID-19 pandemic contributed to analysts' consensus forecasts of Bapcor's NPAT reducing to approximately 75% of their original forecasts for FY20. The Board considered that this was a reasonable proxy for market expectations, and based the threshold for STI's on this expectation. The Board did not amend the NPAT target for FY20 that was set at the beginning of the financial year – which took into consideration analysts' consensus at that time.

The Board considered whether the FY20 STI payments should be deferred in part or full however determined that as no KMP earned above the target incentive that they would not be deferred which is consistent with Bapcor's policy.

<table>
<tr><th>Type of performance measure and weighting at target</th><th>KMP Performance measure</th><th>FY20 performance</th></tr>
<tr><td>Financial

70%</td><td>CEO and CFO is Group Revenue, Group EBIT, Group NPAT and working capital to sales percentage.

Other Group executives is Revenue, Group EBIT and working capital to sales percentage.

Business segment executives is Revenue and EBIT of the business segment they lead and Group EBIT.

All KMP have targets for reducing working capital mainly measured through inventory to sales percentage.

The Group target was set higher than the FY19 actual result and was set in the context of the business strategy and growth objectives. The target took into consideration analysts’ consensus for Bapcor at that time.

<table><tr><th></th><th colspan="3">Percentage of FAR</th></tr><tr><th></th><th>CEO</th><th>CFO</th><th>Other KMP</th></tr><tr><td>Target</td><td>38.5%</td><td>35%</td><td>35%</td></tr><tr><td>Maximum</td><td>83.5%</td><td>60%</td><td>60%</td></tr></table></td><td>Pro-forma NPAT for FY20 was $89.1M, a 5.5% reduction over FY19.

Pro-forma EBIT of $138.7M was down by 6.0% compared to FY19.

EBIT by business segment varied as detailed in the financial report.

Group working capital to sales percentage reduced to 17.9% from 21.0% in the prior year.

Inventory to sales percentage was reduced in most of the business segments.</td></tr>
</table>

Personal (which may be non-financial) 30%	There are 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: • **Safety:** various objectives including the development and introduction of a new Work, Health and Safety Policy, including a safety management system to underpin the policy. The introduction of a safety risk registers in each business with action items and quarterly review of the progress on action items. A reduction in the LTIFR (actual was down on prior year by 9%). Introduction of a Wellbeing program, including an Employee Assistance Program. Implementation of improved and reliable safety metrics was a core focus and will be for the coming year. • **People:** with objectives requiring individual and team development, engagement strategies, talent management and succession planning, and training and development outcomes. A group wide intranet was also launched as a focal point for information to team members. A major target was the introduction of “Bapcor’s Values.” • **Customer engagement:** including objectives to measure and improve customer sentiment. Significant improvements were made as evidenced by independent customer surveys undertaken during the year. • **Strategic acquisitions:** with objectives requiring the identification of suitable businesses for acquisition, implementation of the business case and results regarding achieving the business case. A number of acquisitions were successfully completed during the year, with the major one being the acquisition of Truckline in December 2019. This strategic expansion positions Bapcor in the heavy commercial truck market and expands our core truck parts business so we now cover all forms of vehicles on road – the only business in Australia that covers all facets. The Truckline acquisition is already exceeding the targets set at time of acquisition. • **Organic growth:** for each business segment objectives are set to deliver organic growth and market share gains. The main measure of same store sales was exceeded in FY20 with Burson trade being over 6% for the year and Autobarn 9.5%. NZ was behind the prior year due to COVID-19 lockdowns. • **New stores:** the number of new stores required in business units to achieve growth targets. These targets were impacted in FY20 by COVID-19 with the targets not being achieved. • **Systems and processes:** with objectives focused on the long term sustainability of the company in areas such as information technology and logistics. In this area key targets were around implementation of a retail “point of sale” system to replace the 25 year old legacy system; upgrade of the central computing infrastructure to ensure reliability; achieve savings on telecommunications costs. • **Compliance, governance and risk management:** requiring processes and procedures to ensure achievement of compliance requirements and the identification and management of risk • **Major projects:** for the achievement of milestones, deliverables and benefits of major projects such as the Warehouse Management System (WMS) implementation into Nunawading warehouse and achieve efficiency gains as well as prove them system for the new Victorian central DC. The new Victorian DC at Tullamarine is our other significant project. It will feature a state of the art automated storage system and will consolidate over 10 warehouses into one highly efficient facility, resulting in significant reductions in operating costs and inventory holdings. This project needs to be delivered effectively, efficiently and to achieve the operation efficiency improvements.	A detailed explanation of the group’s achievements in the non-financial areas are contained in section 5 of the Directors’ Report.

The following table shows the actual STI outcomes for each of the executive KMP for FY20:

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 $	Deferred STI $
D Abotomey	55%	100.0%	45.2%	54.8%	593,070	-
G Fox	50%	75.0%	57.2%	42.8%	302,438	-
C Magill	50%	75.0%	64.9%	35.1%	280,025	-
M Storey	50%	75.0%	51.3%	48.7%	159,216	-
M Cooper	50%	75.0%	52.4%	47.6%	192,568	-
S Drummy	50%	75.0%	53.9%	46.1%	175,738	-
T Cockayne	50%	75.0%	58.9%	41.1%	198,902	-
J Nicol	50%	75.0%	53.1%	46.9%	163,207	-
A Laing	50%	75.0%	54.7%	45.3%	155,762	-
Total					**2,220,926**	**-**

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. Any deferred amount is payable to the executive after the release of the year ending 30 June 2021 financial results. In FY20 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 FY20 and prior years are as follows:

Administration	The LTI is administered by the Board.
Who participates?	In FY20 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 FY20 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 FY20, 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 FY20 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 FY20 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 FY20 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	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. The LTI contains other terms relating to the administration, variation, suspension and termination of the LTI.

In relation to FY20 an offer to participate was made to 9 of Bapcor's executive KMPs. These allocated Performance Rights have a performance period ending 30 June 2022 at which time the performance hurdles are tested. A summary of the terms are in the following table:

Grant date	6/09/2019		1/11/2019	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/07/2019 to 30/06/2022		1/07/2019 to 30/06/2022	
Test date	30/06/2022		30/06/2022	
Expiry date	16/09/2034		16/09/2034	
Quantity granted	177,794	177,794	104,780	104,780
Exercise price	Nil		Nil	
Fair value at grant date	$5.64	$5.64	$5.64	$5.64
Other conditions	Restriction on sale to 30/06/2023		Restriction on sale to 30/06/2023	
Share price on valuation date	$6.78		$7.04	
Volatility	25.52%		25.21%	
Dividend yield	2.51%		2.41%	
Risk free rate	0.83%		0.79%	

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 2019 and 30 June 2022 (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 FY20 LTI is set out below. The Comparator Group is taken from the ASX200 Consumer Discretionary index, excluding gambling and media. 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
APE	AP Eagers
ARB	ARB Corporation
BGP	Briscoe Group Australasia
BRG	Breville Group
CKF	Collins Foods
CTD	Corporate Travel Management
DMP	Domino's Pizza
FLT	Flight Centre Travel
GUD	GUD Holdings
HVN	Harvey Norman
IEL	IDP Education Limited
IVC	InvoCare
JBH	JB Hi-Fi
KGN	Kogan.com Ltd
KMD	Kathmandu Holdings
PMV	Premier Investments
RBD	Restaurant Brands New Zealand
SLK	SeaLink Travel Group
SUL	Super Retail Group
TPW	Temple & Webster Group
WEB	Webjet

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 FY19 actual statutory EPS of 34.4 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 FY20 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 FY20 the following Performance Rights were independently tested by third parties:

The LTI granted to 5 executives on 4 December 2017, was independently tested by a third party against the company's FY20 TSR and EPS performance. The extent to which they vested is as follows:

Relative TSR Rights: Bapcor's TSR performance ranked at the 64.2 percentile of the comparator group. This resulted in 78.4% of the tranche vesting.

Compound annual growth rate ('CAGR') of EPS: Bapcor's CAGR of EPS was 7.6%. This resulted in 20.6% of the tranche vesting.

The LTI granted to the CEO on 4 December 2017, was independently tested by a third party against the company's FY20 TSR and EPS performance. The extent to which they vested is as follows:

Relative TSR Rights: Bapcor's TSR performance ranked at the 64.2 percentile of the comparator group. This resulted in 78.4% of the tranche vesting.

CAGR of EPS: Bapcor's CAGR of EPS was 7.6%. This resulted in 20.6% 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 (non-statutory)

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 FY20 STI award that is not deferred and is paid in August 2020.

The table also includes the value of previous years' deferred STI and LTI awards that vested during FY20 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.

				Previous year awards that vested during FY20		
Executive KMP	Fixed remuneration[1] $	FY20 cash STI[2] $	Total cash in respect of FY20 $	Prior year deferred STI received[3] $	Vested and unrestricted LTI[4] $	Total received and realisable during FY20 $
D Abotomey	1,251,000	593,070	1,844,070	-	663,303	2,507,373
G Fox	671,000	302,438	973,438	-	449,753	1,423,191
C Magill	547,000	280,025	827,025	-	262,450	1,089,475
M Storey	393,000	159,216	552,216	-	-	552,216
M Cooper	467,000	192,568	659,568	-	249,891	909,459
S Drummy	421,000	175,738	596,738	-	-	596,738
T Cockayne	429,000	198,902	627,902	-	-	627,902
J Nicol	391,000	163,207	554,207	-	-	554,207
A Laing	362,000	155,762	517,762	-	-	517,762
Total	**4,932,000**	**2,220,926**	**7,152,926**	**-**	**1,625,397**	**8,778,323**

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. This includes the voluntary reductions taken by the KMP during the year.
2. FY20 cash STI is the amount accrued and payable in respect of FY20 STI opportunity. It is the cash amount to be paid in August 2020. 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.
3. There is no prior year deferred STI.
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 $6.27 per share.

14.7 Statutory details of remuneration

The statutory remuneration disclosures for the year ended 30 June 2020 are detailed below under the following headings and are prepared in accordance with Australian Accounting Standards (AASBs).

14.7.1 Remuneration of KMP
14.7.2 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

14.7.1 Remuneration of KMP

	Short term benefits[1]		Post employment benefits	Long term benefits	Share based payments		Percentage of remuneration fixed and at risk		
	Cash salary and fees[2]	Bonus[2]	Superannuation	Long service leave	Equity settled	Total	Fixed	At risk - STI	At risk - LTI
2020	$	$	$	$	$	$	%	%	%
NED									
A Harrison	249,013	-	21,003	-	-	270,016	100%	-	-
T Ryan	124,758	-	12,282	-	-	137,040	100%	-	-
M Haseltine	116,047	-	11,425	-	-	127,472	100%	-	-
J Macdonald	124,758	-	12,282	-	-	137,040	100%	-	-
Executive Director									
D Abotomey	1,239,306	593,070	25,000	20,638	955,810	2,833,824	45%	21%	34%
Other KMP									
G Fox	672,816	302,438	21,003	11,400	354,848	1,362,505	52%	22%	26%
C Magill	547,173	280,025	21,003	9,233	236,544	1,093,978	52%	26%	22%
M Storey	406,791	181,927	16,002	-	124,891	729,611	58%	25%	17%
M Cooper	450,984	192,568	21,003	7,816	197,858	870,229	55%	22%	23%
S Drummy	406,623	183,878	21,003	6,900	71,922	690,326	63%	27%	10%
T Cockayne	419,114	198,902	21,003	7,150	74,402	720,571	62%	28%	10%
J Nicol[3]	385,931	163,207	21,003	6,483	67,789	644,413	64%	25%	11%
A Laing	337,337	155,762	21,003	5,983	149,761	669,846	55%	23%	22%
Total	**5,480,651**	**2,251,777**	**245,015**	**75,603**	**2,233,825**	**10,286,871**			

1 There were no non-monetary benefits to KMP in FY20.
2 Cash salary and fees includes accrued annual leave. Bonus includes any prior year variance for accrual estimate versus actual cash paid. For two months KMP's voluntarily reduced their base salary and fees by up to 30% due to COVID-19.
3 J Nicol was appointed 8 July 2019.

	Short term benefits[1]		Post employment benefits	Long term benefits	Share based payments		Percentage of remuneration fixed and at risk		
	Cash salary and fees[2]	Bonus[2]	Superannuation	Long service leave	Equity settled	Total	Fixed	At risk - STI	At risk - LTI
2019	$	$	$	$	$	$	%	%	%
NED									
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[3]	106,072	-	9,764	-	-	115,836	100%	-	-
Executive Director									
D Abotomey	1,299,349	541,646	25,961	20,000	809,399	2,696,355	50%	20%	30%
Other KMP									
G Fox[4]	635,293	221,570	21,321	11,074	279,660	1,168,918	57%	19%	24%
C Magill	532,917	197,169	20,531	8,991	179,203	938,811	60%	21%	19%
C Daly[5]	87,895	(12,056)	18,217	-	-	94,056	113%	(13%)	-
M Storey[5]	279,177	95,689	8,838	-	40,705	424,409	67%	23%	10%
P Dumbrell[6]	129,267	(21,120)	6,844	2,413	-	117,404	118%	(18%)	-
M Cooper	453,236	161,265	15,793	7,491	151,913	789,698	61%	20%	19%
S Drummy[7]	147,409	31,158	10,736	2,335	-	191,638	84%	16%	-
P Tilley[7]	380,696	55,836	17,110	6,011	132,078	591,731	69%	9%	22%
T Cockayne[8]	78,621	-	3,422	1,216	-	83,259	100%	-	-
G Jarrett[9]	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%
Total	**5,330,352**	**1,469,758**	**239,213**	**70,831**	**1,750,794**	**8,860,948**			

1 There were no non-monetary benefits to KMP in FY19.
2 Cash salary and fees includes accrued annual leave. Bonus includes any prior year variance for accrual estimate versus actual cash paid. The bonus amounts of D Abotomey, G Fox, C Magill, P Dumbrell and M Cooper have been restated from prior year due to an error whereby deferred bonus amounts were included incorrectly as they had already been included in the 2018 financial year disclosures.
3 J Macdonald was appointed as an Independent, Non-Executive Director 1 September 2018.
4 G Fox took 3 weeks leave without pay during FY19.
5 C Daly resigned 14 September 2018 and was replaced by M Storey on 1 October 2018.
6 P Dumbrell resigned 23 October 2018 and took 2.3 weeks leave without pay during FY19.
7 S Drummy was appointed 22 February 2019.
8 P Tilley ceased as KMP on 29 April 2019 when T Cockayne was appointed.
9 G Jarrett ceased as KMP on 30 April 2019.

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:

Fixed annual remuneration was increased to $1,313,250 (inclusive of superannuation). This is adjusted annually. Fixed remuneration and incentives are based on independent advice from Godfrey Remuneration Group.

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.

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 75% 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 2019.

NED type	Board $	Nomination and Remuneration Committee $	Audit & Risk Committee $
Chairman	288,400	20,000	20,000
Member	113,300	10,000	10,000

All fee amounts are inclusive of compulsory superannuation obligations.

Fees paid to NEDs in FY20 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.

Note – for two months during FY20 NED's voluntary reduced their base remuneration by 30% due to COVID-19.

NED	Financial year	Board fees $	Committee fees $	Superannuation $	Total $
A Harrison	2020	249,013	-	21,003	270,016
	2019	272,268	-	20,531	292,799
M Haseltine	2020	98,636	17,411	11,425	127,472
	2019	100,720	18,313	11,279	130,312
T Ryan	2020	98,640	26,118	12,282	137,040
	2019	100,457	27,397	12,146	140,000
J Macdonald[1]	2020	98,640	26,118	12,282	137,040
	2019	83,342	22,730	9,764	115,836

1 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 36 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 $[1]	Quantity vested	Quantity forfeited/ lapsed	Quantity remaining	Vested %	Forfeited / lapsed %	Value expensed this year $[2]
D Abotomey	4/12/17	177,603	30/06/19	-	1,564,369	88,802	88,801	-	50%	50%	257,828
		201,002	30/06/20			-	-	201,002	-	-	
	29/10/18	170,886	30/06/21	-	863,829	-		170,886	0%	0%	287,943
	1/11/19	209,560	30/06/22	-	1,230,117	-	-	209,560	-	-	410,039
G Fox	20/12/16	24,605	30/06/18	-	307,393	24,172	433	-	98%	2%	-
		46,995	30/06/19			18,143	28,852	-	39%	61%	
	4/12/17	73,194	30/06/20	-	304,052	-	-	73,194	-	-	93,887
	26/09/18	61,206	30/06/21	-	363,258	-	-	61,206	-	-	121,086
	6/09/19	75,000	30/06/22	-	419,625	-	-	75,000	-	-	139,875
C Magill	20/12/16	14,206	30/06/18	-	177,485	13,957	249	-	98%	2%	-
		27,135	30/06/19			10,476	16,659	-	39%	61%	
	4/12/17	45,981	30/06/20	-	191,008	-	-	45,981	-	-	58,981
	26/09/18	41,698	30/06/21	-	247,478	-	-	41,698	-	-	82,493
	6/09/19	50,976	30/06/22	-	285,211	-	-	50,976	-	-	95,070
M Storey	26/09/18	27,610	30/06/21	-	163,865	-	-	27,610	-	-	54,622
	6/09/19	37,678	30/06/22	-	210,808	-	-	37,678	-	-	70,269
M Cooper	20/12/16	13,351	30/06/18	-	166,799	13,117	234	-	98%	2%	-
		25,501	30/06/19			9,845	15,656	-	39%	61%	
	4/12/17	39,412	30/06/20	-	163,719	-	-	39,412	-	-	50,554
	26/09/18	33,507	30/06/21	-	198,865	-	-	33,507	-	-	66,288
	6/09/19	43,440	30/06/22	-	243,047	-	-	43,440	-	-	81,016
A Laing	4/12/17	28,152	30/06/20	-	116,945	-	-	28,152	-	-	36,111
	26/09/18	25,689	30/06/21	-	152,465	-	-	25,689	-	-	50,822
	6/09/19	33,688	30/06/22	-	188,484	-	-	33,688	-	-	62,828

KMP	Grant date	Quantity granted	Vest date	Exercise price $	Value at grant date $[1]	Quantity vested	Quantity forfeited/ lapsed	Quantity remaining	Vested %	Forfeited / lapsed %	Value expensed this year $[2]
T Cockayne	6/09/19	39,894	30/06/22	-	223,207	-	-	39,894	-	-	74,402
S Drummy	6/09/19	38,564	30/06/22	-	215,766	-	-	38,564	-	-	71,922
J Nicol	6/09/19	36,348	30/06/22	-	203,367	-	-	36,348	-	-	67,789
Total		**1,642,881**			**8,201,162**	**178,512**	**150,884**	**1,313,485**			**2,233,825**

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 FY20.

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
2020							
Directors							
A Harrison	68,570	-	-	16,819	-	-	85,389
T Ryan	34,730	-	980	4,546	-	-	40,256
M Haseltine	32,125	-	905	6,819	-	-	39,849
J Macdonald	10,254	-	290	12,819	-	-	23,363
D Abotomey	1,641,323	88,802	-	6,819	(305,790)	-	1,431,154
Other KMP							
G Fox	390,553	18,143	-	6,819	(182,518)	-	232,997
C Magill	631,424	10,476	-	6,819	(200,000)	-	448,719
M Cooper	62,306	9,845	-	9,173	(53,806)	-	27,518
Total	**2,871,285**	**127,266**	**2,175**	**70,633**	**(742,114)**	**-**	**2,329,245**
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)	-
Total	**4,601,566**	**405,751**	**3,615**	**20,000**	**(200,000)**	**(1,959,647)**	**2,871,285**

14.7.6 Total shares under option or right to KMP

Date granted	Vest date	Expiry date	Exercise price of rights	Quantity
Performance rights plans				
4/12/17	30/06/20	n/a	$0.00	387,741
26/09/18	30/06/21	n/a	$0.00	189,710
29/10/18	30/06/21	n/a	$0.00	170,886
6/09/19	30/06/22	n/a	$0.00	355,588
1/11/19	30/06/22	n/a	$0.00	209,560
Total shares under option of right				**1,313,485**

14.7.7 Loans to executive KMP

No loans were made to executive KMP in FY20 and there are no outstanding loans to any KMP.

15. Matters subsequent to the end of the financial year

In early August 2020, in relation to the COVID-19 pandemic, the Victorian Government mandated closures of many Melbourne based businesses for six weeks. As discussed in section 9 of the Directors' Report, it is not yet possible to determine the financial impact of these restrictions. Any further government restrictions may also affect the operations and earnings of Bapcor, of which the impact cannot be determined at this time.

On 11 August 2020, Bapcor announced the appointment of two new Non-Executive Directors effective 1 September 2020, Mr James Todd and Mr Mark Powell.

Apart from these matters and the dividend declared as per section 4 of the Directors' Report, no other matter or circumstance has arisen since 30 June 2020 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 FY20 financial year, the company paid a premium of $400,000 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 37 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 37 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 43 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

Andrew Harrison	Darryl Abotomey
Chairman	Chief Executive Officer and Managing Director

19 August 2020
Melbourne

Auditor's Independence Declaration

As lead auditor for the audit of Bapcor Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
19 August 2020

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

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 19 August 2020. The directors have the power to amend and reissue the financial statements.

Bapcor Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue from continuing operations	5	1,462,747	1,296,582
Other income and gains	6	3,222	4,053
Expenses			
Cost of sales		(782,473)	(688,811)
Employee benefits expense		(321,565)	(276,491)
Freight		(21,762)	(19,632)
Advertising		(30,885)	(27,599)
Administration		(60,846)	(43,556)
Motor vehicles		(12,001)	(12,077)
IT & communications		(18,393)	(14,127)
Occupancy		(5,028)	(50,384)
Acquisition costs	7	(1,827)	(932)
Depreciation and amortisation expense	7	(80,052)	(17,100)
Finance costs	7	(19,765)	(15,267)
Profit before income tax expense		111,372	134,659
Income tax expense	8	(32,655)	(38,127)
Profit after income tax expense for the year		78,717	96,532
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		(4,640)	8,947
Changes in the fair value of cash flow hedges		(3,216)	(632)
Other comprehensive income for the year, net of tax		(7,856)	8,315
Total comprehensive income for the year		70,861	104,847
Profit for the year is attributable to:			
Non-controlling interest		(455)	(446)
Owners of Bapcor Limited	24	79,172	96,978
		78,717	96,532
Total comprehensive income for the year is attributable to:			
Non-controlling interest		159	(164)
Owners of Bapcor Limited		70,702	105,011
		70,861	104,847
		Cents	**Cents**
Basic earnings per share	27	26.97	34.40
Diluted earnings per share	27	26.85	34.27

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

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		126,300	47,610
Trade and other receivables	10	163,993	162,494
Inventories	11	363,049	326,147
Derivative financial instruments	20	131	897
Other assets	12	297	-
Total current assets		653,770	537,148
Non-current assets			
Trade and other receivables	10	-	48
Property, plant and equipment	14	75,179	60,745
Right-of-use assets	13	157,990	-
Intangibles	15	757,437	734,529
Deferred tax	8	34,710	18,424
Other assets	12	881	2,412
Total non-current assets		1,026,197	816,158
Total assets		1,679,967	1,353,306
Liabilities			
Current liabilities			
Trade and other payables	16	222,204	183,645
Lease liabilities	19	58,672	-
Derivative financial instruments	20	4,652	494
Income tax		2,030	2,856
Provisions	17	41,871	47,208
Total current liabilities		329,429	234,203
Non-current liabilities			
Borrowings	18	229,072	380,376
Lease liabilities	19	123,136	-
Derivative financial instruments	20	-	349
Provisions	17	16,271	16,191
Total non-current liabilities		368,479	396,916
Total liabilities		697,908	631,119
Net assets		982,059	722,187
Equity			
Issued capital	22	869,418	623,536
Reserves	23	1,397	7,308
Retained profits	24	109,432	89,110
Equity attributable to the owners of Bapcor Limited		980,247	719,954
Non-controlling interest	25	1,812	2,233
Total equity		982,059	722,187

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

Bapcor Limited
Consolidated statement of changes in equity
For the year ended 30 June 2020

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
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 22)	20,746	-	-	-	-	20,746
Share-based payments (note 23)	-	-	2,920	-	-	2,920
Treasury shares (note 22)	-	(3,666)	-	-	-	(3,666)
Dividends paid (note 26)	-	-	-	(45,006)	-	(45,006)
Balance at 30 June 2019	631,697	(8,161)	7,308	89,110	2,233	722,187

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained earnings $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2019	631,697	(8,161)	7,308	89,110	2,233	722,187
Adjustment for change in accounting policy (note 3)	-	-	-	(9,156)	-	(9,156)
Balance at 1 July 2019 - restated	631,697	(8,161)	7,308	79,954	2,233	713,031
Profit/(loss) after income tax expense for the year	-	-	-	79,172	(455)	78,717
Other comprehensive income for the year, net of tax	-	-	(7,890)	-	34	(7,856)
Total comprehensive income for the year	-	-	(7,890)	79,172	(421)	70,861
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 22)	246,955	-	-	-	-	246,955
Share-based payments (note 23)	-	-	1,979	-	-	1,979
Treasury shares (note 22)	-	(1,073)	-	-	-	(1,073)
Dividends paid (note 26)	-	-	-	(49,694)	-	(49,694)
Balance at 30 June 2020	878,652	(9,234)	1,397	109,432	1,812	982,059

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

Bapcor Limited
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,616,318	1,421,923
Payments to suppliers and employees (inclusive of GST)		(1,364,672)	(1,291,290)
Net cash converted		251,646	130,633
Payments for new store initial inventory purchases		(2,023)	(12,093)
Payments relating to restructuring activities		(449)	(1,041)
Borrowing costs		(11,607)	(14,487)
Transaction costs relating to acquisition of business		(1,827)	(932)
Income taxes paid		(35,487)	(36,439)
Net cash from operating activities	28	200,253	65,641
Cash flows from investing activities			
Payment for purchase of business, net of cash and cash equivalents	31	(55,697)	(43,731)
Payment for deferred settlements		(16,911)	(18,061)
Payments for property, plant and equipment	14	(30,528)	(21,667)
Payments for intangibles	15	(8,020)	(7,600)
Proceeds from disposal of property, plant and equipment		1,334	1,468
Proceeds from divestment of businesses, net of expenses		-	14,394
Net cash used in investing activities		(109,822)	(75,197)
Cash flows from financing activities			
Proceeds from issue of shares	22	236,147	-
Share issue transaction costs	22	(4,623)	-
Purchase of treasury shares	22	(1,073)	(3,666)
Net proceeds/(repayments) from borrowings		(152,200)	54,100
Dividends paid	26	(35,650)	(33,410)
Repayment of lease liabilities		(54,552)	-
Borrowing transaction costs		-	(1,545)
Net cash from/(used in) financing activities		(11,951)	15,479
Net increase in cash and cash equivalents		78,480	5,923
Cash and cash equivalents at the beginning of the financial year		47,610	40,154
Effects of exchange rate changes on cash and cash equivalents		210	1,533
Cash and cash equivalents at the end of the financial year		126,300	47,610

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

Basis of preparation

Group performance

Assets and liabilities

Capital structure, financing and risk management

Group structure

Other

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. Refer to note 3 for details of the adoption of AASB 16 *Leases*.

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 ('IFRS') as issued by the International Accounting Standards Board ('IASB').

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

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

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 2020 and the results of all subsidiaries for the year then ended. Bapcor Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

Note 1. Significant accounting policies (continued)

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

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

Foreign currency translation

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

Transactions and balances
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

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

Current and non-current classification

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

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

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

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

Impairment of assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 1. Significant accounting policies (continued)

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

Goods and Services Tax ('GST') and other similar taxes

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

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

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

Rounding of amounts

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

Note 2. Critical accounting judgements, estimates and assumptions

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

- Note 10 - Trade and other receivables
- Note 11 - Inventories
- Note 14 - Property, plant and equipment
- Note 15 - Intangibles
- Note 17 - Provisions
- Note 19 - Lease liabilities
- Note 31 - Business combinations
- Note 36 - Share-based payments

Note 3. Adoption of AASB 16 *Leases*

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

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

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

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

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

In applying AASB 16 *Leases* for the first time, the consolidated entity has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of the initial application;
- the accounting for operating leases for low value leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

Note 3. Adoption of AASB 16 Leases (continued)

The change in accounting policy affected the following items in the balance sheet on 1 July 2019 (a positive number reflects an increase):

	Changes in Consolidated 1 July 2019 $'000
Assets	
Property, plant and equipment (note 14)	(691)
Deferred tax assets (note 8)	47,204
Right-of-use assets (note 13)	145,064
Total assets	191,577
Liabilities	
Trade and other payables	(862)
Provisions (note 17)	(1,349)
Deferred tax liabilities (note 8)	43,295
Lease liabilities	159,649
Total liabilities	200,733
Equity	
Retained earnings (note 24)	(9,156)

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

	Consolidated 1 July 2019 $'000
Properties	142,250
Motor vehicles	2,814
	145,064

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

	Consolidated 1 July2019 $'000
Operating lease commitments as at 1 July 2019 (note 38)	138,967
Add: adjustments as a result of a different treatment of options included	31,293
Less: discounting impact	(18,532)
Add: adjustments for changes in underlying lease composition	7,921
Lease liability on adoption	159,649
Of which are:	
Current lease liabilities	53,013
Non-current lease liabilities	106,636
	159,649

Note 3. Adoption of AASB 16 Leases (continued)

Segment EBITDA, assets and liabilities for June 2020 all changed as a result of the change in accounting policy. The following table shows the impact of the adoption (a positive number reflects an increase to the financial measure):

Changes in Consolidated – 30 Jun 2020	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail $'000	Unallocated / Head Office $'000	Total $'000
EBITDA	15,565	7,258	12,639	23,794	-	59,255
Intersegment EBITDA						-
Depreciation and amortisation						53,458
Finance costs						6,324
Acquisition costs						-
Profit before income tax expense						(527)
Income tax expense						(154)
Profit after income tax expense						(373)
Assets						
Segment assets	40,256	25,670	28,410	68,744	5,890	168,970
Total assets						168,970
Liabilities						
Segment liabilities	45,901	26,808	30,778	78,321	-	181,808
Total liabilities						181,808

Earnings per share for the 30 June 2020 financial year decreased by 0.13 cents per share as a result of the adoption of AASB 16 *Leases*.

COVID-19-related rent concessions

The consolidated entity has elected to apply AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions* which provides a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. This has been applied to all rent concessions that meet the requirements of the practical expedient and has been quantified as a benefit of $1.5M in the FY20 financial year.

Note 4. Segment information

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

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

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

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

Note 4. Segment information (continued)

Operating segment information

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

Consolidated - 2020	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	561,651	156,317	520,359	292,685	4,185	1,535,197
Total segment revenue	561,651	156,317	520,359	292,685	4,185	1,535,197
Intersegment sales						(72,450)
Total revenue						1,462,747
EBITDA	96,678	26,903	62,694	57,647	(29,804)	214,118
Intersegment EBITDA						(1,102)
Depreciation and amortisation						(80,052)
Finance costs						(19,765)
Acquisition costs						(1,827)
Profit before income tax expense						111,372
Income tax expense						(32,655)
Profit after income tax expense						78,717
Assets						
Segment assets	336,050	268,829	557,039	378,845	139,204	1,679,967
Total assets						1,679,967
Liabilities						
Segment liabilities	147,398	63,358	118,598	133,801	234,753	697,908
Total liabilities						697,908

Note 4. Segment information (continued)

Consolidated - 2019	Trade $'000	Bapcor NZ $'000	Specialist Wholesale $'000	Retail $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
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)
Total revenue						1,296,582
EBITDA	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)
Profit before income tax expense						134,659
Income tax expense						(38,127)
Profit after income tax expense						96,532
Assets						
Segment assets	306,765	244,890	461,586	299,144	40,921	1,353,306
Total assets						1,353,306
Liabilities						
Segment liabilities	101,946	39,954	70,161	48,145	370,913	631,119
Total liabilities						631,119

Geographical information

	Geographical non-current assets 2020 $'000	Geographical non-current assets 2019 $'000
Australia	800,310	626,801
New Zealand	189,908	169,858
Other	1,269	1,075
	991,487	797,734

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

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 5. Revenue

	Consolidated 2020 $'000	2019 $'000
Revenue from contracts with customers		
Sales revenue	1,462,747	1,296,582
Total revenue	1,462,747	1,296,582

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

	Consolidated 2020 $'000	2019 $'000
Geographical regions		
Australia	1,374,695	1,192,903
New Zealand	156,317	164,965
Thailand	4,185	860
Intersegment sales	(72,450)	(62,146)
	1,462,747	1,296,582
Timing of revenue recognition[4]		
Goods transferred at a point in time	1,506,734	1,330,637
Services transferred over time	28,463	28,091
Intersegment sales	(72,450)	(62,146)
	1,462,747	1,296,582

Significant accounting policies

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

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

Rendering of services - franchise and service fees
Revenue from services are recognised over time as the services are rendered in line with the customer contract terms.

[4] The prior year split for timing of revenue recognition has been restated to reflect current disclosure methodology and allow comparability.

Note 6. Other income and gains

	Consolidated 2020 $'000	Consolidated 2019 $'000
Gain on settlement of deferred consideration	-	4,053
Rental income	3,222	-
Other income and gains	3,222	4,053

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

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

Note 7. Expenses

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment	10,818	9,356
Motor vehicles	5,126	4,331
Properties right-of-use assets	57,116	-
Motor vehicles right-of-use assets	1,431	-
Amortisation	3,640	2,946
Make good provision	1,921	467
	80,052	17,100
Acquisition and divestment costs		
Professional consultant costs	766	824
Other transaction costs	1,061	108
	1,827	932
Finance costs		
Interest and finance charges paid/payable	13,441	15,009
Interest and finance charges paid/payable on lease liabilities	6,324	-
Borrowing cost write offs due to refinancing process	-	258
	19,765	15,267
Leases		
Minimum lease payments	-	42,208
Short-term and low value lease payments	220	-
	220	42,208
Superannuation expense		
Defined contribution superannuation expense	20,502	18,065

Note 8. Income tax

	Consolidated 2020 $'000	Consolidated 2019 $'000
Income tax expense		
Current tax on profits for the year	36,685	38,930
Deferred tax expense	(2,929)	(299)
Adjustment recognised for prior periods	(1,101)	(504)
Income tax expense	32,655	38,127
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(6,045)	200
Increase/(decrease) in deferred tax liabilities	3,116	(499)
Deferred tax expense	(2,929)	(299)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	111,372	134,659
Tax at the statutory tax rate of 30%	33,412	40,398
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition costs	548	280
Gain on deferred settlement	-	(1,216)
Adjustment recognised for prior periods	(1,101)	(504)
Difference in overseas tax rates	(347)	(421)
Other	143	(410)
Income tax expense	32,655	38,127

Note 8. Income tax (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	1,155	1,954
Employee benefits	12,765	11,714
Trade and other receivables	3,144	1,985
Inventory	18,584	15,084
Lease liabilities	53,908	-
Other	10,974	8,708
	100,530	39,445
Amounts recognised in equity:		
Transaction costs on share issue	1,366	830
Cash flow hedge	1,351	191
Share-based payment	1,425	1,665
	4,142	2,686
Deferred tax asset	104,672	42,131
Set off deferred tax liabilities pursuant to set-off provisions	(69,962)	(23,707)
Net deferred tax asset	34,710	18,424
Movements:		
Opening balance	42,131	41,936
Credited/(charged) to profit or loss	6,045	(200)
Credited/(charged) to equity	536	(471)
Additions through business combinations (note 31)	7,836	2,590
Charged to other comprehensive income	920	866
Derecognised on divestment	-	(943)
Adjustment for change in accounting policy (note 3)	47,204	-
Other	-	(1,647)
Closing balance	104,672	42,131

Note 8. Income tax (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer contracts	5,206	5,642
Trademarks	17,514	17,565
Right-of-use assets	47,242	-
Other	-	344
	69,962	23,551
Amounts recognised in equity:		
Cash flow hedge	-	156
Deferred tax liability	69,962	23,707
Set off deferred tax liabilities pursuant to set-off provisions	(69,962)	(23,707)
Net deferred tax liability	-	-
Movements:		
Opening balance	23,707	24,181
Charged/(credited) to profit or loss	3,116	(499)
Charged/(credited) to equity	(156)	25
Adjustment on change in accounting policy (note 3)	43,295	-
Closing balance	69,962	23,707

Significant accounting policies

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

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

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

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

The carrying amount of recognised and unrecognised deferred tax assets 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.

Note 8. Income tax (continued)

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 9. Discontinued operations

Description
The discontinued operations in the prior financial period relate to the sale of the TRS business unit of the Bapcor NZ segment that occurred 3 July 2018. Given the timing of the disposal, there was no profit or loss or cash flow contribution to the consolidated entity in the prior financial period.

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2020 $'000	2019 $'000
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
Trade and other payables	-	1,497
Income tax	-	709
Provisions	-	451
Total liabilities	-	2,657
Net assets	-	17,783

Details of the disposal

	Consolidated	
	2020 $'000	2019 $'000
Net cash sale consideration, net of divestment costs paid	-	18,238
Carrying amount of net assets disposed	-	(17,783)
Derecognition of equity reserves	-	(455)
Gain on disposal before income tax	-	-
Gain on disposal after income tax	-	-

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 coordinated 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 10. Trade and other receivables

	Consolidated 2020 $'000	2019 $'000
Current assets		
Trade receivables	147,925	143,352
Less: Allowance for credit notes	(1,623)	(1,325)
Less: Allowance for expected credit losses (trade receivables)	(8,522)	(5,560)
	137,780	136,467
Customer loans	562	933
Less: Allowance for expected credit losses (customer loans)	(562)	(605)
	-	328
Other receivables	17,436	18,268
Prepayments	8,777	7,431
	26,213	25,699
	163,993	162,494
Non-current assets		
Customer loans	-	118
Less: Allowance for expected credit losses	-	(70)
	-	48
	163,993	162,542

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 $9,084,000 (2018: $6,235,000). This includes specifically identified provisions of $7,562,000 (2019: $5,471,000) and an estimated credit loss provision of $1,522,000 (2019: $764,000). The increase is due to the current level of economic uncertainty in light of the COVID-19 pandemic.

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, $343,000 (2019: $633,000) are non-interest bearing. $219,000 (2019: $418,000) of loans have a weighted average annual interest rate of 10.5% (2019: 9.8%).

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

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

	Consolidated 2020 $'000	2019 $'000
Current and not due	98,709	75,952
31 - 60 days	32,246	43,386
61 - 90 days	5,202	10,619
91+ days	1,623	6,886
	137,780	136,843

Note 10. Trade and other receivables (continued)

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Opening balance	6,235	6,918
Net additional provisions recognised	3,882	158
Additions through business combinations	1,080	576
Amounts utilised for debt write-off	(2,102)	(1,360)
Foreign currency translation	(11)	(20)
Derecognised on divestment	-	(37)
Closing balance	9,084	6,235

Bapcor recognised a loss of $3,882,000 (2019: $158,000) 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 11. Inventories

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current assets		
Stock in transit - at cost	23,863	14,341
Stock on hand - at cost	395,039	355,453
Less: Provision for slow moving inventory	(55,853)	(43,647)
	339,186	311,806
	363,049	326,147

Total stock on hand and in transit has increased by $49.1M since 30 June 2019, of which new greenfield stores, business acquisitions, absorption costing and foreign currency translation account for $49.7M. The remaining ($0.6M) decrease 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 2020 $'000	Consolidated 2019 $'000
Opening balance	(43,647)	(46,839)
Additional provisions recognised against profit	(4,857)	(580)
Additions through business combinations	(9,333)	(3,505)
Inventory written off against provision	1,844	4,155
Foreign currency translation	140	236
Derecognised on divestment	-	2,886
Closing balance	(55,853)	(43,647)

The additional provisions recognised against profit has increased compared to prior financial year due to the current level of economic uncertainty in light of the COVID-19 pandemic.

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.

Note 12. Other assets

	Consolidated 2020 $'000	2019 $'000
Current assets		
Employee loans	297	-
Non-current assets		
Make good asset	881	1,170
Employee loans	-	1,242
	881	2,412
	1,178	2,412

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. There are no loans outstanding to key management personnel as at 30 June 2020.

Note 13. Right-of-use assets

	Consolidated 2020 $'000	2019 $'000
Non-current assets		
Properties - right-of-use	210,573	-
Less: Accumulated depreciation	(55,055)	-
	155,518	-
Motor vehicles - right-of-use	3,786	-
Less: Accumulated depreciation	(1,314)	-
	2,472	-
	157,990	-

Note 13. Right-of-use assets (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	Property $'000	Motor vehicles $'000	Total $'000
Balance at 30 June 2019	-	-	-
Adjustment for change in accounting policy (note 3)	142,250	2,814	145,064
Restated balance at 1 July 2019	142,250	2,814	145,064
Additions	24,731	557	25,288
Additions through business combinations (note 31)	16,150	1,042	17,192
Disposals	(2,945)	(13)	(2,958)
Remeasurement	32,982	(474)	32,508
Exchange differences	(534)	(23)	(557)
Depreciation expense	(52,027)	(1,431)	(53,458)
Accelerated depreciation expense*	(5,089)	-	(5,089)
Balance at 30 June 2020	155,518	2,472	157,990

* Accelerated depreciation relates to the Victorian DC Consolidation project and is based on the estimated exit dates of each site. Refer to note 17 for more information.

Significant accounting policies

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

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

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

Note 14. Property, plant and equipment

	Consolidated 2020 $'000	Consolidated 2019 $'000
Non-current assets		
Plant and equipment - at cost	99,960	76,415
Less: Accumulated depreciation	(45,114)	(35,065)
	54,846	41,350
Motor vehicles - at cost	36,963	34,093
Less: Accumulated depreciation	(16,630)	(14,698)
	20,333	19,395
	75,179	60,745

The amount of work in progress included in plant and equipment is $11,663,000 (2019: $3,586,000) and relates to projects that are not yet completed and therefore are not being depreciated.

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 2018	34,795	17,795	52,590
Additions	14,902	6,765	21,667
Additions through business combinations	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
Adjustment for change in accounting policy (note 3)	-	(691)	(691)
Restated balance at 1 July 2019	41,350	18,704	60,054
Additions	22,621	7,907	30,528
Additions through business combinations (note 31)	1,204	130	1,334
Disposals	(436)	(824)	(1,260)
Transfers in/(out)	988	(419)	569
Foreign currency translation	(63)	(39)	(102)
Accelerated depreciation expense*	(983)	-	(983)
Depreciation expense	(9,835)	(5,126)	(14,961)
Balance at 30 June 2020	54,846	20,333	75,179

* Accelerated depreciation relates to the Victorian DC Consolidation project and is based on the estimated exit dates of each site. Refer to note 17 for more information.

Note 14. 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 15. Intangibles

	Consolidated	
	2020 $'000	2019 $'000
Non-current assets		
Goodwill	665,712	646,442
Trademarks	59,069	59,194
Customer contracts	25,872	25,606
Less: Accumulated amortisation	(8,450)	(6,688)
	17,422	18,918
Software	24,150	17,010
Less: Accumulated amortisation	(8,916)	(7,035)
	15,234	9,975
	757,437	734,529

The amount of work in progress included in software is $12,679,000 (2019: $6,457,000) and relates to projects that are not yet completed and therefore are not being amortised.

Note 15. 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 2018	594,118	58,979	20,560	4,079	677,736
Additions	-	-	92	7,508	7,600
Additions through business combinations	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
Additions	-	-	267	7,753	8,020
Additions through business combinations (note 31)	23,113	-	-	-	23,113
Disposals	(179)	-	-	(23)	(202)
Foreign currency translation	(3,664)	(125)	-	(25)	(3,814)
Transfers in/(out)	-	-	-	(569)	(569)
Amortisation expense	-	-	(1,763)	(1,877)	(3,640)
Balance at 30 June 2020	665,712	59,069	17,422	15,234	757,437

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

Cash flow projections were based on management forecast expectations based on the FY21 budget and the latest 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. A weighted average scenario approach was used for the cash flows in order to account for further uncertainty introduced by the unexpected COVID-19 pandemic.

The following key assumptions were used in testing for impairment:

- Pre-tax discount rate: 12.66% (2019: 12.71%[5]) which reduced due to the inclusion of the lease liabilities into the gearing calculation from the adoption of AASB 16 *Leases*
- Terminal value growth rate beyond 5 years: 1.80% (2019: 1.80%)
- Forecast year on year revenue and EBITDA margin growth ranges as follows:

CGU	Revenue growth	EBITDA margin growth
Trade	2.1% - 2.8%	0.1 - 0.4 percentage points
Bapcor NZ*	4.5% - 12.2%	0.3 - 2.3 percentage points
Specialist Wholesale*	1.8% - 8.0%	0 - 0.9 percentage points
Retail	1.7% - 3.7%	(0.2) – (0.1) percentage points

*   First year growth is reflective of a comparison to the base year of FY20, which was impacted by COVID-19.

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

Note 15. Intangibles (continued)

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, Autopro brand and ABS 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 2020 by $1.6M. This decreased from $5.1M at 31 December 2019 due to a higher asset base.

Financial metric	+ 5% change	- 5 % change
Discount rate	Impairment of $15.1M	Increase headroom to $20.6M
Revenue growth (average)	Increase headroom to $5.7M	Impairment of $2.5M
EBITDA margin (average)	Increase headroom to $17.5M	Impairment of $14.3M
Terminal growth rate	Increase headroom to $3.7M	Impairment of $0.5M

Autopro brand

The recoverable amount of the Autopro brand is estimated to approximate its carrying amount at 30 June 2020. This has not changed since previously reported.

Financial metric	+ 5% change	- 5 % change
Discount rate	Impairment of $0.3M	Increase headroom by $0.4M
Revenue growth (average)	No material change	Impairment of $0.1M
Terminal growth rate	No material change	No material change

ABS 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 $0.2M	No material change
Revenue growth (average)	No material change	Impairment of $0.1M
Terminal growth rate	No material change	No material change

There have been no further indicators of impairment after the impairment testing date of 31 March 2020 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	
	2020 $'000	2019 $'000
Goodwill:		
Trade	111,274	110,762
Bapcor NZ	149,857	158,339
Specialist Wholesale	268,348	243,438
Retail	136,233	133,903
	665,712	646,442

Note 15. Intangibles (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Other intangible assets:		
Bapcor NZ	5,448	5,569
Specialist Wholesale	20,804	20,903
Retail	50,172	51,554
Unallocated	67	86
	76,491	78,112

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 2 and 5 years. Large scale projects are individually assessed as part of the approval process and determination of finite life may exceed this range.

Note 15. Intangibles (continued)

Critical accounting judgements, estimates and assumptions

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

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

Note 16. Trade and other payables

	Consolidated	
	2020 $'000	2019 $'000
Current liabilities		
Trade payables	171,478	142,444
Accrued expenses	50,726	41,201
	222,204	183,645

Refer to note 29 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.

Note 17. Provisions

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current liabilities		
Employee benefits	34,896	29,464
Deferred settlements	969	16,946
Make good provision	2,017	-
Onerous lease provision	-	798
Restructuring provision	3,989	-
	41,871	47,208
Non-current liabilities		
Employee benefits	3,306	4,065
Deferred settlements	1,500	2,434
Make good provision	11,465	9,141
Onerous lease provision	-	551
	16,271	16,191
	58,142	63,399

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

As at 30 June 2020, the following deferred settlements are provided for:

- Toperformance; currently provided at nil (2019: $500,000)
- Tricor; currently provided at nil (2019: $477,000)
- AADi; currently provided at $969,000 (2019: $1,903,000)
- Commercial Truck Parts group of entities; currently provided at $1,500,000 (2019: $16,500,000)

During the previous 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 was presented in the statement of comprehensive income as 'other gains'.

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

During FY20 an incremental $1.4M was provided for the locations involved in the Victorian DC Consolidation project. Refer to 'Restructuring provision' below for further information.

Onerous lease provision
In the previous year, this provision represented the present value of the estimated costs, net of any sub-lease revenue that would be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

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

Note 17. Provisions (continued)

Restructuring provision
On the 10th February 2020, Bapcor approved a new state of the art 50,000m^2 distribution centre to be built at Tullamarine in Victoria to consolidate its Melbourne warehouses. Construction of the facility is underway and includes state of the art goods to person technology with completion expected during FY21.

This provision represents the estimated termination costs relating to the potential closure of a number of sites for this project.

As well as the $4.0M restructuring provision, other items recognised within the FY20 financial year relating to this project include:

- $1.0M accelerated depreciation relating to property, plant and equipment (refer to note 14),
- $5.1M accelerated depreciation relating to the property right-of-use assets (refer to note 13), and
- $1.4M make good provision (refer to 'Make good provision' above).
- $0.2M of consultant and legal fees

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

Consolidated - 2020	Deferred settlements $'000	Make good $'000	Onerous lease $'000	Restructure $'000
Carrying amount at the start of the year	19,380	9,141	1,349	-
Adjustment for change in accounting policy (note 3)	-	-	(1,349)	-
Restated balance at 1 July 2019	19,380	9,141	-	-
Additional provisions recognised	74	1,694	-	3,989
Additions through business combinations (note 31)	-	3,277	-	-
Amounts used	(16,985)	(593)	-	-
Foreign currency translation	-	(37)	-	-
Carrying amount at the end of the year	2,469	13,482	-	3,989

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 2020 $'000	Consolidated 2019 $'000
Employee benefits obligation expected to be settled after twelve months	5,982	6,158

Note 17. Provisions (continued)

Significant accounting policies

Provisions

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

Short-term employee benefits

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

Long-term employee benefits

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

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 18. Borrowings

	Consolidated	
	2020	2019
	$'000	$'000
Non-current liabilities		
Secured bank loans	230,982	382,960
Less: unamortised transaction costs capitalised	(1,910)	(2,584)
	229,072	380,376

Refer to note 29 for further information on financial risk management.

Note 18. Borrowings (continued)

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

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

The facility is secured by way of a fixed and floating charge over Bapcor's assets. There were no changes to the debt covenants with the net leverage ratio required to be less than 3.0X and the fixed cover charge ratio required to be greater than 1.75X.

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

	Consolidated	
	2020 $'000	**2019 $'000**
Total facilities		
Bank loans including overdraft*	517,500	517,500
Used at the reporting date		
Bank loans including overdraft*	230,982	382,960
Unused at the reporting date		
Bank loans including overdraft*	286,518	134,540

* Total facilities available at 30 June was $520M (2019: $520M). The amount used in the above table excludes $2.5M (2019: $2.5M) of facility which relates to bank guarantees under the working capital tranche.

Net debt reconciliations

	Consolidated	
	2020 $'000	**2019 $'000**
Cash and cash equivalents	126,300	47,610
Lease liabilities	(181,808)	-
Borrowings excluding unamortised transaction costs capitalised	(230,982)	(382,960)
Statutory net debt	(286,490)	(335,350)
Add: Lease liabilities	181,808	-
Add/(less): Net derivative financial instruments	(4,521)	54
Pro-forma net debt as per debt facility agreement[6]	(109,203)	(335,296)

[6] During the second half of FY20 it was agreed with the facility lenders to exclude the cash adjustment relating to non-controlling interest. Hence, the FY19 pro-forma net debt has been restated from $336.3M to $335.3M due to this change in methodology.

Note 18. Borrowings (continued)

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

Consolidated	Cash $'000	Lease liabilities $'000	Borrowings $'000	Total $'000
Balance at 30 June 2018	40,154	-	(328,391)	(368,545)
Cash flows	5,923	-	(54,100)	(48,177)
Foreign currency translation	1,533	-	(469)	1,064
Balance at 30 June 2019	47,610	-	(382,960)	(335,350)
Adjustment for change in accounting policy (note 3)	-	(159,649)	-	(159,649)
Restated balance at 1 July 2019	47,610	(159,649)	(382,960)	(494,999)
Cash flows	78,481	(2,791)	152,200	227,890
Additions through business combinations (note 31)	-	(19,368)	-	(19,368)
Foreign currency translation	209	-	(222)	(13)
Balance at 30 June 2020	126,300	(181,808)	(230,982)	(286,490)

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 19. Lease liabilities

	Consolidated 2020 $'000	2019 $'000
Current liabilities		
Lease liability - Properties	57,149	-
Lease liability - Motor vehicles	1,523	-
	58,672	-
Non-current liabilities		
Lease liability - Property	122,173	-
Lease liability - Motor vehicles	963	-
	123,136	-
	181,808	-

Refer to note 29 for further information on financial risk management.

Note 19. Lease liabilities (continued)

Significant accounting policies

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

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

Critical accounting judgements, estimates and assumptions

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

Note 20. Derivative financial instruments

	Consolidated	
	2020 $'000	2019 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	131	897
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	(4,576)	(459)
Interest rate swap contracts - cash flow hedges	(76)	(35)
	(4,652)	(494)
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	-	(349)
	(4,521)	54

Refer to note 29 for further information on financial risk management.

Refer to note 21 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.

Note 20. Derivative financial instruments (continued)

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 21. Fair value measurement

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

Consolidated - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	131	-	131
Total assets	-	131	-	131
Liabilities				
Derivative financial instruments	-	4,652	-	4,652
Deferred settlements	-	-	2,469	2,469
Total liabilities	-	4,652	2,469	7,121

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

There were no transfers between levels during the financial year.

Note 21. Fair value measurement (continued)

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.

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 22. Issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares	339,412,500	283,480,597	878,652	631,697
Treasury shares	-	-	(9,234)	(8,161)
	339,412,500	283,480,597	869,418	623,536

Note 22. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2018	280,244,752	610,951
Issue for Dividend Reinvestment Plan	27 September 2018	830,414	6,039
Issue on acquisition	4 December 2018	1,396,952	9,150
Issue for Dividend Reinvestment Plan	12 April 2019	1,008,479	5,557
Balance	30 June 2019	283,480,597	631,697
Issue for Dividend Reinvestment Plan	26 September 2019	1,054,992	7,274
Issue for Dividend Reinvestment Plan	13 March 2020	1,205,595	6,770
Issue from Capital Raising - Institutional Placement	22 April 2020	40,909,091	180,000
Issue from Capital Raising - Retail Placement	25 May 2020	12,762,225	56,147
Share issue transactions costs	April - June 2020	-	(4,623)
Deferred tax credit recognised directly in equity	April - June 2020	-	1,387
Balance	30 June 2020	339,412,500	878,652

During April and May 2020, Bapcor raised $236.1M of share capital to strengthen its balance sheet and increase funding flexibility through the issue of 40,909,091 shares under a placement to institutional investors, and the issue of 12,762,225 shares under a share purchase plan offer to existing shareholders. The total cost of this capital raising was $4,623,000 which was recognised as a reduction to the proceeds in equity.

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 2018	-	(4,495)
Return of employee shares	1 July 2018	(800)	-
Purchase of treasury shares	12-13 September 2018	(490,201)	(3,666)
Utilisation of treasury shares for LTI	14 September 2018	491,001	-
Balance	30 June 2019	-	(8,161)
Purchase of treasury shares	9-12 September 2019	(154,875)	(1,073)
Utilisation of treasury shares for LTI	17 September 2019	154,875	-
Balance	30 June 2020	-	(9,234)

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 $6.94 (2019: $7.48) per share.

Significant accounting policies

Ordinary shares are classified as equity.

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

Note 23. Reserves

	Consolidated 2020 $'000	Consolidated 2019 $'000
Foreign currency reserve	(6,140)	(1,466)
Cash flow hedge reserve	(3,181)	35
Share-based payments reserve	10,718	8,739
	1,397	7,308

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

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

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

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

Consolidated	Foreign currency reserve $'000	Cash flow hedge reserve $'000	Share-based payments reserve $'000	Total $'000
Balance at 1 July 2018	(10,131)	667	5,819	(3,645)
Revaluation	-	(685)	-	(685)
Deferred tax	-	201	1,068	1,269
Share-based payment expense	-	-	1,852	1,852
Foreign currency translation	7,714	8	-	7,722
Cancellation on divestment	951	(156)	-	795
Balance at 30 June 2019	(1,466)	35	8,739	7,308
Revaluation	-	(4,543)	-	(4,543)
Deferred tax	-	1,327	(240)	1,087
Share-based payment expense	-	-	2,219	2,219
Foreign currency translation	(4,674)	-	-	(4,674)
Balance at 30 June 2020	(6,140)	(3,181)	10,718	1,397

Note 24. Retained profits

	Consolidated 2020 $'000	Consolidated 2019 $'000
Retained profits at the beginning of the financial year	89,110	37,138
Adjustment for change in accounting policy (note 3)	(9,156)	-
Retained profits at the beginning of the financial year - restated	79,954	37,138
Profit after income tax expense for the year	79,172	96,978
Dividends paid (note 26)	(49,694)	(45,006)
Retained profits at the end of the financial year	109,432	89,110

Note 25. Non-controlling interest

	Consolidated 2020 $'000	Consolidated 2019 $'000
Investment in Car Bits Asia, Thailand		
Opening balance	2,233	2,397
Non-controlling interest loss for the financial year	(455)	(446)
Foreign currency revaluation	34	282
Closing balance	1,812	2,233

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.

Note 26. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Final dividend for the year ended 30 June 2019 (2019: 30 June 2018) of 9.5 cents (2019: 8.5 cents) per ordinary share *	26,931	23,821
Interim dividend for the year ended 30 June 2020 (2019: 30 June 2019) of 8.0 cents (2019: 7.5 cents) per ordinary share **	22,763	21,185
	49,694	45,006

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

** $6,770,000 (2019: $5,557,000) of the interim dividend for the year ended 30 June 2020 (2019: 30 June 2019) was settled under the Dividend Reinvestment Plan.

Note 26. Dividends (continued)

The Board has declared a final dividend in respect of FY20 of 9.5 cents per share, fully franked. The final dividend will be paid on 11 September 2020 to shareholders registered on 31 August 2020.

The final dividend takes the total dividends declared in relation to FY20 to 17.5 cents per share, fully franked, representing an increase of dividends paid of 2.9% compared to the prior financial year. Dividends paid and declared in relation to FY20 represents 61.7% of pro-forma net profit after tax.

Franking credits

	Consolidated 2020 $'000	Consolidated 2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	90,797	80,460

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 27. Earnings per share

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit after income tax	78,717	96,532
Non-controlling interest	455	446
Profit after income tax attributable to the owners of Bapcor Limited	79,172	96,978
	Cents	**Cents**
Basic earnings per share	26.97	34.40
Diluted earnings per share	26.85	34.27
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	293,608,644	281,885,783
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,291,262	1,113,893
Weighted average number of ordinary shares used in calculating diluted earnings per share	294,899,906	282,999,676

Note 27. Earnings per share (continued)

Significant accounting policies

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Bapcor Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2020 $'000	2019 $'000
Profit after income tax expense for the year	78,717	96,532
Adjustments for:		
Depreciation and amortisation	80,052	17,100
Net gain on disposal of property, plant and equipment	(50)	(104)
Unwinding of the discount on deferred settlements	134	86
Amortisation of capitalised borrowing costs	670	604
Write off of capitalised borrowing costs	-	258
Non-cash share-based payment expense	2,219	1,852
Finance lease interest unwind	6,324	-
Other gain	-	(4,053)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	3,605	(6,892)
Increase in inventories	(10,574)	(32,856)
Decrease/(increase) in other operating assets	1,234	(2,201)
Increase/(decrease) in trade and other payables	33,732	(7,015)
Increase/(decrease) in provision for income tax	(1,190)	1,122
Increase in other operating liabilities	5,380	1,208
Net cash from operating activities	200,253	65,641

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.

Note 29. 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	
	2020 $'000	**2019 $'000**
Financial assets		
Cash and cash equivalents	126,300	47,610
Trade and other receivables*	155,216	155,111
Derivative financial instruments	131	897
Total financial assets	281,647	203,618
Financial liabilities		
Trade and other payables	222,204	183,645
Derivative financial instruments	4,652	843
Deferred settlements	2,469	19,380
Borrowings **	230,982	382,960
Lease liabilities	181,808	-
Total financial liabilities	642,115	586,828

* 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.

Note 29. Financial risk management (continued)

Consolidated - 2020	% change	AUD strengthened Effect on profit before tax $'000	Effect on equity $'000	% change	AUD weakened Effect on profit before tax $'000	Effect on equity $'000
Derivative financial instruments	1%	-	666	(1%)	-	(681)
Other financial assets	1%	(500)	-	(1%)	510	-
Other financial liabilities	1%	567	-	(1%)	(579)	-
		67	666		(69)	(681)

Consolidated - 2019	% change	AUD strengthened Effect on profit before tax $'000	Effect on equity $'000	% change	AUD weakened Effect on profit before tax $'000	Effect on equity $'000
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)

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:

Consolidated	2020 Weighted average interest rate %	2020 Balance $'000	2019 Weighted average interest rate %	2019 Balance $'000
Borrowings (principal)	2.56%	230,982	3.47%	382,960
Less: amounts covered by interest rate swaps	2.54%	(20,000)	2.44%	(40,000)
Net exposure to cash flow interest rate risk		210,982		342,960

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 $590,000 (2019: $1,329,000).

The amount recognised in other comprehensive income net of tax in relation to interest rate swaps was $104,000 (2019: ($32,000)).

Note 29. 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 note 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	
	2020	**2019**
	$'000	**$'000**
Bank loans including overdraft*	286,518	134,540

* The unused facility value excludes any facility that relates to bank guarantees. Refer to note 18 for further information.

Note 29. Financial risk management (continued)

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

Consolidated - 2020	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Trade and other payables	222,204	-	-	-	222,204
Borrowings *	8,345	120,327	32,507	103,770	264,949
Deferred consideration	1,000	1,500	-	-	2,500
Lease liabilities	59,490	49,317	68,110	17,419	194,336
Total non-derivatives	291,039	171,144	100,617	121,189	683,989
Derivatives					
Interest rate swaps	76	-	-	-	76
Forward foreign exchange contracts	4,576	-	-	-	4,576
Total derivatives	4,652	-	-	-	4,652

Consolidated - 2019	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Trade and other payables	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
Derivatives					
Interest rate swaps	35	349	-	-	384
Forward foreign exchange contracts	459	-	-	-	459
Total derivatives	494	349	-	-	843

* Borrowings contractual cash flows includes an interest component based on the drawn/undrawn ratio and interest rate applicable as at reporting date until maturity of the loan facility

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

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

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

Note 29. Financial risk management (continued)

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)

Note 30. Related party transactions

Parent entity
Bapcor Limited is the parent entity. Refer to note 33 for supplementary information about the parent entity including internal dividends received.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 35 and the remuneration report included in the directors' report.

Note 31. Business combinations

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

- Autobarn Albury
- Autobarn Bayswater
- Autobarn Browns Plains
- Autobarn Capalaba
- Autobarn Coffs Harbour
- Autobarn Dural
- Autobarn Preston
- Autobarn Shepparton
- Autobarn Tweed Heads
- Autobarn Wagga Wagga
- Autobarn Warriewood
- Autopro Emerald
- Australian Fuel Injection South
- Brakeforce
- Brookers
- Diesel Drive
- Opposite Lock Adelaide
- Regional Transport Spares
- Truckline

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

Note 31. Business combinations (continued)

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

	Truckline Fair value $'000	Diesel Drive Fair value $'000	Other acquisitions Fair value $'000	Total $'000
Cash and cash equivalents	18	-	7	25
Trade and other receivables	11,679	1,392	331	13,402
Inventories	22,513	4,769	3,904	31,186
Plant and equipment	837	63	304	1,204
Motor vehicles	-	115	15	130
Right-of-use assets	9,360	839	6,993	17,192
Deferred tax asset	4,023	900	2,913	7,836
Trade and other payables	(9,247)	(462)	(1,905)	(11,614)
Provisions	(2,683)	(225)	(842)	(3,750)
Lease liability	(11,536)	(839)	(6,993)	(19,368)
Net assets acquired	24,964	6,552	4,727	36,243
Goodwill	4,414	12,207	6,492	23,113
Acquisition-date fair value of the total consideration transferred	29,378	18,759	11,219	59,356
Representing:				
Cash paid	29,378	18,758	7,586	55,722
Debt forgiven	-	1	3,633	3,634
	29,378	18,759	11,219	59,356
Cash used to acquire business, net of cash acquired:				
Cash consideration	29,378	18,758	7,586	55,722
Less: cash and cash equivalents	(18)	-	(7)	(25)
Net cash used	29,360	18,758	7,579	55,697

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

The Diesel Drive acquisition contributed revenue of $7,260,000 and net profit after tax of $924,000 to the consolidated group since acquisition on 2 December 2019. Based on historical management results that have not been reviewed or audited and excluding any transitional impacts, the contribution to revenue and net profit after tax if the Diesel Drive acquisition had occurred on 1 July 2019 is estimated to have been $13,007,000 and $1,799,000 respectively.

The Truckline acquisition contributed revenue of $57,367,000 and net profit after tax of $1,880,000 to the consolidated group since acquisition on 2 December 2019. Based on historical management results that have not been reviewed or audited and excluding any transitional impacts, the contribution to revenue and net profit after tax if the Truckline acquisition had occurred on 1 July 2019 is estimated to have been $101,159,000 and $3,186,000 respectively.

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

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

Note 31. Business combinations (continued)

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 32. 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 Corporations Instrument 2016/785 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.

Statement of comprehensive income	**2020 $'000**	**2019 $'000**
Revenue	1,242,725	1,101,430
Expenses	(1,159,734)	(994,221)
Profit before income tax expense	82,991	107,209
Income tax expense	(24,493)	(30,486)
Profit after income tax expense	58,498	76,723
Other comprehensive income for the year, net of tax	(7,890)	7,921
Total comprehensive income for the year	50,608	84,644

Equity - retained profits	**2020 $'000**	**2019 $'000**
Retained profits at the beginning of the financial year	41,404	9,687
Profit after income tax expense	58,498	76,723
Dividends paid	(49,694)	(45,006)
Retained profits at the end of the financial year	50,208	41,404

Note 32. Deed of cross guarantee (continued)

Statement of financial position	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	103,714	31,647
Trade and other receivables	134,479	133,414
Inventories	303,065	269,893
Derivative financial instruments	89	801
Other	297	-
	541,644	435,755
Non-current assets		
Trade and other receivables	-	48
Property, plant and equipment	64,804	54,430
Right-of-use assets	129,627	-
Intangibles	536,510	511,005
Deferred tax	31,988	15,403
Other assets	881	2,412
Intercompany[7]	17,631	13,138
Investments	451,859	427,035
	1,233,300	1,023,471
Total assets	1,774,944	1,459,226
Current liabilities		
Trade and other payables	195,487	154,850
Lease liabilities	50,046	-
Derivative financial instruments	4,341	249
Income tax	1,569	1,988
Provisions	38,669	44,162
	290,112	201,249
Non-current liabilities		
Borrowings	217,090	368,616
Lease liabilities	100,827	-
Derivative financial instruments	-	349
Provisions	14,755	13,146
	332,672	382,111
Total liabilities	622,784	583,360
Net assets	1,152,160	875,866
Equity		
Issued capital	869,418	623,536
Reserves[7]	232,534	210,926
Retained profits	50,208	41,404
Total equity	1,152,160	875,866

[7] The prior year comparative has been restated to reclassify between intercompany and reserves, reflecting a correction to the treatment of the reinstatement of the investment and subsequent removal of goodwill and assets of the entities not included in the Closed Group.

Note 33. Parent entity information

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

Statement of comprehensive income

	Parent 2020 $'000	Parent 2019 $'000
Statement of comprehensive income		
Loss after income tax	(13,830)	(5,626)
Internal dividend income	-	18,753
Total comprehensive income	(13,830)	13,127

	Parent 2020 $'000	Parent 2019 $'000
Statement of financial position		
Total current assets	-	-
Total assets	853,543	669,207
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	869,418	623,537
Other reserves	10,718	8,739
Current year profits/(losses)	(13,830)	13,127
Dividends paid	(49,694)	(45,006)
Prior years retained earnings	36,931	68,810
Total equity	853,543	669,207

Note 34. 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 2020	2019
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%	100.0%
He Knows Truck Parts Pty Ltd	Australia	100.0%	100.0%
I Know Parts and Wrecking Pty Ltd	Australia	100.0%	100.0%
Commercial Spares Pty Ltd	Australia	100.0%	100.0%
Commercial Parts Pty Ltd	Australia	100.0%	100.0%
Bapcor New Zealand Ltd	New Zealand	100.0%	100.0%
Bapcor Automotive Ltd	New Zealand	100.0%	100.0%
Brake & Transmission NZ Ltd	New Zealand	100.0%	100.0%
Diesel Distributors Ltd	New Zealand	100.0%	100.0%
Bapcor Services New Zealand Ltd	New Zealand	100.0%	100.0%
HCB Technologies Ltd	New Zealand	100.0%	100.0%
Renouf Corporation International	United States	100.0%	100.0%
Benequity Properties, LLC	United States	100.0%	100.0%
Bapcor Australia Pty Ltd *	Australia	100.0%	100.0%
Precision Equipment New Zealand (previously Hellaby Investment No 8 Ltd) *	New Zealand	100.0%	100.0%
Hellaby Resource Services Ltd **	New Zealand	100.0%	100.0%

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

Note 35. Related party transactions - key management personnel disclosures

Compensation

	Consolidated 2020 $	Consolidated 2019 $
Short-term employee benefits[8]	7,733	6,800
Post-employment benefits	245	239
Long-term benefits	76	71
Share-based payments	2,234	1,751
	10,288	8,861

Loans

	Consolidated 2020 $'000	Consolidated 2019 $'000
Opening balance	601	642
Amounts repaid	(601)	(59)
Amounts recovered by deferred STI	-	18
Closing balance	-	601

Refer to the audited Remuneration Report within the Directors' Report for further details on key management personnel compensation, as well as note 12 for further details on the loans made to key management personnel. There are no other transactions with key management personnel.

[8] The prior year short-term employee benefits has been restated from the previously reported $7,407,000 due to the deferred bonus from FY18 being incorrectly included. This has been restated in the Remuneration Report as well.

Note 36. Share-based payments

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

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

Grant date	6/09/19		1/11/19	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/07/19 to 30/06/22		1/07/19 to 30/06/22	
Test date	30/06/22		30/06/22	
Expiry date	16/09/34		16/09/34	
Quantity granted	177,794	177,794	104,780	104,780
Exercise price	Nil		Nil	
Fair value at grant date*	$4.87	$6.32	$5.13	$6.61
Other conditions	Restriction on sale to 30/06/23		Restriction on sale to 30/06/23	
Share price on valuation date	$6.78		$7.04	
Volatility	25.52%		25.21%	
Dividend yield	2.51%		2.41%	
Risk free rate	0.83%		0.79%	

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

Relative total shareholder return ('TSR') hurdle

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

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

Earnings per share ('EPS') growth

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

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

Note 36. Share-based payments (continued)

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

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

Where there is no specific expiry date, the Performance Rights lapse if the vesting conditions are not met.

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

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

2020

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
20/12/2016	30/06/2019	$0.00	182,220	-	(66,073)	(116,147)	-
04/12/2017	30/06/2019	$0.00	177,603	-	(88,802)	(88,801)	-
04/12/2017	30/06/2020	$0.00	466,097	-	-	(40,351)	425,746
26/09/2018	30/06/2021	$0.00	226,195	-	-	(36,485)	189,710
29/10/2018	30/06/2021	$0.00	170,886	-	-	-	170,886
06/09/2019	30/06/2022	$0.00	-	355,588	-	-	355,588
01/11/2019	30/06/2022	$0.00	-	209,560	-	-	209,560
			1,223,001	565,148	(154,875)	(281,784)	1,351,490

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
02/12/2015	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

The weighted average exercise price for the Performance Rights exercised in the current financial year was $6.94 (2019: $7.48).

The weighted average contractual lives are 1.76 years (2019: 1.63 years).

The expense arising from share-based payment transactions relating to the LTI during the year as part of employee benefits expense was $2,219,000 (2019: $1,852,000).

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

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.

Note 36. Share-based payments (continued)

Significant accounting policies

Share-based compensation benefits are provided to employees via the Long-Term Incentive ('LTI') plan. The fair value of performance rights granted under the LTI is recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the rights and options with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the rights and options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest which are revised at the end of each reporting period. The impact of the revision to original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

The fair value is measured at grant date and the expense recognised over the life of the plan. The fair value is independently determined using a Black-Scholes or similar option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Critical accounting judgements, estimates and assumptions

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

Note 37. 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	
	2020 $	2019 $
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	603,502	596,502
Other services - PricewaterhouseCoopers		
Tax compliance services	-	25,850
Consulting services	-	7,000
	-	32,850
	603,502	629,352
Other services - network firms		
Tax compliance services	-	105,762
Consulting services	-	15,218
	-	120,980
Total auditor remuneration	603,502	750,333

Note 38. Commitments and contingent liabilities

Commitments

	Consolidated 2020 $'000	Consolidated 2019 $'000
Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Guarantees in relation to leases	4,454	3,391
Guarantees in relation to performance of contracts*	5,130	-
Supply of equipment*	12,718	-
	22,302	3,391
Operating lease commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	47,450
One to five years	-	84,727
More than five years	-	6,790
	-	138,967
Operating lease receivables		
Committed at the reporting date and recognised as assets, receivable:		
Within one year	-	2,908
One to five years	-	5,650
More than five years	-	239
	-	8,797

* The commitments of guarantees in relation to performance of contracts and supply of equipment relate to the Victorian DC Consolidation project.

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. In the current year, these have been replaced by the disclosures required under AASB 16 *Leases*.

Contingent liabilities

There are no contingent liabilities (2019: Nil).

The divestment of the non-core businesses of Footwear and Contract Resources as well as the TRS business unit in previous financial years include standard indemnity and warranty clauses as is customary in these type of transactions.

Note 39. Events after the reporting period

In early August 2020, in relation to the COVID-19 pandemic, the Victorian Government mandated closures of many Melbourne based businesses for six weeks. As discussed in section 9 of the Directors Report, it is not yet possible to determine the financial impact of such restrictions. Any further government restrictions may also affect the operations and earnings of Bapcor, of which the impact cannot be determined at this time.

On 11 August 2020, Bapcor announced the appointment of two new Non-Executive Directors effective 1 September 2020, Mr James Todd and Mr Mark Powell.

Apart from these matters and the dividend declared as disclosed in note 26, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Bapcor Limited
Directors' declaration
30 June 2020

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 2020 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 32 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

Andrew Harrison
Chairman

Darryl Abotomey
Chief Executive Officer and Managing Director

19 August 2020
Melbourne

Independent auditor's report

To the members of Bapcor Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 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 2020
- 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.

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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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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 $6.1 million, which represents approximately 5% of the Group's profit before tax adjusted for the Victorian DC Consolidation costs.
- 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 adjusted 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.

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 pwc

procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of goodwill and intangible assets with indefinite lives *(Refer to note 15) $724.8m* At 30 June 2020, the Group recognised $665.7 million of goodwill and $59.1 million of intangible assets with indefinite lives. 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 models (the models). Impairment losses for identified shortfalls in value are recognised in the consolidated statement of comprehensive income. 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: • cash flow forecasts, including the terminal value forecasts • short-term and future growth rates in revenue and EBITDA margin • the discount rate adopted in the models • application of probability weightings to cash flow forecasts representing different recovery scenarios post COVID-19. The rapidly developing COVID-19 pandemic has meant assumptions regarding the economic outlook and the impacts on the Group's estimates are uncertain, increasing the degree of judgement required in determining the recoverable amount of goodwill and intangible assets with indefinite lives. Specifically, this includes judgements regarding the impact of COVID-19 on forward looking information, including short term and future growth rates, terminal value forecasts and application of probability weightings to cash flow forecasts.	Our audit procedures included, amongst others: • 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 • Assessing whether the grouping of CGUs appropriately included the assets, liabilities and cash flows directly attributable to each CGU and an allocation of corporate assets and overheads • 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 • Assessing the Group's historical ability to forecast cash flows by comparing budgets to reported actual results for the past 3 years • 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 • Considering whether the application of probability weightings to the cash flow forecasts was reasonable and consistent with the Group's post COVID-19 recovery scenario planning • Assessing the sensitivity to change of key assumptions used in the models that either individually or collectively would result in the impairment of assets • Together with PwC valuation experts, evaluating whether: ○ discount rates used in the models appropriately reflected the risks of the

Key audit matter	How our audit addressed the key audit matter
Given the level of judgement applied by the Group, and the financial significance 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.	CGUs by considering relevant industry and market factors ○ the models applied to test goodwill and intangible assets with indefinite lives for impairment included the appropriate inputs as required under Australian Accounting Standards • Testing the mathematical accuracy of the models on a sample basis. We also considered the adequacy of disclosures in note 15, including those regarding the key assumptions, in accordance with the requirements of the Australian Accounting Standards.
Carrying value of Inventory *(Refer to note 11) $363.0m* At 30 June 2020, the Group recorded a provision for aged and slow-moving inventory of $55.9 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 inventory written off to supporting documentation such as Board approvals • Considering the adequacy of disclosures in note 11 in light of the requirements of the Australian Accounting Standards.
Lease accounting and adoption of new Australian Accounting Standard AASB 16 Leases (AASB 16) *(Refer to notes 3, 13 and 19)* On 1 July 2019, the Group adopted AASB 16 and as a result, applied new accounting policies for leasing from that date. As at 30 June 2020, the Group recognised the following:	We performed the following procedures amongst others: • For a sample of lease agreements, we tested the mathematical accuracy of the Group's calculations of the relevant RoU asset and lease liability. • For a sample of lease agreements, agreed key inputs, including the lease term, fixed and variable payments and termination and

Key audit matter	*How our audit addressed the key audit matter*
• Right-of-use (RoU) assets: $158.0 million • Lease liabilities (current and non-current): $181.8 million We considered this to be a key audit matter given: • The financial year ended 30 June 2020 is the first year of reporting under AASB 16 and the Group has a number of lease arrangements • the financial significance of RoU assets and Lease liabilities • the judgement required by the Group in determining the lease term where a lease contract contains an option to extend or terminate the lease • the complexity of applying the requirements of AASB 16 to lease contracts with variable lease payments.	extension options, to the supporting lease contracts • For a sample of lease contracts that contain an option to extend or terminate the lease, we assessed whether the key assumptions used by the Group to determine the lease term were reasonable in the context of the requirements of Australian Accounting Standards • For a sample of lease agreements, assessed the appropriateness of the accounting treatment of the variable lease payments in the context of the requirements of the Australian Accounting Standards • Considered whether the calculation of incremental borrowing rates is consistent with the requirements of the Australian Accounting Standards • For a sample of lease agreements, assessed whether the application of incremental borrowing rates is consistent with the requirements of the Australian Accounting Standards • For a sample of lease agreements, performed a recalculation of RoU assets and lease liabilities • Considered whether all lease contracts were included in the Group's calculation of the RoU asset and the Lease liability by considering whether all known warehouse and store locations were included in the calculation • Evaluated the adequacy of the disclosures in notes 3, 13 and 19 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 2020, 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.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 40 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Bapcor Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
19 August 2020

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	Noel Meehan
Notice of annual general meeting	The details of the annual general meeting of Bapcor Limited are: Date: 20 October 2020 Time: 2pm Address: Virtual; details to be provided
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	www.bapcor.com.au