Bapcor Limited

ABN 80 153 199 912

Appendix 4E and Financial Report - 30 June 2021

Lodged with the ASX under Listing Rule 4.2A

Bapcor Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Bapcor Limited
ABN:	80 153 199 912
Reporting period:	For the year ended 30 June 2021 ('FY21')
Previous period:	For the year ended 30 June 2020 ('FY20')

2. Results for announcement to the market

			$'000s	%		$'000s
IFRS financial measures						
Revenue	Statutory	Up	298,926	20.4	to	1,761,673
Net profit after tax ***	Statutory	Up	39,593	50.0	to	118,765
Earnings per share - basic (cents per share)	Statutory	Up	8.02 cps	29.8	to	34.99 cps
Non-IFRS financial measures *						
Earnings before interest, taxes, depreciation and amortisation	Statutory	Up	60,760	28.8	to	271,949
	Pro-forma **	Up	62,436	28.8	to	279,507
Net profit after tax ***	Pro-forma **	Up	41,307	46.5	to	130,055
Earnings per share - basic (cents per share)	Pro-forma **	Up	8.09 cps	26.8	to	38.32 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 transition costs associated with the new Distribution Centre at Tullamarine, Victoria of $6.9M after tax as well as adjusting for the mark-to-market impairment of the Tye Soon investment of $4.4M. Refer to reconciliations provided in the Directors' Report.

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

Revenue in FY21 increased by 20.4% compared to FY20. Pro-forma earnings before interest, taxes, depreciation and amortisation ('EBITDA') and pro-forma net profit after tax ('NPAT') in FY21 increased by 28.8% and 46.5% respectively compared to FY20.

Earnings per share for FY21 was 38.32 cents per share, up 26.8% compared to FY20 (based on pro-forma NPAT). This was impacted by the 53.7M shares issued in April / May 2020.

Pro-forma net debt[1] at 30 June 2021 was $164.1M representing a leverage ratio of approximately 0.74X (pro-forma net debt : last twelve months pro-forma EBITDA). The level of debt represents an increase of $54.9M compared to 30 June 2020 and reflects the significant investment in inventory during the period to mitigate the ongoing challenges of product availability (from supplier and shipping constraints).

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the year ended 30 June 2021 and the accompanying Directors' Report.

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

3. Dividends

	Amount per security Cents	Franked amount per security Cents
2020 Interim dividend	8.0	8.0
2020 Final dividend	9.5	9.5
2021 Interim dividend	9.0	9.0
2021 Final dividend (declared after balance date but not yet paid)	11.0	11.0

Record date for determining entitlements to the dividend:	31 August 2021
Date dividend payable:	14 September 2021

4. Dividend reinvestment plan

Bapcor operates a Dividend Reinvestment Plan ('DRP'), which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the Company. Given the financial strength of Bapcor, the Board decided to, in accordance with the DRP rules, continue to suspend the DRP for the 2021 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.

	2021 Cents	2020 Cents
Net tangible assets per ordinary security	79.9	62.7

6. Basis of preparation

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

7. Attachments

The Financial Report of Bapcor Limited for the year ended 30 June 2021 is attached.

The Directors present their report, together with the financial statements, on the consolidated entity ('consolidated entity') consisting of Bapcor Limited ('company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021 ('FY21').

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:

Margaret Haseltine	Independent, Non-Executive Chair (appointed to Chair 17 February 2021)
Darryl Abotomey	Chief Executive Officer and Managing Director
Therese Ryan	Independent, Non-Executive Director
Jennifer Macdonald	Independent, Non-Executive Director
James Todd	Independent, Non-Executive Director (appointed 1 September 2020)
Mark Powell	Independent, Non-Executive Director (appointed 1 September 2020)
Andrew Harrison	Independent, Non-Executive Chair (retired 16 February 2021)

2. Principal activities

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

Bapcor is one of the largest suppliers of vehicle parts, accessories, equipment, service and solutions in Asia Pacific with an operational network covering c. 1,100 locations and employing c. 5,000 team members.

3. Significant changes in the state of affairs

During FY21 Bapcor has invested in new technology with the construction of the state-of-the-art distribution centre at Tullamarine, Victoria. Over the period to January 2022, it is planned that thirteen current distribution centres will be merged in the new consolidated location.

In addition, during FY21, Bapcor has opened a net additional 31 company stores and implemented new eCommerce platforms for both business-to-business and business-to-customer solutions.

In March 2021, Bapcor announced an expansion in Asia through the agreement to acquire 25% of the issued equity of Tye Soon Limited, a company listed on the Singapore Securities Exchange. This strategic investment brings a range of opportunities for both businesses to work together and grow their markets. The investment was completed in April 2021.

4. Dividends

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

11 September 2020	$32,244,000 (9.5 cents per share)
12 March 2021	$30,547,000 (9 cents per share)

The Board has declared a final dividend in respect of FY21 of 11 cents per share, fully franked. The final dividend will be paid on 14 September 2021 to shareholders registered on 31 August 2021.

The final dividend takes the total dividends declared in relation to FY21 to 20 cents per share, fully franked, representing an increase of dividends paid of 14.3% compared to the prior financial year. Dividends paid and declared in relation to FY21 represents 52.2% of pro-forma net profit after tax.

5. Review of operations

Statutory:

- Revenue increased by 20.4% from $1,463M to $1,762M
- Statutory earnings before interest, taxes, depreciation and amortisation ('EBITDA') increased by 28.8% to $271.9M
- Statutory net profit after tax ('NPAT') increased by 50.0% to $118.8M
- Statutory earnings per share ('EPS') increased by 29.8% to 34.99 cents per share

Pro-forma:

- Revenue increased by 20.4% from $1,463M to $1,762M
- Pro-forma EBITDA increased by 28.8% to $279.5M
- Pro-forma NPAT increased by 46.5% to $130.1M
- Pro-forma EPS increased by 26.8% to 38.32 cents per share

Net debt:
- Pro-forma net debt[2] at 30 June 2021 was $164.1M representing a leverage ratio of approximately 0.74X (pro-forma net debt : last twelve months pro-forma EBITDA).

The tables below reconcile the pro-forma results to the statutory results for FY21 and FY20:

		Consolidated	
$'M	**Note**	**FY21**	**FY20**
Statutory NPAT	2	**118.8**	**79.2**
Victorian DC Consolidation	3	9.9	11.6
Other activities	4	-	1.7
Investment impairment	5	4.4	-
Tax adjustment	6	(3.0)	(3.8)
Pro-forma NPAT		**130.1**	**88.7**

		Consolidated	
$'M	**Note**	**FY21**	**FY20**
Statutory net profit before tax ('NPBT')		**171.4**	**111.4**
Add back depreciation and amortisation		85.4	80.1
Add back finance costs		15.2	19.8
Statutory EBITDA		**271.9**	**211.2**
Victorian DC Consolidation	3	3.2	4.2
Other activities	4	-	1.7
Investment impairment	5	4.4	-
Pro-forma EBITDA		**279.5**	**217.1**

[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 16 of the financial report for a reconciliation between statutory and pro-forma net debt.

$'M	Note	Consolidated FY21 Stat	FY21 Pro-forma	FY20 Stat	FY20 Pro-forma
NPAT	2	**118.8**	**130.1**	**79.2**	**88.7**
Weighted average number of ordinary shares	7	339.4	339.4	293.6	293.6
Earnings per share (cps)		**34.99**	**38.32**	**26.97**	**30.23**

1 These tables are subject to rounding.
2 NPAT attributable to members of Bapcor Limited.
3 The Victorian DC Consolidation relates to the significant transition items incurred in relation to the new Tullamarine Victoria Distribution Centre and includes the accelerated depreciation of property, plant and equipment and right-of-use assets.
4 The other activities in prior period relates to one off consulting costs incurred relating to acquisitions that did not proceed.
5 The investment impairment relates to the 30 June 2021 mark-to-market revaluation of the investment in Tye Soon Ltd.
6 The tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.
7 In April / May 2020, 53.7M shares were issued, increasing issued shares by 19%.

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 by segment is as follows:

	Revenue			Pro-forma EBITDA		
	FY21 $'M	**FY20 $'M**	**Change %**	**FY21 $'M**	**FY20 $'M**	**Change %**
Bapcor Trade	648.9	561.7	15.5%	115.0	96.7	19.0%
Bapcor NZ	170.0	156.3	8.8%	32.6	26.9	21.2%
Bapcor Specialist Wholesale	659.8	520.4	26.8%	89.5	63.0	42.2%
Bapcor Retail	369.2	292.7	26.1%	65.3	54.3	20.1%
Unallocated / Head Office[1]	(86.2)	(68.4)	(26.4%)	(22.9)	(23.8)	3.6%
Total	**1,761.7**	**1,462.7**	**20.4%**	**279.5**	**217.1**	**28.8%**

1 Revenue relates to intersegment sales eliminations and Thailand operations. EBITDA relates to Bapcor head office costs, intersegment EBITDA elimination and costs associated with the Thailand operations.

5.1 Operating and financial review – Bapcor Trade

The Bapcor 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.

Compared to FY20, the Bapcor Trade segment recorded record revenue and earnings with revenue growth of 15.5% and EBITDA growth of 19.0%.

The increase in revenue of 15.5% included same store sales growth of 14.3% (6.0% in FY20). Bapcor Trade's EBITDA to revenue percentage was 0.5 percentage points above FY20 reflecting low level of discretionary spending especially in travel and training and operating efficiencies.

During FY21, Burson continued to expand its store network with the number of stores increasing from 186 at 30 June 2020 to 200 at 30 June 2021. The increase of fourteen stores consisted of twelve greenfield store developments and two conversions of Autopro stores from Bapcor Retail. The average cost per new store including inventory was $797,000.

The new stores are located in in Albany, Bunbury and Geraldton in Western Australia, Young in New South Wales, North Lakes and Ormeau in Queensland, Seaford in South Australia and Cobram, Delacombe, Kilmore, Kyneton, Rosebud, Traralgon and Wodonga in Victoria.

The Precision Equipment business achieved record revenue of $53.6M for the year ($39.4M in FY20), continuing its solid growth despite a decline in demand from new car dealerships.

During the year, inventory holdings increased across Bapcor Trade by $2.8M (excluding new stores) due to new product ranges, expansion of existing ranges and increased stockholdings to minimise the impacts of issues with suppliers and shipping delays.

5.2 Operating and financial review – Bapcor New Zealand

Bapcor New Zealand ('Bapcor NZ') consists of Trade and Specialist Wholesale businesses based in New Zealand operating across 85 locations, as well as 102 Battery Town locations.

BNT is the predominant business with 76 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.

Bapcor NZ achieved revenue growth of 8.8% and EBITDA growth of 21.2% compared to FY20. EBITDA to revenue percentage was 2.0 percentage points above FY20 reflecting the impact of reduced operating costs and higher levels of own brand product sales.

Same store sales growth in FY21 for Bapcor NZ's largest business, BNT, was 11.3% (declined by 9.0% in FY20). There was an increase of one store in the BNT network since 30 June 2020.

During the year, inventory holdings across Bapcor NZ increased by $4.2M (adjusted for foreign currency) due to the build-up of new product ranges, expansion of existing ranges and to mitigate delays receiving product from manufacturers.

5.3 Operating and financial review – Bapcor Specialist Wholesale

The Bapcor 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 and the Commercial Truck Parts group comprising Truckline and WANO.

The Bapcor Specialist Wholesale segment achieved record revenue and earnings with revenue growth of 26.8% and EBITDA growth of 42.2% compared to FY20. FY21 included the full year benefit of the acquisition of the Truckline and Diesel Drive acquisitions made in December 2020. Excluding these acquisitions, revenue grew by 17.3% and EBITDA increased by 32.0%.

EBITDA to revenue percentage increased 1.5 percentage points above FY20 as a result of synergies realised from the Truckline acquisition, increased intercompany sales and reductions in product costs. The volume and product groups that the Specialist Wholesale segment supplies into other Bapcor group businesses grew by c. 25% on FY20.

During the year, inventory holdings across Bapcor Specialist Wholesale increased by $31.1M (excluding acquisitions) due to the build-up of existing and new product ranges and to mitigate delays in receiving product from manufacturers and shipping constraints.

5.4 Operating and financial review – Bapcor Retail

The Bapcor 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. This segment is comprised of franchised stores and workshops, as well as an increasing proportion of Autobarn and Autopro stores that are now company owned.

The Bapcor Retail segment achieved record revenue and earnings with revenue growth of 26.1% compared to FY20. Autobarn same store sales growth for company owned stores was 28.0% (14.5% in FY20) and for franchise stores was 16.8% (6.6% in FY20). Same store sales growth for Autopro and Sprint stores was 16.0%.

FY21 EBITDA to revenue percentage of 17.7% was 0.9 percentage points lower than FY20 due mainly to product mix and competitive pricing. EBITDA in FY21 was 20.1% higher compared to FY20, predominately reflecting the focus on promotions, catalogues, greater product range and in-store experience.

Bapcor Retail 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 2021 was 133 stores, a decrease of one from the 134 as at 30 June 2020. During the period three franchise stores were rebranded as Autopro, seven new greenfield company stores were opened, two franchise stores closed and three company stores closed. The number of company owned stores increased from 79 to 86. The percentage of company owned Autobarn stores at 30 June 2021 was 65%, up from 59% at 30 June 2020. A new format Autobarn store was launched during the year as well as a new tagline – "Top Gear, Low Prices".

At 30 June 2021 the total number of company owned and franchise stores in the Bapcor Retail segment was 341 consisting of Autobarn 133 stores, Autopro 74 stores, Sprint Auto Parts 30 stores and Midas and ABS 104 stores.

From July 2021, Sprint stores are being rebranded to Autopro, along with a new store layout, updated logo and new tagline – "We know these parts". Retail will now focus on Autobarn, Autopro and Midas as their core brands.

During the year, inventory holdings across Bapcor Retail increased by $29.1M (excluding new stores) due to product range extensions especially with the launch of many own brand products including Chicane, Vyking Force and Streetwise, and a deliberate strategy of increasing stock holdings in the stores to support increased sales levels and to mitigate global supply chain challenges.

5.5 Operating and financial review – Unallocated / Head Office

The Unallocated / Head Office segment consists of all elimination and head office costs or adjustments that are not in the control of the other segments, as well as the results of the Thailand operations. It also includes the elimination of intercompany sales and EBITDA. Unallocated costs decreased from $23.8M in FY20 to $22.9M in FY21 which was primarily due to increased investment in support functions such as human resources, legal, governance and IT offset by additional provisions taken up in prior year in light of Covid for potential impacts to debtor collections and stock obsolescence.

Intercompany sales increased by 25.8% compared to FY20, reflecting a higher proportion of sourcing product internally and increasing the volume of "own brand" product.

The Unallocated / Head Office segment result includes the Thailand operations which recorded revenue of $4.8M and an EBITDA loss of $0.2M (severely impacted by Covid) with Bapcor's share of the Thailand business being 51%. During the year, inventory holdings for the Thailand based operations remained flat (adjusted for foreign currency).

5.6 Financial Position - Capital Raising and Debt

There have been no issue of new shares during the year. As a result, ordinary shares on issue remains at 339,412,500 as at 30 June 2021.

AASB 16 *Leases* increases reportable net debt by the inclusion of $226.3M of finance leases as at 30 June 2021. Given this is excluded from a banking covenant perspective, pro-forma net debt has also been disclosed. Pro-forma net debt at 30 June 2021 was $164.1M representing a leverage ratio of approximately 0.74X (Pro-forma net debt : last twelve months pro-forma EBITDA).

6. Strategy

Bapcor's strategy is to be Asia Pacific's leading provider of vehicle parts, accessories, equipment, service and solutions. The five year strategic targets are explained by business segment.

Bapcor 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 200 stores at the end of June 2021 to 260 stores with at least 40% own 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 76 stores to over 90, as well as grow its electrical businesses organically and potentially through acquisition. Bapcor NZ also has a target to grow own brand content to more than 45%.

Bapcor 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 own brand 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.

Bapcor Retail

Autobarn – The premium retailer of automotive accessories, Autobarn had 133 stores at the end of 30 June 2021 including 86 company owned stores. The target is to grow to 200 Autobarn stores, with a majority of growth being company owned stores. Own brand content is also targeted to exceed 45%.

Autopro – Autopro now consists of Autopro and the former Sprint Auto Parts stores totalling 104 stores. The group comprises both franchise and company owned stores. The aim is to grow the network to c. 200 stores, predominately in areas with smaller populations. The Autopro stores will carry a similar but smaller range of products than Autobarn.

Independents – The independents group consists of the stores that do not carry a Bapcor brand. The strategy is to supply the independent parts stores via Bapcor's extensive supply chain capabilities. Bapcor's strategy is to strongly support these independent stores. Currently there are c. 75 independents.

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 104 stores at 30 June 2021 of which 101 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 commenced its 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. The initial three years of operations has achieved positive momentum, however held back by the impact of Covid throughout the last 18 months. Bapcor has plans to open two new stores in the first half of FY22.

During FY21, Bapcor continued the expansion into Asia through the acquisition of 25% of Tye Soon Limited. Established in 1933, Tye Soon Limited is the most prominent independent automotive parts distributor in South East and North East Asia and operates out of c. 60 locations throughout Singapore, South Korea, Malaysia, Australia and Thailand.

Supply Chain

Bapcor's objective is to have the most efficient and effective supply chain in the industry. The new state-of-the-art distribution centre at Tullamarine, Victoria opened in April 2021. This distribution centre will absorb thirteen distribution centres in Melbourne, dramatically increasing efficiency. Further consolidations are likely in Brisbane and Auckland.

The consolidated distribution centres will enable Bapcor to reach customers that have not been possible historically.

Bapcor is also consolidating all non-distribution centre team members across Melbourne to an office complex in Mt Waverley, Victoria, which will bring together all the business segments for the first time.

Competitive advantages

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

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

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);
(d) an increase in the value of parts sold; and
(e) increased domestic travel due to Covid.

Demand for automotive parts, accessories and services continues to be 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, 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 which was launched in FY21.

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 currently 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 is likely to be minimal. However, Bapcor is researching the reliability of electric and hybrid vehicles and will stock replacement parts for them as we do for most vehicles.

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 over the last 18 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. 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.

Sustainability - An actual or perceived failure to adequately address sustainability-related issues has the ability to impact Bapcor’s financial performance, reputation and operations. To address this Bapcor seeks to take an integrated approach towards economic, environmental and social sustainability. Ensuring this approach is effective means ensuring a range of practices are maintained and continually improved, including managing potential issues in our supply chain (including modern slavery practices), sourcing sustainable products and packaging, and reducing carbon emissions.

Legal and regulatory compliance - Bapcor is required to maintain compliance with all applicable laws and regulations. These include requirements related to consumer protection, product quality, and transport safety. Failure to comply with such laws and regulations could result in regulatory action or other claims which could have an adverse impact on the Group’s reputation, financial performance and profitability.

9. Likely development and expected results of operations

Bapcor continues to implement its five year strategy. As part of that strategy, 50 to 60 new locations are expected to be opened each year. Investments in supply chain and technology will continue to deliver improved results to Bapcor.

The financial performance of Bapcor over the FY22 financial year may be impacted by lockdowns that have become a common occurrence during the Covid pandemic. In the absence of any major restrictions on business, Bapcor aims to deliver pro-forma earnings at least at the level of FY21.

10. Information on directors

Name:	**Margaret Haseltine**
Title:	Independent Non-Executive Director and Chair
Qualifications:	Bachelor of Arts Degree Diploma of Secondary Teaching (Auckland University) Fellow of the Australian Institute of Company Directors
Experience and expertise:	During her career, Margaret gained extensive leadership and human capital management skills, which she brings to her role as Chair of the Board. Margaret has spent more than 30 years in various senior executive roles in FMCG, including senior roles at Mars Food Australia, subsidiary of Mars Inc., where she was responsible for strategy, risk management, product innovation & brand launching, and implementation of new systems. From 2002 to 2007, Margaret served as the CEO of Mars Food Australia, with responsibility for the Asia Pacific market and was also responsible for ensuring sustainability of the business and its supply chain. Margaret currently serves as a non-executive director of ASX listed Metcash Limited, and was a director of various government and not-for-profit boards, including National Food Precinct, Central Coast Grammar school and AGRIFOOD Skills.
Other current directorships:	Metcash Limited (ASX: MTS) Newcastle Permanent Building Society Limited (a Mutual bank)
Former directorships (last 3 years):	None
Special responsibilities:	Chair Nomination, Remuneration and ESG Committee member
Interests in shares:	49,849 ordinary shares

Name:	**Darryl Abotomey**
Title:	Chief Executive Officer and Managing Director
Qualifications:	Bachelor of Commerce (University of Melbourne) Member of the Australian Institute of Company Directors Fellow of CPA Australia
Experience and expertise:	Darryl brings over 30 years of executive leadership and financial expertise to the Board of Bapcor, gained at various roles across manufacturing, global paper and packaging distribution and automotive aftermarket industry. Darryl was a former CFO at Sunclipse Inc., a subsidiary of Amcor based in the USA and held roles of regional and group general manager at Amcor Fibre Packaging and Amcor Printing Papers Group in Australia, where he was responsible for international trade, including logistics and supply chain. Darryl also gained extensive experience in strategy, business restructuring, information technology and product launching. From 2000, Darryl served as a Board Director and CFO of Paperlinx Limited, where he led the due diligence, funding and settlement negotiations for international acquisitions and successfully transitioned the business involving multi-country legal, financial, statutory, business culture, cultural, tax and insurance issues. Between 2006 and 2010, he served as CFO / COO and Director of the Board of Exego Group Pty Limited (Repco), as well as being an independent director of CPI Group Ltd.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	1,441,154 ordinary shares
Interests in rights:	680,950 performance rights

Name:	**Therese Ryan**
Title:	Independent, Non-Executive Director
Qualifications:	Bachelor of Laws (University of Melbourne) Graduate Member of the Australian Institute of Company Directors
Experience and expertise:	Therese has extensive experience as a senior business executive and commercial lawyer working in widely diversified businesses in Australia and internationally. She brings strong commercial sense, risk management and strategic thinking, complemented by 45 years of legal experience in the automotive, petrochemical, insurance, superannuation and other industries. Therese spent most of her later executive career in General Motors, including as General Counsel and Company Secretary of GM Holden, based in Australia; and based in Shanghai, as Vice President and General Counsel for GM's Asia Pacific operations, and later as Vice President, General Counsel and member of Strategy Board for GM's International Operations outside North America; and as Assistant Company Secretary of General Motors Corporation. In these various roles, Therese was responsible for corporate legal actions related to mergers and acquisitions, refinancing, product stewardship, franchising, intellectual property, procurement, joint ventures, acquisitions, and integration. She also chaired and had functional responsibility for GM Holden's employee superannuation fund.
Other current directorships:	Therese serves as a non-executive director on a number of unlisted boards including Sustainable Timber Tasmania, Central Gippsland Region Water Corporation (Chair), and VicForests (Deputy Chair), and is an independent member of the Audit and Risk committee for City of Melbourne.
Former directorships (last 3 years):	None
Special responsibilities:	Audit and Risk Committee member Nomination, Remuneration and ESG Committee member
Interests in shares:	40,256 ordinary shares

Name:	**Jennifer Macdonald**
Title:	Independent, Non-Executive Director
Qualifications:	Masters of Entrepreneurship and Innovation (Swinburne University) Bachelor of Commerce (Deakin University) Graduate of the Australian Institute of Company Directors Chartered Accountant
Experience and expertise:	Jennifer brings extensive expertise in corporate finance, accounting, and auditing, coupled with a strong focus on and understanding of market trends, customer and consumer behaviour. She has a proven track record in developing and implementing strategy with a focus on risk management, growth, and value creation. Jennifer spent her executive career in customer facing organisations primarily in technology, retail, travel services and manufacturing, where she was responsible for strategic turnaround and digital transformation. Her last executive role was CFO and interim CEO at Helloworld Limited, where she oversaw the merger with AOT Group to create the second largest integrated travel distribution business in Australia and New Zealand. Prior to that, Jennifer was the CFO and General Manager International of the REA Group, with responsibility for the financial growth strategy and execution for operations in South East Asia and parts of Europe, having delivered record revenue and net profit for the company.
Other current directorships:	Healius Limited (ASX:HLS) Redbubble Limited (ASX:RBL) Australian Pharmaceutical Industries Limited (ASX:API)
Former directorships (last 3 years):	Redflow Limited (ASX:RFX) until 2019
Special responsibilities:	Audit and Risk Committee Chair Nomination, Remuneration and ESG Committee member
Interests in shares:	30,013 ordinary shares

Name:	**James Todd**
Title:	Independent, Non-Executive Director
Qualifications:	Bachelor of Commerce and Bachelor of Laws (University of NSW) Graduate Diploma of Applied Finance and Investment from the Financial Services Institute of Australasia, where he remains a Fellow Member of the Australian Institute of Company Directors
Experience and expertise:	James is an experienced company director, corporate adviser, and investor. James has over 30 years' experience in finance across various entities, including Hambros Banking Group and Wolseley Private Equity. James' last executive role was as Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999 and served in until 2018. Through his extensive private equity experience, James had exposure across various sectors including retail, media, FMCG, business services, and international supply chains. His corporate transaction and investment experience has been gained across multiple markets including Australia, New Zealand and Asia (including Hong Kong, China, Singapore, Vietnam, Cambodia, Thailand, and Indonesia).
Other current directorships:	IVE Group Limited (ASX:IGL) HRL Holdings Limited (ASX:HRL) Coventry Group Limited (ASX:CYG)
Former directorships (last 3 years):	None
Special responsibilities:	Audit and Risk Committee member
Interests in shares:	20,000 ordinary shares

Name:	**Mark Powell**
Title:	Independent, Non-Executive Director
Qualifications:	Master of Science (Logistics) Master of Business Administration (Lean Supply Chain) Master of Arts (Theology) Bachelor of Science (Mining Engineering) Bachelor of Applied Theology Graduate Member of the Australian Institute of Company Directors (AICD) Chartered Member NZ Institute of Directors Fellow of the Chartered Institute of Logistics and Transport
Experience and expertise:	Mark brings over 30 years of leadership and executive experience in retail, wholesale, logistics and distribution. The key areas of Mark's expertise are in development and execution of business strategy, business growth, organisational turnaround and change management as well as acquisition integration. Mark's career started in underground coal mining where he had direct responsibility for operations and health & safety. He later transitioned into global retail, wholesale and logistics, having held executive roles at Iceland plc, Booker Wholesale and Tesco in the UK; logistics services provider Tibbett & Britten in Spain and Canada (including running of Walmart Canada's logistics operations); and The Warehouse Group in Australia and New Zealand. Between 2009 and 2016, Mark was CEO of Warehouse Stationary and then Group CEO for NZX-listed retailer The Warehouse Group, where he oversaw a return to organic growth, online/digital strategy implementation and a number of acquisitions.
Other current directorships:	JB Hi-Fi Group Limited (ASX: JBH) Kiwi Property Group Limited (NZX: KPG)
Former directorships (last 3 years):	None
Special responsibilities:	Nomination, Remuneration and ESG Committee Chair
Interests in shares:	13,000 ordinary shares

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

11. Company secretary and officers

Current Chief Financial Officer and Previous Company Secretary

Noel Meehan (Chief Financial Officer 2 July 2020 – present; Company Secretary 2 July 2020 – 1 February 2021)

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. Noel resigned as Company Secretary effective 1 February 2021 and continues in the role of Chief Financial Officer.

Current Company Secretary and General Counsel

George Sakoufakis (General Counsel 13 May 2019 – present; Company Secretary 1 February 2021 – present)

George commenced with Bapcor on 13 May 2019 as General Counsel following a successful career as Legal Director at Carlton and United Breweries and is an admitted solicitor and holds a Bachelor of Commerce / Bachelor of Laws from Deakin University. George was appointed Company Secretary effective 1 February 2021.

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 2021, and the number of meetings attended by each director were:

	Board		Nomination, Remuneration and ESG Committee		Audit and Risk Committee	
	Attended	Held*	Attended	Held*	Attended	Held*
Andrew Harrison	6	6	1	1	3	3
Margaret Haseltine	10	10	4	4	3	3
Darryl Abotomey**	9	10	-	-	-	-
Therese Ryan	10	10	4	4	4	4
Jennifer Macdonald	10	10	4	4	4	4
James Todd	8	8	-	-	3	3
Mark Powell	8	8	3	3	-	-

* 'Held' represents the number of meetings held during the time the director held office or was a member of the relevant committee.
** Darryl Abotomey did not attend one of the Board meetings because the meeting related to the extension of the MD/CEO tenure

As at the date of this report, the current members of the Audit and Risk Committee are Jennifer Macdonald (Chair), Therese Ryan and James Todd. Margaret Haseltine was a member during FY21 until she retired as a member of the Committee on 16 February 2021 (when she became Chair of the Board). Andrew Harrison was a Committee member during FY21 up until his resignation as Director on 16 February 2021. Darryl Abotomey, whilst not a member of the Audit and Risk Committee, attended all Audit and Risk Committee meetings by invitation from the Committee.

As at the date of this report, the current members of the Nomination, Remuneration and ESG Committee are Mark Powell (Chair from 17 February 2021), Margaret Haseltine (Chair until 16 February 2021), Therese Ryan and Jennifer Macdonald. Andrew Harrison was a Committee member during FY21 until he retired as a member on 20 October 2020. Darryl Abotomey, whilst not a member of the Nomination and Remuneration Committee, attended all Nomination and Remuneration Committee meetings by invitation from the Committee.

13. Remuneration report

Dear Shareholders,

On behalf of the Board, we are pleased to present Bapcor's FY21 Remuneration Report.

This year has been like no other – our business has continued to be significantly challenged by the impacts of Covid and therefore we would like to start by thanking our team members for their dedication and commitment in delivering the most outstanding results for Bapcor.

Despite Covid restrictions, supply and shipping difficulties, our team has responded and delivered increased revenue and earnings right across our business – breaking many records along the way – through lockdowns, travel restrictions, going live with a new warehouse management system and commissioning the first stage of our business into the state-of-the-art distribution centre at Tullamarine in Victoria - all while ensuring that the health and well-being of our team was top of mind.

In recognition of their dedication and performance all eligible team members are being rewarded with up to $600 in gift cards as a token of our appreciation.

Bapcor did not access the Australian government's Job Keeper subsidy program and, at our cost, provided paid pandemic leave to team members to sustain them through Covid lockdowns.

As a customer focused and people centric business offering exceptional service to our customers in trade, retail, commercial vehicles and wholesale, our team members are key to the success of Bapcor. It is therefore essential that Bapcor is able to attract, motivate, and retain world-class talent and foster a customer oriented and excellence in execution culture. Bapcor relies on our leadership team to deliver our strategies and ensure Bapcor is a sustainable and profitable business bringing wealth and value to our shareholders. The Board's objective is to retain our talent and build excellent succession planning whilst remunerating and paying our people fairly at market medians.

There is no doubt the FY21 financial year has been a difficult one and challenging for all, especially in Victoria where our major businesses are based. On behalf of the Board we would like to thank all our team members, franchisees, customers, suppliers and shareholders for supporting us through such a difficult year.

Following the shareholder strike vote against the Remuneration Report at the 2020 AGM, the Board has engaged extensively with shareholders and proxy advisors to further understand their feedback. This has been complemented by a robust review of the remuneration framework and disclosures, completed both internally and with external advisors. Throughout this review process, the Board has focused on ensuring all material shareholder concerns have been addressed and the following table summarises the positive changes that have been implemented as a result of this review. We thank our shareholders for their feedback. You will see we have implemented many changes with most of these being effective in FY21. We recognise that the impact of these changes on our senior executives this year is significant so we are phasing any additional changes in over a three-year period.

The following table details what changes have been made:

Remuneration area	Feedback received	Bapcor response
Fixed remuneration	High fixed remuneration with fixed pay increases	There has been no increase to fixed remuneration for the MD/CEO or Non-Executive Director's base fees in FY21. There were only four Executive Key Management Personnel ('KMP') out of nine that received an increase where there has been a significant increase in role complexity and responsibility or where the Executive KMP was new to role and had not been reviewed since appointment and was below market median based on role benchmarking (refer section 14.5.2). The remuneration of the MD/CEO reflects his significant commitment to the success of Bapcor. He has led the delivery of strategic outcomes and shareholder returns over an extended period of time, well in excess of the average market tenure for similar roles. The Board undertakes independent benchmarking each year as a guide for any remuneration changes.
STI - Q1	Additional Q1 STI award for FY21	The previously documented Q1 short-term incentive ('STI') award for FY21 has been absorbed into the full year FY21 STI award. There has been no increase in the potential maximum STI for the FY21 year. Bapcor acknowledges the Q1 STI was out of step with market expectations.
STI - disclosure	Insufficient disclosure of STI metrics and outcomes against each measure in the STI	The Board has undertaken a thorough review of the disclosure of STI metrics with regards to performance measures and outcomes. The FY21 remuneration report has been written in a manner to improve disclosure and transparency on all performance measures, weightings and outcomes. From FY22 there will be an increased emphasis in STI's on Environmental, Social & Governance and even more transparent and measurable non-financial key performance indicators.
STI - governance	Discretion applied to waive the financial gateway or lower threshold.	The Board has reviewed the use of discretion for FY20 and acknowledges the feedback from both proxy advisors and investors. The Board acknowledges this was not fully aligned to investor and proxy advisor sentiment. The Board will develop a more robust set of guidelines to help with potential decision making which will ensure that any decision is better aligned to shareholder expectations.
STI - deferral	No STI deferral into equity (below target achievement)	For FY21, 25% of all STI awarded will be deferred for twelve months into either cash or equity. From FY22, the 25% deferred component will be paid in equity until the equivalent of one year's fixed remuneration is reached.
LTI plan	Rigour of the EPS targets as part of the LTI plan	The earnings per share ('EPS') targets have remained consistent since the company was listed in 2014. They require a minimum EPS increase of 7.5% compounded per year. The Board reviews long-term incentive ('LTI') targets annually and ensures they are set in order to align with long-term sustainable shareholder value creation. At an EPS CAGR of 7.5% only 20% of the rights vest.
Minimum shareholding guidelines	No minimum shareholding guidelines	Minimum shareholding guidelines have been introduced in FY21 for all KMP - executives and non-executive directors. This amounts to 100% of fixed annual remuneration for executives and annual Board fees for non-executive directors to be acquired over five and three years respectively.

KMP	Too many KMP's	We acknowledge that we are out of step with most corporates with nine Executive KMP. Legislation outlines the requirements that need to be disclosed in remuneration reports. Historically Bapcor has disclosed all direct reports to the MD/CEO. The Board is reviewing the disclosure requirements and which Executives meet the definitions. It is anticipated that in FY22 the number of KMP's will be reduced. This will enable more focused disclosure.
MD/CEO Tenure	Clarity regarding MD/CEO tenure	The Board and MD/CEO agreed in February 2021 to extend the MD/CEO's contract to October 2023, during which time the major initiatives underway will be well progressed and allow for a smooth transition.

We believe the positive changes outlined above address the main concerns raised by stakeholders, however we recognise that there needs to be ongoing improvement to further respond to concerns raised while ensuring we appropriately reward and motivate our executive team.

The Board is currently considering additional changes for FY22 and beyond to further enhance the remuneration framework. We thank shareholders and proxy advisors for their diverse feedback, and we have endeavoured to take a balanced view for all stakeholders. The balance is not always easy, and we appreciate ongoing feedback.

During the past year, the Nomination & Remuneration Committee Chair role has passed from Margie Haseltine to Mark Powell as Margie stepped into the Board Chair role. We have at all times worked closely as a Board to ensure we kept the change and momentum to adjust our remuneration practices in keeping with market expectations, while ensuring we are able to attract and retain a talented team that will continue to deliver outstanding results for our shareholders.

During the year the scope of the Nomination & Remuneration Committee was broadened to include Environmental, Social & Governance ('ESG') signifying the importance of this remit. The ESG report is a part of the Annual Report.

We still have much work to do and will continue to seek input to ensure ongoing shareholder alignment and best practice whilst attracting, retaining, and developing the best people for Bapcor. We will ensure Bapcor is an employer of choice and that we keep our team members safe every day at the same time as actively progressing our environment, social and governance agenda.

Sincerely,

Mark Powell
Chair of the Nomination, Remuneration and ESG Committee

Margaret Haseltine
Non-Executive Chair of Bapcor Ltd

18 August 2021
Melbourne

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 Directors 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 Nomination, Remuneration and Environment, Social & Governance Committee
14.2 Financial performance and relationship to remuneration
14.3 Key management personnel
14.4 Remuneration governance
14.5 Remuneration framework and outcomes
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 Nomination, Remuneration and Environment, Social & Governance Committee

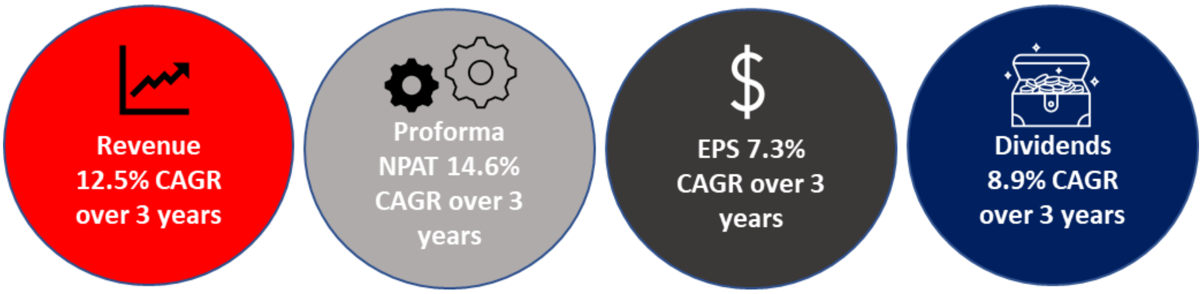
The Board has established a Nomination, Remuneration and Environment, Social and Governance Committee ('NRESGC') which operates under the delegated authority of the Board of Directors. The NRESGC charter is included on the Bapcor website (www.bapcor.com.au). Non-executive Directors of Bapcor who are members of the NRESGC as of the date of this report are as follows:

Mark Powell	Non-executive Committee Chair (from 17 February 2021) Non-executive Committee Member (from 1 September 2020 to 16 February 2021)
Margaret Haseltine	Non-executive Committee Member (from 17 February 2021) Non-executive Committee Chair (to 16 February 2021)
Therese Ryan	Non-executive Committee Member
Jennifer Macdonald	Non-executive Committee Member

The Committee is chaired by Mark Powell, an independent Non-executive Director. The Committee is authorised by the Board to obtain external professional advice, and to secure the attendance of advisers with relevant experience and expertise if it considers this necessary.

14.2 Financial performance and relationship to remuneration

Bapcor's historical financial performance over the last seven 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.



Bapcor has continued to grow in size and complexity since it listed on the ASX in 2014. Over these seven years financial performance has consistently improved as have the returns delivered to shareholders. The table below shows measures of Bapcor's financial performance over the seven complete financial years since it listed on 23 April 2014.

	2015	2016	2017	2018	2019	2020[3]	2021
Revenue from continuing operations $m	375.3	685.6	1,013.6	1,236.7	1,296.6	1,462.7	1,761.7
Increase/(decrease) in revenue	*9.9%*	*82.7%*	*47.8%*	*22.0%*	*4.8%*	*12.8%*	*20.4%*
Pro-forma NPAT from continuing operations $m[2,3]	23.1	43.6	65.8	86.5	94.3	88.7	130.1
Increase/(decrease) in pro-forma NPAT	*19.7%*	*88.7%*	*50.9%*	*31.6%*	*9.0%*	*(5.5%)*	*46.5%*
Pro-forma EPS from continuing operations (cents)[1,3]	13.62	17.85	24.40	30.97	33.45	30.23	38.32
Increase/(decrease) in pro-forma EPS	*19.1%*	*31.0%*	*36.7%*	*26.9%*	*8.0%*	*(9.2%)*	*26.8%*
Statutory NPAT $m[2]	19.5	43.6	64.0	94.7	97.0	79.2	118.8
Increase/(decrease) in statutory NPAT	*NA*	*123.4%*	*47.0%*	*47.8%*	*2.4%*	*(18.4%)*	*50.0%*
Statutory EPS (cents)[1,3,4]	13.62	17.85	23.76	33.88	34.40	26.97	34.99
Increase/(decrease) in statutory EPS[1,3,4]	*19.1%*	*31.0%*	*33.1%*	*42.6%*	*1.5%*	*(21.6%)*	*29.8%*
Dividend declared (cents per share)	8.7	11.0	13.0	15.5	17.0	17.5	20.0
Increase/(decrease) in dividend declared	*n/a*	*26.4%*	*18.2%*	*19.2%*	*9.7%*	*2.9%*	*14.3%*
Share price 30 June $	3.40	5.52	5.49	6.55	5.58	5.90	8.50
Increase/(decrease) in share price	*60.4%*	*62.4%*	*(0.5%)*	*19.3%*	*(14.8%)*	*5.7%*	*44.1%*
Market capitalisation $m 30 June	746.9	1,357.1	1,529.7	1,835.6	1,581.8	2,002.5	2,885.0

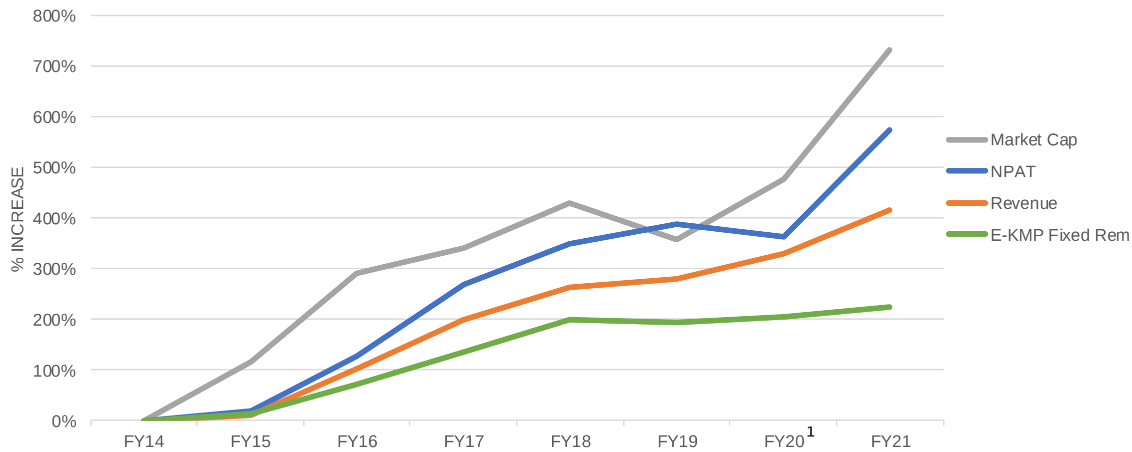
1. Where appropriate, EPS has been adjusted to take into consideration the impact of rights issues performed and the impact on the number of shares as per AASB 133 *Earnings Per Share*
2. NPAT attributable to members of Bapcor Limited
3. Excludes the impact of AASB16 *Leases* up to 2019. From 2020 the AASB *Leases* impact is included. The impact of implementing AASB *Leases* on NPAT is immaterial, being less than $0.5m.
4. Issued shares increased by 53.7M shares or 19% in April / May 2020.

Bapcor Limited
Directors' report
30 June 2021

Over the past seven years Bapcor's fixed remuneration increases have remained well below all performance measures, including growth in Market Capitalisation, Net Profit after Tax and Revenue. The following graph shows how the relationships have moved relative to each other over the last seven years.

Remuneration Analysis FY14 - FY21

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



	FY14	FY15	FY16	FY17	FY18	FY19	FY20[1]	FY21
E-KMP fixed $M	1.66	1.87	2.87	3.91	4.96	4.89	5.07	5.32
E-KMP roles at year end	5	6	7	9	9	9	9	9
Avg fixed $000's	333	312	410	435	551	543	564	591

(1) FY20 E-KMP fixed $M includes two months of Covid related salary sacrifice

14.3 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 FY21 and their positions are those in the following table.

Name	Position
Non-executive Directors	
Margaret Haseltine	Board Chair (from 17 February 2021) Member of Nomination, Remuneration, Environment, Safety & Governance Committee ('NRESGC') (from 17 February 2021) Chair of NRESGC (until 16 February 2021) Member Audit and Risk Committee ('ARC') (until 16 February 2021)
Therese Ryan	Member NRESGC Member ARC
Jennifer Macdonald	Chair ARC Member NRESGC
Mark Powell[1]	Chair NRESGC (from 17 February 2021) Member NRESGC (from 20 October 2020, until 16 February 2021)
James Todd[1]	Member ARC (from 20 October 2020)
Andrew Harrison	Board Chair (retired 16 February 2021) Member ARC (retired 16 February 2021) Member NRESGC (retired 16 February 2021)
Executive Director	
Darryl Abotomey	Managing Director and Chief Executive Officer
Executive KMP	
Noel Meehan	Chief Financial Officer (appointed 2 July 2020)
Craig Magill	Executive General Manager, 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
Alison Laing	Executive General Manager, Human Resources

Notes:

1 Mark Powell and James Todd were appointed as Independent, Non-Executive Directors 1 September 2020.
2 Greg Fox was Chief Financial Officer and Company Secretary in FY20 and retired on 2 July 2020. He was no longer considered a KMP for FY21.

14.4 Remuneration governance

The following chart outlines Bapcor's approach to 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 NRESGC
- Has ultimate discretion in determining the outcomes of incentive arrangements to ensure anomalous outcomes do not arise. This discretion may be exercised to ensure these outcomes reflect the experience of shareholders
- Has discretion to exercise clawback provisions should any material financial misstatements arise

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

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 discretion in determining the outcomes of incentive arrangements to ensure anomalous outcomes do not arise, and recommending any changes to the Board
- assess executive KMP performance

The NRESGC charter can be found at www.bapcor.com.au/about/governance.

External Advisors[1]

- NRESGC seeks external advice and assistance from independent remuneration consultants as it considers appropriate
- Protocols are in place with the Board and NRESGC to ensure the engagement of remuneration advisors is independent of management and is able to be carried out free of any undue influence
- During FY21 the NRESGC engaged Guerdon Associates to provide benchmarking reports in respect of executive KMP remuneration and NED fees as well as other information.
- No remuneration recommendations as defined in section 9B of the Corporations Act 2001 were received.

1 The following arrangements are made to ensure that all engagements of remuneration advisors are independent of management and are able to be carried out free of any undue influence:

- They are engaged directly by the Chair of the NRESGC under delegated authority on behalf of the Board,
- Reports are provided directly to the Chair of the NRESGC, and
- They have unobstructed access to Bapcor personnel throughout the engagement.

As a consequence the Board is satisfied that any advice and assistance received are made free from any undue influence.

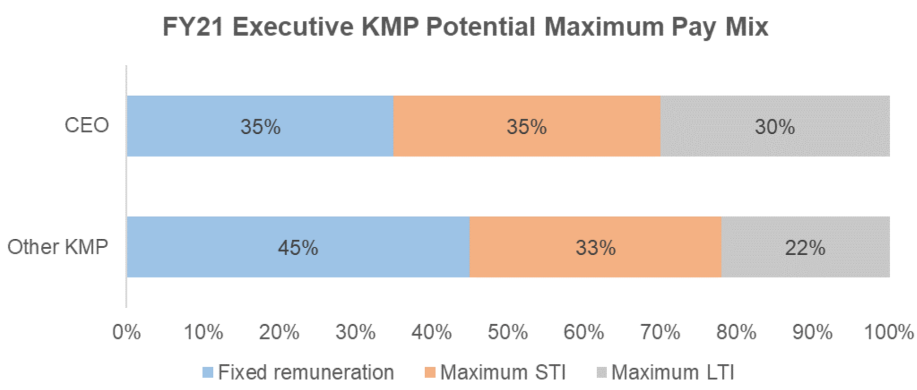
14.5 Remuneration framework and outcomes

The following sections explain FY21 Executive KMP remuneration:

14.5.1 FY21 maximum remuneration mix
14.5.2 Fixed remuneration – principles
14.5.3 Short-term incentive – principles
14.5.4 Short-term incentive – performance measurement
14.5.5 Short-term incentive – outcomes
14.5.6 Long-term incentive plan – principles
14.5.7 Long-term incentive plan – vesting scales
14.5.8 Long-term incentive plan – FY21 comparator group
14.5.9 Long-term incentive plan – FY21 grants
14.5.10 Long-term incentive plan – outcomes

14.5.1 FY21 maximum remuneration mix

There are three components that make up the total remuneration for each Executive KMP – fixed remuneration, variable short-term incentive and variable long-term incentive. The maximum potential remuneration by component for Executive KMP is shown in the following chart.



14.5.2 Fixed remuneration – principles

Fixed remuneration comprises base salary, superannuation and non-cash benefits such as motor vehicles. It is set at a level to attract and retain executive talent with the appropriate capabilities to deliver Bapcor's strategic objectives.

Fixed remuneration is generally positioned having consideration for benchmarking data, surrounding market conditions and sentiment, the trajectory of the company's growth, strategic objectives, competency and skillset of individuals, scarcity of talent, changes in role complexities and the geographical spread of the company. Market benchmarks are typically set with reference to market capitalisation and include organisations within Bapcor's industry sector and those that are similar in complexity as determined by the NRESGC each year. Independent benchmarking is obtained each year by NRESGC.

There were only four Executive KMP out of nine who received an increase where there has been a significant increase in role complexity and responsibility or where the Executive KMP was new to role and had not been reviewed since appointment and was below market median based on role benchmarking.

Executive KMP	Position	FY20 Fixed Remuneration	FY21 Fixed Remuneration	% Change from FY20 to FY21
D Abotomey	Managing Director and Chief Executive Officer	1,313,250	1,313,250	Nil
N Meehan	Chief Financial Officer	Not applicable	700,000	Nil
C Magill	Executive General Manager, Trade	575,000	575,000	Nil
M Storey	Executive General Manager, Bapcor NZ	425,000	425,000	Nil
M Cooper	Executive General Manager, Specialist Wholesale – Mechanical	490,000	525,000	7.14%
S Drummy	Executive General Manager, Specialist Wholesale – Engine Management	435,000	470,000	8.05%
T Cockayne	Executive General Manager, Retail	450,000	485,000	7.78%
J Nicol	Chief Operating Officer	410,000	450,000	8.89%
A Laing	Executive General Manager, Human Resources	380,000	380,000	Nil

14.5.3 Short-term incentive – principles

What is the objective of the STI?	The short-term incentive ('STI') is an annual incentive plan designed to reward Executive KMP's for meeting or exceeding performance-based objectives over a one-year period. The STI has been designed to support the objective of short-term outperformance in all areas of the business through the use of annual measures linked to the business strategy and set at levels that are achievable, yet challenging. These performance-based outcomes are considered to be an appropriate link between Executive KMP's remuneration and the creation of shareholder wealth.
How is it paid?	In FY21 the plan was amended so that 25% of any STI earned is deferred for twelve months. For FY21, the deferred amount will be paid in cash or equity at the option of the participant. From FY22, the deferred amount will be paid in equity until the participant holds at least the equivalent of one years' fixed remuneration in equity. The STI award to incorporate a mandatory 25% of any STI award deferred into equity for twelve months is to reinforce alignment to longer-term shareholder interests. No dividends are attached to any deferred equity.
How much can Executive KMP's earn?	In FY21, the Managing Director and Chief Executive Officer had a maximum STI opportunity of 100% of fixed remuneration, and other Executive KMP's had a maximum STI opportunity of 75% of fixed remuneration. At the end of each financial year a review by the Board of each Executive KMP's performance against agreed performance measures that were established at the beginning of the financial year, will determine the percentage (between 0% - 100%) of the maximum potential STI that will be awarded.

How is performance measured?	A combination of specific performance targets are determined at the beginning of the financial year to reflect the core drivers of short term performance and also to provide a framework for delivering sustainable long-term value to the Group and its shareholders.
	
	The following performance targets were chosen for FY21:
	• Financial targets:
	    o NPAT for CEO/CFO and
	    o EBIT (Group or Segment) for all Executive KMP
	    o Revenue (Group or Segment) for all Executive KMP
	    o Working Capital targets for all Executive KMP
	• Non-financial objectives:
	    o Safety & Risk Management
	    o Team – Succession Planning, Diversity, Talent Development
	    o Strategic Growth – Stores, Intercompany Sales, Own Brand growth
	    o Implementation of the Victorian Consolidated Distribution Centre
	    o Digital Development
	
	Further details on these KPIs, the weightings respective to each member of the Executive KMP and the outcomes are presented in the outcomes section.

When is it paid?	The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures. The STI award for FY21 will be paid 75% in cash following the performance assessment, with the remaining 25% deferred for 12 months and paid in cash or equity. From FY22, the deferred component into equity will be mandatory until the equivalent of one year's fixed remuneration is reached.
What happens if an Executive KMP leaves?	*Prior to STI payment date*: if an Executive KMP ceases employment with Bapcor prior to any cash being paid, the Executive KMP will forfeit any awards to be paid for the performance period, unless the Board determines otherwise. *Post STI payment date*: if an Executive KMP resigns from their position, they will be paid the STI on the relevant date unless they are dismissed for serious misconduct wherein any unpaid amount will be forfeited in accordance with the Clawback policy.
Change of Control	In the event that a 'Change of Control Event' (as defined in the Plan) occurs or the Company sells the whole or a substantial part of Bapcor Limited, the Board may in its discretion determine whether and in what amount to pay any STI bonuses under the FY21 STI Program.
Clawback	The Board retains the discretion to adjust the STI bonus payable prior to payment or to reclaim any STI Bonus after payment or issue (clawback) such as, but not limited to, instances of: • Material financial misstatements; • Major negligence; • Significant legal, regulatory and/or policy noncompliance; and • Significant harmful act by an individual.

14.5.4 Short-term incentive – performance measurement

Participants in the STI plan are eligible to earn a maximum payment that is a percentage of their fixed annual remuneration with financial and non-financial targets established at the beginning of each financial year by the Board. Actual STI payments will be at or below the maximum depending on the achievement of these financial and non-financial objectives.

The largest component of the STI opportunity 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 FY21 objectives set by the Board were at levels higher than the previous year's achievement.

The remaining component of the STI is subject to meeting other annual non-financial objectives.

Type of performance measure and weighting at Maximum	Performance measure	Rationale	FY21 actual performance	Level of Achievement
Financial CEO 83.5% Other KMP 80%	Group NPAT	Increase more than 30% above FY20 actual and more than 25% above FY19 actual. This is above market expectations at time it was set.	Pro-forma NPAT is: • 46.5% above FY20 and • 37.9% above FY19, exceeding the maximum objective by 8.4%.	100% of maximum for group. Business segments vary – mostly at maximum.
	EBIT (Group or Segment)	Targets set by business segment reflecting the increase in the group NPAT target	Group EBIT is: • 38.9% above FY20 exceeding the maximum objective by 8.6%	100% of maximum for group. Business segments vary – mostly at maximum.
	Revenue (Group or Segment)	Targets set by business segment reflecting the growth used for the group revenue.	Group Revenue is: • 20.4% above FY20	100% of maximum for group. Business segments vary – mostly at maximum.
	Working Capital or Inventory to Sales Percentage	Working capital or Inventory to sales % to reduce from FY20	FY21 WC to sales 16.3% Target 16.4%	100% of target – varies by participant

Type of performance measure and weighting at Maximum	Performance measure	Rationale	FY21 actual performance	Level of Achievement
Non-Financial CEO 16.5% Other KMP 20%	Safety & Risk Management	Ensure a safe working environment for team members. Implement improved reporting system and complete action items. Prepare and action quarterly Risk Registers.	New reporting system implemented. Quarterly safety risk registers reviewed and actioned.	Mostly Achieved
	Team – Succession planning, Diversity, Talent Development	Critical for growth of business – specific targets set by area for each individual.	Succession planning & talent management implemented by each business and group. Diversity actions behind target. Development program implemented for Leadership Team.	Part Achieved
	Strategic Growth	Critical for delivery of five year strategic targets. Achieve new stores to support future growth, intercompany sales growth, own brand targets.	Net new company stores opened was 31. Own brand at 31% - in line with target.	Mostly Achieved
	Implementation of the Victorian Consolidated DC	Key group strategic objective is to have the most efficient supply chain. In FY21, deliver on time and on budget the major project for the group which sets long term supply chain efficiency. Program is to transition thirteen DC's in Melbourne into one consolidated DC.	Transition of retail business was achieved smoothly with no material impact on revenue and profit. Overall program delayed due to Covid restrictions.	Mostly Achieved
	Digital Development	Ensuring the business moves ahead through a program utilising modern technology development to competitive advantage	Program developed and approved by Board. Implemented new retail POS, eCommerce B2C and B2B, vehicle on line platform launched. Other projects progressed.	Mostly Achieved

Maximum Potential by Measure						
Scorecard Category	**Measure**	**CEO**	**CFO**	**EGMs**	**COO**	**EGM HR**
Financial	Group NPAT	72.5%	13.3%			
	Revenue			3.3%		
	Group EBIT	5.5%	53.4%	33.4%	46.7%	53.4%
	Segment EBIT			37.4%	4.7%	
	Working Capital or Inventory to Sales Percentage	5.5%	13.4%	6.0%	8.7%	
Non-Financial	Safety & Risk Management	1.1%	1.3%	1.3%	1.3%	2.7%
	Team – Succession Planning, Diversity, Talent Development	1.65%	3.3%	2.7%	3.3%	4.0%
	Strategic Growth	8.25%	15.3%	9.3%	15.3%	8.0%
	Implementation of the Victorian Consolidated DC	2.75%		3.3%	20.0%	26.6%
	Digital Development	2.75%		3.3%		5.3%
Total		***100%***	***100%***	***100%***	***100%***	***100%***
Maximum % of Total Fixed Remuneration Achievable		***100%***	***75%***	***75%***	***75%***	***75%***

14.5.5 Short-term incentive – outcomes

The following table shows the estimated STI outcomes for the Executive KMP for FY21:

KMP	Maximum STI as a % of FAR	STI as a % of maximum	STI forfeited as a % of maximum	STI awarded $	Deferred STI $
D Abotomey	100.0%	93.6%	6.4%	1,229,587	307,397
N Meehan	75.0%	91.9%	8.1%	482,312	120,578
C Magill	75.0%	95.1%	4.9%	409,977	102,494
M Storey	75.0%	65.7%	34.3%	209,525	52,381
M Cooper	75.0%	89.7%	10.3%	353,325	88,331
S Drummy	75.0%	88.1%	11.9%	310,672	77,668
T Cockayne	75.0%	89.6%	10.4%	325,920	81,480
J Nicol	75.0%	79.6%	20.4%	268,651	67,163
A Laing	75.0%	88.4%	11.6%	251,941	62,985
Total				**3,841,910**	**960,477**

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

14.5.6 Long-term incentive plan – principles

The key terms of the LTI plan under which grants were made in FY21 and prior years are as follows:

What is the objective of the LTI Plan?	The long-term incentive ('LTI') plan focuses the efforts of the MD/CEO and other Executive KMP's on creating sustainable long-term value. The LTI plan rewards executives for creating sustained shareholder wealth in excess of that of peer companies in our industry and absolute long-term earnings performance. The LTI plan serves to attract and retain key executives and promotes strong alignment with shareholders' interests, aligning long-term Company and shareholder value creation.
Administration	The LTI plan is administered by the Board.
Who participates?	In FY21 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. The MD/CEO is entitled to a maximum opportunity of 90% of Fixed Remuneration, whilst other executives are entitled to a maximum opportunity of 50% (60% for the CFO) of Fixed Remuneration.
Instrument	The FY21 LTI opportunity provides the grant of Performance Rights to participants that will vest upon satisfaction of the performance conditions, and convert into fully paid ordinary shares. The Performance Rights do not carry any voting rights or dividend entitlements. Performance rights that have satisfied the performance conditions vest at the election of the participant – which may be for a period up to 15 years from the satisfaction of the performance hurdles. 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.
How was the number of Performance Rights determined?	For the grants made in FY21, the number of Performance Rights was determined by dividing the participants LTI opportunity by the face value of a Bapcor shares based on the weighted average share price in the ten days to 30 June 2020.
Performance period	The performance period for the LTI's granted in FY21 is 3 years.
Performance measures	Each participant is granted two tranches of Performance Rights: • 50% of the total grant value of Performance Rights are subject to the satisfaction of a total shareholder return ('TSR') performance hurdle for the relevant performance period ('TSR Rights'), and • 50% are subject to satisfaction of an earnings per share ('EPS') performance hurdle for the relevant performance period ('EPS Rights'). These are described in more detail in the section following this table.
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 FY21 or prior years.
Other terms	Shares acquired on the conversion of vested Performance Rights cannot be sold for a period of twelve months from the date the rights satisfied the performance hurdles. Performance Rights cannot be transferred, encumbered or hedged. The LTI contains other terms relating to the administration, variation, suspension and termination of the LTI.
Change of Control	In the event that a 'Change of Control Event' (as defined in the Plan) occurs or the Company sells the whole or a substantial part of Bapcor Limited, the Board may in its discretion determine whether and in what amount of any Performance Rights vest.
Dividends and voting rights	Performance rights do not confer on the holder any entitlement to any dividends or other distributions by the Group or any right to attend or vote at any general meeting of the Group.

What happens if a KMP leaves?	The LTI Performance Rights are subject to the participant being employed (or contracted) for the full performance period of 3 years. If the participant is a “good leaver”, as defined in the plan, the prorated number of months completed out of the three years may vest if the performance hurdles are achieved. If the participant is not a “good leaver” any unvested rights will automatically lapse on the date of the cessation of employment, subject to any determination otherwise by the Board in its sole and absolute discretion.
Clawback	Where, in the opinion of the Board, the participant: • acts fraudulently, or dishonestly; • wilfully breaches their duties to the Group; or • is responsible for material financial misstatements, major negligence, significant legal, regulatory and/or policy non-compliance, or a significant harmful act; the Board may, at its sole and absolute discretion, deem some or all of the unvested, or vested but unconverted, performance rights granted to that participant to be forfeited and to have lapsed. Under specific circumstances any vested equity can be clawed back from the participant.

14.5.7 Long-term incentive plan – vesting scales

Relative total shareholder return hurdle (‘TSR’)

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 1 July 2020 and 30 June 2023 (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.

Earnings per share growth (‘EPS’)

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 FY20 pro-forma basic EPS of 30.23 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 FY21 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.

14.5.8 Long-term incentive plan – FY21 comparator group

The comparator group for the FY21 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

14.5.9 Long-term incentive plan – FY21 grants

In relation to FY21 an offer to participate was made to nine Executive KMPs. These allocated Performance Rights have a performance period ending 30 June 2023 at which time the performance hurdles are tested. A summary of the terms is in the following table:

Grant date	10/09/2020		20/10/2020	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/07/2020 to 30/06/2023		1/07/2020 to 30/06/2023	
Test date	30/06/2023		30/06/2023	
Expiry date	6/09/2035		6/09/2035	
Quantity granted	170,280	170,280	100,504	100,504
Exercise price	Nil		Nil	
Fair value at grant date	$5.88	$5.88	$5.88	$5.88
Other conditions	Restriction on sale to 30/06/2024		Restriction on sale to 30/06/2024	
Share price on valuation date	$6.89		$8.19	
Volatility	38.02%		38.31%	
Dividend yield	2.54%		2.14%	
Risk free rate	0.2441%		0.1269%	

14.5.10 Long-term incentive plan – outcomes

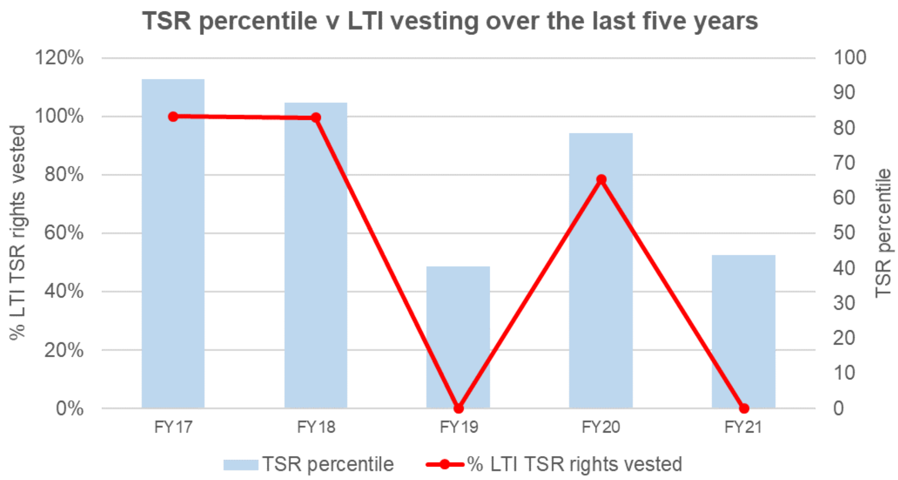
During FY21 the following Performance Rights were independently tested by third parties:

The LTI granted to six executives on 26 September 2018, was independently tested by a third party against the company's FY21 TSR and EPS performance. The extent to which they vested is as follows:

Relative TSR Rights: Bapcor's TSR performance ranked at the 43.7^{th} percentile of the comparator group. This resulted in none of the tranche vesting.
Compound annual growth rate ('CAGR') of EPS: Bapcor's CAGR of EPS was 7.3%. This resulted in none of the tranche vesting.

The LTI granted to the CEO on 29 October 2018, was independently tested by a third party against the company's FY21 TSR and EPS performance. The extent to which they vested is as follows:

Relative TSR Rights: Bapcor's TSR performance ranked at the 43.7^{th} percentile of the comparator group. This resulted in none of the tranche vesting.
CAGR of EPS: Bapcor's CAGR of EPS was 7.3%. This resulted in none of the tranche vesting.



14.6 Cash and realisable remuneration (non-statutory)

The following table shows the total cash remuneration received by Executive KMP's in respect of FY21. Total cash payments received are made up of fixed remuneration inclusive of superannuation and benefits and the amount of the FY21 STI award that is not deferred and is paid in August 2021.

The table also includes the value of previous years' deferred STI and LTI awards that vested during FY21 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 FY21		
Executive KMP	**Fixed remuneration[1] $**	**FY21 cash STI[2] $**	**Total cash in respect of FY21 $**	**Prior year deferred STI received[3] $**	**Vested and unrestricted LTI[4] $**	**Total received and realisable during FY21 $**
D Abotomey	1,313,250	922,190	2,235,440	-	555,901	2,791,341
N Meehan	700,000	361,734	1,061,734	-	-	1,061,734
C Magill	575,000	307,483	882,483	-	65,580	948,063
M Storey	425,000	157,144	582,144	-	-	582,144
M Cooper	525,000	264,994	789,994	-	61,630	851,624
S Drummy	470,000	233,004	703,004	-	-	703,004
T Cockayne	485,000	244,440	729,440	-	-	729,440
J Nicol	450,000	201,488	651,488	-	-	651,488
A Laing	380,000	188,956	568,956	-	-	568,956
Total	**5,323,250**	**2,881,433**	**8,204,683**	**-**	**683,111**	**8,887,794**

1 Fixed remuneration is the aggregate of cash salary, superannuation and fringe benefits.
2 FY21 cash STI is the amount accrued and payable in respect of FY21 STI opportunity. It is the cash amount to be paid in August 2021 and excludes any deferred component. 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 $6.26 per share.

14.7 Statutory details of remuneration

The statutory remuneration disclosures for the year ended 30 June 2021 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 and other transactions with 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
2021	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**	**%**
NED									
M Haseltine[3]	181,836	-	17,134	-	-	198,970	100%	-	-
T Ryan	122,016	-	11,592	-	-	133,608	100%	-	-
J Macdonald	139,719	-	13,273	-	-	152,992	100%	-	-
J Todd[4]	90,082	-	8,558	-	-	98,640	100%	-	-
M Powell[4]	96,124	-	9,132	-	-	105,256	100%	-	-
A Harrison[5]	178,229	-	15,019	-	-	193,248	100%	-	-
Executive Director									
D Abotomey	1,301,082	1,322,456	25,961	20,638	1,145,225	3,815,362	35%	35%	30%
Other KMP									
N Meehan[6]	713,400	497,312	21,694	11,305	130,118	1,373,829	55%	36%	9%
C Magill	542,053	451,527	22,529	9,222	266,632	1,291,963	44%	35%	21%
M Storey	405,111	231,017	11,808	-	190,726	838,662	49%	28%	23%
M Cooper	506,158	388,500	21,694	8,388	223,206	1,147,946	47%	34%	19%
S Drummy	458,590	331,372	21,694	7,472	139,305	958,433	50%	35%	15%
T Cockayne	479,343	358,095	21,694	7,722	144,110	1,010,964	51%	35%	14%
J Nicol	436,541	317,826	21,694	7,138	131,300	914,499	51%	35%	14%
A Laing	362,044	278,866	22,529	5,972	172,512	841,923	47%	33%	20%
Total	**6,012,328**	**4,176,971**	**266,005**	**77,857**	**2,543,134**	**13,076,295**			

1 There were no non-monetary benefits to KMP in FY21.
2 Cash salary and fees includes accrued annual leave. Bonus includes any prior year variance for accrual estimate versus actual cash paid.
3 M Haseltine was appointed Chair 17 February 2021.
4 J Todd and M Powell were appointed 1 September 2020.
5 A Harrison retired 16 February 2021.
6 N Meehan was appointed 2 July 2020.

	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[3]	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[4]	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 NED fees by up to 30% due to Covid.
3 G Fox retired 2 July 2020 and was no longer a KMP in FY21.
4 J Nicol was appointed 8 July 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.

Chief Executive Officer & Managing Director

Name:	Darryl Abotomey
Title:	Chief Executive Officer and Managing Director
Agreement commenced:	1 May 2019
Term of agreement:	To 31 October 2023

Details:

Fixed annual remuneration is $1,313,250 (inclusive of superannuation). No increase was applied in FY21. Fixed remuneration is reviewed annually. Fixed remuneration and incentives were based on independent benchmarking received from Guerdon Associates.

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 than any amounts accrued and earned such as annual leave, long service leave, STI and LTI (subject to vesting conditions and Board approval) there are no termination payments included in his contract.

Other Executive 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 ('FAR')	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.
Termination payments	Each contract includes termination payments relating to amounts accrued and earned such as annual leave, long service leave, STI and LTI (subject to vesting conditions and Board approval).

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 NRESGC. The NRESGC seeks to set fees at a level that will attract and retain high calibre NEDs who have a diverse range of experience, skills and qualifications to enable effective oversight of management and the company. The NRESGC may, from time to time, receive advice from independent remuneration consultants to ensure NED fees and payments are competitive, appropriate and in line with the market. Refer section 14.4 for more details on independent remuneration consultancy received in FY21.

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

The following fee policy for the Board and Committees took effect from 1 July 2020:

NED type[1]	Board $	NRESGC $	ARC $
Chair	288,400	30,000	30,000
Member	113,300	10,000	10,000

1 All fee amounts are inclusive of compulsory superannuation obligations.

Fees paid to NEDs in FY21 are set out in the following table. Fees are paid in cash and NEDs were not granted options or share rights. NEDs are not entitled to any payment on retirement or resignation from the Board. Directors may also be reimbursed for expenses properly incurred by the director in connection with the affairs of Bapcor including travel and other expenses whilst attending to company affairs.

NED	Financial year	Board fees[4] $	Committee fees $	Superannuation $	Total $
M Haseltine[1]	2021	157,753	24,083	17,134	198,970
	2020	98,636	17,411	11,425	127,472
T Ryan	2021	103,709	18,307	11,592	133,608
	2020	98,640	26,118	12,282	137,040
J Macdonald	2021	103,263	36,456	13,273	152,992
	2020	98,640	26,118	12,282	137,040
M. Powell[2]	2021	83,038	13,086	9,132	105,256
J. Todd[2]	2021	83,899	6,183	8,558	98,640
A Harrison[3]	2021	178,229	-	15,019	193,248
	2020	249,013	-	21,003	270,016

1 M Haseltine was appointed Chair 17 February 2021.
2 M Powell and J Todd were appointed as an Independent, Non-Executive Director 1 September 2020.
3 A Harrison retired on 16 February 2021.
4 For two months in FY20 during the initial Covid crisis NED's took a 30% voluntary fee reduction.

Shares held by NEDs

The Board has a guideline that non-executive directors increase their holding of shares in the company so that within three years of appointment it reaches a minimum level of one times the base board fees. The current shareholding interests of the NEDs is set out in section 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. 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	201,002	30/06/20	-	834,972	99,496	101,506	-	50%	50%	-
	29/10/18	170,886	30/06/21	-	863,829	-		170,886	-	-	287,943
	1/11/19	209,560	30/06/22	-	1,230,117	-	-	209,560	-	-	410,039
	20/10/20	201,008	30/06/23	-	1,341,728	-	-	201,008	-	-	447,243
N Meehan	10/09/20	71,428	30/06/23	-	390,354	-	-	71,428	-	-	130,118
C Magill	4/12/17	45,981	30/06/20	-	191,008	22,760	23,221	-	49%	51%	-
	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
	10/09/20	48,894	30/06/23	-	267,206	-	-	48,894	-	-	89,069
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
	10/09/20	36,140	30/06/23	-	197,505	-	-	36,140	-	-	65,835
M Cooper	4/12/17	39,412	30/06/20	-	163,719	19,509	19,903	-	50%	50%	-
	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
	10/09/20	41,666	30/06/23	-	227,705	-	-	41,666	-	-	75,902
A Laing	4/12/17	28,152	30/06/20	-	116,945	13,935	14,217	-	49%	51%	-
	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
	10/09/20	32,312	30/06/23	-	176,585	-	-	32,312	-	-	58,862

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
	10/09/20	38,266	30/06/23	-	209,124	-	-	38,266	-	-	69,708
S Drummy	6/09/19	38,564	30/06/22	-	215,766	-	-	38,564	-	-	71,922
	10/09/20	36,990	30/06/23	-	202,150	-	-	36,990	-	-	67,383
J Nicol	6/09/19	36,348	30/06/22	-	203,367	-	-	36,348	-	-	67,789
	10/09/20	34,864	30/06/23	-	190,532	-	-	34,864	-	-	63,511
Total		**1,645,653**			**8,936,042**	**155,700**	**158,847**	**1,331,106**			**2,543,134**

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.

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
2021							
Directors							
M Haseltine	39,849	-	-	10,000	-	-	49,849
T Ryan	40,256	-	-	-	-	-	40,256
J Macdonald	23,363	-	-	6,650	-	-	30,013
D Abotomey	1,431,154	-	-	10,000	-	-	1,441,154
J Todd	-	-	-	20,000	-	-	20,000
M Powell	-	-	-	13,000			13,000
A Harrison	85,389	-	-	-	-	(85,389)	-
Other KMP							
G Fox	232,997	-	-	-	-	(232,997)	-
N Meehan	-	-	-	14,000	-	-	14,000
C Magill	448,719	-	-	-	-	-	448,719
M Cooper	27,518	19,509	-	-	-	-	47,027
A Laing	-	-	-	3,000	-	-	3,000
T Cockayne	-	-	-	14,184	-	-	14,184
S Drummy	-	-	-	5,750	-	-	5,750
J Nicol	-	-	-	690	-	-	690
Total	**2,329,245**	**19,509**	**-**	**97,274**	**-**	**(318,386)**	**2,127,642**
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**

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				
26/09/18	30/06/21	26/09/33	$0.00	128,504
29/10/18	30/06/21	29/10/33	$0.00	170,886
6/09/19	30/06/22	6/09/34	$0.00	280,588
1/11/19	30/06/22	6/09/34	$0.00	209,560
10/09/20	30/06/23	6/09/35	$0.00	340,560
20/10/20	30/06/23	6/09/35	$0.00	201,008
Total shares under option or right				**1,331,106**

14.7.7 Loans and other transactions with KMP

No loans were made to any KMP in FY21 and there are no outstanding loans to any KMP. No other transactions occurred in FY21 with any KMP.

15. Matters subsequent to the end of the financial year

Apart from the dividend declared and the ongoing uncertainty around Covid related restrictions, no other matter or circumstance has arisen since 30 June 2021 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

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

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

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

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

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 45 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

Margaret Haseltine
Chair

Darryl Abotomey
Chief Executive Officer and Managing Director

18 August 2021
Melbourne

Auditor's Independence Declaration

As lead auditor for the audit of Bapcor Limited for the year ended 30 June 2021, 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
18 August 2021

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:

127-139 Link Road, Melbourne Airport VIC 3045 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 18 August 2021. 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 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	4	1,761,673	1,462,747
Share of profits of associates	13	102	-
Other income	5	2,388	3,222
Expenses			
Impairment of investments	13	(4,379)	-
Cost of sales		(949,283)	(782,473)
Employee expenses		(373,084)	(321,565)
Advertising		(36,974)	(30,885)
Freight		(26,364)	(21,762)
IT and communications		(20,615)	(18,393)
Motor vehicles		(11,435)	(12,001)
Other expenses		(70,080)	(67,701)
Depreciation and amortisation expense	6	(85,380)	(80,052)
Finance costs	6	(15,153)	(19,765)
Profit before income tax expense		171,416	111,372
Income tax expense	7	(52,857)	(32,655)
Profit after income tax expense for the year		118,559	78,717
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		(944)	(4,640)
Changes in the fair value of cash flow hedges		4,389	(3,216)
Other comprehensive income for the year, net of tax		3,445	(7,856)
Total comprehensive income for the year		122,004	70,861
Profit for the year is attributable to:			
Non-controlling interest		(206)	(455)
Owners of Bapcor Limited	22	118,765	79,172
		118,559	78,717
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(407)	(421)
Owners of Bapcor Limited		122,411	71,282
		122,004	70,861
		Cents	**Cents**
Basic earnings per share	25	34.99	26.97
Diluted earnings per share	25	34.86	26.85

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

Bapcor Limited
Consolidated statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		39,598	126,300
Trade and other receivables	8	193,094	163,993
Inventories	9	447,059	363,049
Derivative financial instruments	18	2,732	131
Other assets		297	297
Total current assets		682,780	653,770
Non-current assets			
Right-of-use assets	10	197,983	158,871
Property, plant and equipment	11	99,988	75,179
Intangibles	12	763,884	757,437
Investments accounted for using the equity method	13	8,102	-
Deferred tax	7	36,430	34,710
Total non-current assets		1,106,387	1,026,197
Total assets		1,789,167	1,679,967
Liabilities			
Current liabilities			
Trade and other payables	14	243,160	222,204
Provisions	15	45,011	41,871
Lease liabilities	17	64,117	58,672
Derivative financial instruments	18	1,007	4,652
Income tax		10,375	2,030
Total current liabilities		363,670	329,429
Non-current liabilities			
Provisions	15	15,858	16,271
Borrowings	16	204,231	229,072
Lease liabilities	17	162,213	123,136
Total non-current liabilities		382,302	368,479
Total liabilities		745,972	697,908
Net assets		1,043,195	982,059
Equity			
Issued capital	20	867,972	869,418
Reserves	21	8,412	1,397
Retained profits	22	165,406	109,432
Equity attributable to the owners of Bapcor Limited		1,041,790	980,247
Non-controlling interest	23	1,405	1,812
Total equity		1,043,195	982,059

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 2021

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	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 20)	246,955	-	-	-	-	246,955
Share-based payments (note 21)	-	-	1,979	-	-	1,979
Treasury shares (note 20)	-	(1,073)	-	-	-	(1,073)
Dividends paid (note 24)	-	-	-	(49,694)	-	(49,694)
Balance at 30 June 2020	878,652	(9,234)	1,397	109,432	1,812	982,059

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained earnings $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2020	878,652	(9,234)	1,397	109,432	1,812	982,059
Profit/(loss) after income tax expense for the year	-	-	-	118,765	(206)	118,559
Other comprehensive income for the year, net of tax	-	-	3,646	-	(201)	3,445
Total comprehensive income for the year	-	-	3,646	118,765	(407)	122,004
Transactions with owners in their capacity as owners:						
Share-based payments (note 21)	-	-	3,369	-	-	3,369
Treasury shares (note 20)	-	(1,446)	-	-	-	(1,446)
Dividends paid (note 24)	-	-	-	(62,791)	-	(62,791)
Balance at 30 June 2021	878,652	(10,680)	8,412	165,406	1,405	1,043,195

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 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,912,040	1,616,318
Payments to suppliers and employees (inclusive of GST)		(1,704,279)	(1,364,672)
Net cash converted		*207,761*	*251,646*
Payments for new store initial inventory purchases		(16,048)	(2,023)
Payments relating to restructuring activities		(433)	(449)
Borrowing costs		(7,775)	(11,607)
Transaction costs relating to acquisition of business		(606)	(1,827)
Income taxes paid		(47,037)	(35,487)
Net cash from operating activities	26	135,862	200,253
Cash flows from investing activities			
Payment for purchase of business, net of cash and cash equivalents		(2,662)	(55,697)
Payment for deferred settlements		(1,000)	(16,911)
Payments for investment in associates		(12,282)	-
Payments for property, plant and equipment	11	(43,034)	(30,528)
Payments for intangibles	12	(12,010)	(8,020)
Proceeds from disposal of property, plant and equipment		395	1,334
Net cash used in investing activities		(70,593)	(109,822)
Cash flows from financing activities			
Proceeds from issue of shares	20	-	236,147
Share issue transaction costs	20	-	(4,623)
Purchase of treasury shares	20	(1,446)	(1,073)
Net repayments of borrowings		(25,500)	(152,200)
Dividends paid	24	(62,791)	(35,650)
Repayment of lease liabilities		(61,104)	(54,552)
Net cash used in financing activities		(150,841)	(11,951)
Net increase/(decrease) in cash and cash equivalents		(85,572)	78,480
Cash and cash equivalents at the beginning of the financial year		126,300	47,610
Effects of exchange rate changes on cash and cash equivalents		(1,130)	210
Cash and cash equivalents at the end of the financial year		39,598	126,300

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 riskj 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.

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

Reclassifications in prior year

The financial statements contain some reclassifications of prior year disclosures to ensure comparability with the current year.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bapcor Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Bapcor Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

Note 1. Significant accounting policies (continued)

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

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

Associates

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

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

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

Foreign currency translation

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

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

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

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

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

Current and non-current classification

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

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

Note 1. Significant accounting policies (continued)

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

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

Impairment of assets

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

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

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

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

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

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

Rounding of amounts

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

Note 2. Critical accounting judgements, estimates and assumptions

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

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

Note 3. Segment information

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

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

Bapcor Trade	Represents the trade focused automotive aftermarket parts distribution to independent and chain mechanic workshops. Includes the operations of Burson Auto Parts and Precision Automotive Equipment.
Bapcor NZ	Includes the operations of Brake & Transmission, Autolign and HCB Technologies.
Bapcor 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 comprising Truckline and WANO.
Bapcor Retail	Represents the retail focused accessory stores that are positioned as the first choice destination for both the everyday consumer and automotive enthusiast as well as the service areas of Bapcor. Includes the operations of Autobarn, Autopro, 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 and other items which are determined to be outside of the control of the respective segments.

Note 3. Segment information (continued)

Operating segment information

Consolidated - 2021	Bapcor Trade $'000	Bapcor NZ $'000	Bapcor Specialist Wholesale $'000	Bapcor Retail $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	648,907	170,036	659,830	369,180	4,840	1,852,793
Total segment revenue	648,907	170,036	659,830	369,180	4,840	1,852,793
Intersegment sales						(91,120)
Total revenue						1,761,673
EBITDA	115,020	32,615	89,548	65,257	(23,151)	279,289
Intersegment EBITDA						(2,961)
Depreciation and amortisation						(85,380)
Finance costs						(15,153)
Impairment of investments						(4,379)
Profit before income tax expense						171,416
Income tax expense						(52,857)
Profit after income tax expense						118,559
Assets						
Segment assets	355,371	289,022	603,343	451,316	90,115	1,789,167
Total assets						1,789,167
Liabilities						
Segment liabilities	154,372	67,182	124,457	133,726	266,235	745,972
Total liabilities						745,972

Note 3. Segment information (continued)

Consolidated - 2020	Bapcor Trade $'000	Bapcor NZ $'000	Bapcor Specialist Wholesale $'000	Bapcor 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	54,327	(28,311)	212,291
Intersegment EBITDA						(1,102)
Depreciation and amortisation						(80,052)
Finance costs						(19,765)
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

* EBITDA split between Bapcor Retail and Unallocated / Head Office adjusted as incorrectly presented in the previous year. Acquisition costs have also been aggregated into Unallocated / Head Office's EBITDA to be consistent with current year's disclosure approach.

Geographical information

	Geographical non-current assets	
	2021 $'000	2020 $'000
Australia	882,648	800,310
New Zealand	186,290	189,908
Other	1,019	1,269
	1,069,957	991,487

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

Significant accounting policies

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

Note 4. Revenue

	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue from contracts with customers	1,761,673	1,462,747

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Geographical regions		
Australia	1,677,917	1,374,695
New Zealand	170,036	156,317
Thailand	4,840	4,185
Intersegment sales	(91,120)	(72,450)
	1,761,673	1,462,747
Timing of revenue recognition		
Goods transferred at a point in time	1,821,794	1,506,734
Services transferred over time	30,999	28,463
Intersegment sales	(91,120)	(72,450)
	1,761,673	1,462,747

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.

Note 5. Other income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Rental income	2,388	3,222

Rental income relates to rental recoveries from franchise locations.

Note 6. Expenses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment	11,933	10,818
Motor vehicles	5,604	5,126
Properties right-of-use assets	58,852	57,116
Motor vehicles right-of-use assets	1,395	1,431
Amortisation	7,641	3,640
Make good provision	(45)	1,921
	85,380	80,052
Finance costs		
Interest and finance charges paid/payable	7,889	13,441
Interest and finance charges paid/payable on lease liabilities	7,264	6,324
	15,153	19,765
Superannuation expense		
Defined contribution superannuation expense	23,281	20,502

Note 7. Income tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
Income tax expense		
Current tax on profits for the year	53,036	36,685
Deferred tax expense	(380)	(2,929)
Adjustment recognised for prior periods	201	(1,101)
Total income tax expense	52,857	32,655
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(10,035)	(6,045)
Increase in deferred tax liabilities	9,655	3,116
Deferred tax expense	(380)	(2,929)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	171,416	111,372
Tax at the statutory tax rate of 30%	51,425	33,412
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of investment	1,314	-
Adjustment recognised for prior periods	201	(1,101)
Difference in overseas tax rates	(470)	(347)
Other	387	691
Income tax expense	52,857	32,655

Note 7. Income tax (continued)

	Consolidated	
	2021 $'000	2020 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	4,944	1,155
Employee benefits	13,336	12,765
Trade and other receivables	2,654	3,144
Inventory	18,186	18,584
Lease liabilities	67,047	53,908
Other	8,416	10,974
	114,583	100,530
Amounts recognised in equity:		
Transaction costs on share issue	856	1,366
Cash flow hedge	-	1,351
Share-based payment	1,931	1,425
	2,787	4,142
Deferred tax asset	117,370	104,672
Set off deferred tax liabilities pursuant to set-off provisions	(80,940)	(69,962)
Net deferred tax asset	36,430	34,710
Movements:		
Opening balance	104,672	42,131
Credited to profit or loss	10,035	6,045
Credited/(charged) to equity	(509)	536
Additions through business combinations	1,037	7,836
Charged to other comprehensive income	(845)	920
Adjustment recognised for prior periods	2,980	-
Adjustment for change in accounting policy	-	47,204
Closing balance	117,370	104,672

Note 7. Income tax (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer contracts	4,678	5,206
Trademarks	17,111	17,514
Right-of-use assets	58,559	47,242
	80,348	69,962
Amounts recognised in equity:		
Cash flow hedge	592	-
Deferred tax liability	80,940	69,962
Set off deferred tax liabilities pursuant to set-off provisions	(80,940)	(69,962)
Net deferred tax liability	-	-
Movements:		
Opening balance	69,962	23,707
Charged/(credited) to profit or loss	9,655	3,116
Charged/(credited) to equity	592	(156)
Additions through business combinations	731	-
Adjustment on change in accounting policy	-	43,295
Closing balance	80,940	69,962

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 7. 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 8. Trade and other receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Trade receivables	166,844	147,925
Less: Allowance for credit notes	(1,526)	(1,623)
Less: Allowance for expected credit losses (trade receivables)	(7,068)	(8,522)
	158,250	137,780
Customer loans	313	562
Less: Allowance for expected credit losses (customer loans)	(313)	(562)
	-	-
Other receivables	23,158	17,436
Prepayments	11,686	8,777
	34,844	26,213
	193,094	163,993

Trade receivables are non-interest bearing and repayment terms vary by business unit. The total allowance for expected credit losses is $7,381,000 (2020: $9,084,000). This includes specifically identified provisions of $6,706,000 (2020: $7,562,000) and an estimated credit loss provision of $675,000 (2020: $1,522,000).

Customer loans relate to loans with franchisees. Loans with repayment terms of less than twelve months are classified as current. Of the total customer loans balance, $94,000 (2020: $343,000) are non-interest bearing. $219,000 (2020: $219,000) of loans have a weighted average annual interest rate of 10.5% (2020: 10.5%).

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

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current and not due	106,953	98,709
31 - 60 days	38,745	32,246
61 - 90 days	7,311	5,202
91+ days	5,241	1,623
	158,250	137,780

Note 8. Trade and other receivables (continued)

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

	Consolidated	
	2021 $'000	2020 $'000
Opening balance	9,084	6,235
Net additional provisions recognised/(released)	(767)	3,882
Additions through business combinations	-	1,080
Amounts utilised for debt write-off	(934)	(2,102)
Foreign currency translation	(2)	(11)
Closing balance	7,381	9,084

Bapcor recognised a net gain of $767,000 (2020: loss of $3,882,000) in respect of impaired receivables during the financial year. This recognised gain was due to the release of a Covid related provision taken up in FY20 of $907,000.

Significant accounting policies

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

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

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

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

Critical accounting judgements, estimates and assumptions

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

Note 9. Inventories

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Stock in transit - at cost	31,649	23,863
Stock on hand - at cost	469,202	395,039
Less: Provision for slow moving inventory	(53,792)	(55,853)
	415,410	339,186
	447,059	363,049

Total stock on hand and in transit has increased by $81.9M since 30 June 2020, of which new greenfield stores, business acquisitions, unrealised profit in stock and foreign currency translation account for $14.7M of the movement. The remaining $67.2M relates to investment in new and existing ranges as well as holdings to minimise supplier, manufacturer and shipping delays as discussed in the 'Operating and financial review' section of the Directors' Report.

Movements in provision for slow moving inventory

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	(55,853)	(43,647)
Additional provisions recognised against profit	(223)	(4,857)
Additions through business combinations	(413)	(9,333)
Inventory written off against provision	2,678	1,844
Foreign currency translation	19	140
Closing balance	(53,792)	(55,853)

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 10. Right-of-use assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Properties - right-of-use	309,545	211,454
Less: Accumulated depreciation	(112,852)	(55,055)
	196,693	156,399
Motor vehicles - right-of-use	4,290	3,786
Less: Accumulated depreciation	(3,000)	(1,314)
	1,290	2,472
	197,983	158,871

The large increase in property right-of-use assets in FY21 was primarily due to $45.1M recognised on commencement of the Tullamarine, Victoria distribution centre lease. This was offset by an increase to the property lease liability by the same amount. Refer to note 17.

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

Consolidated	Property $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2019	142,250	2,814	145,064
Additions	24,731	557	25,288
Additions through business combinations	16,150	1,042	17,192
Disposals	(2,945)	(13)	(2,958)
Remeasurements**	32,982	(474)	32,508
Foreign currency translation	(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
Make good asset transfer*	881	-	881
Adjusted balance at 1 July 2020	156,399	2,472	158,871
Additions	70,425	-	70,425
Additions through business combinations	2,441	-	2,441
Disposals	(5,275)	(7)	(5,282)
Remeasurements**	31,442	219	31,661
Foreign currency translation	113	1	114
Depreciation expense	(53,468)	(1,395)	(54,863)
Accelerated depreciation expense***	(5,384)	-	(5,384)
Balance at 30 June 2021	196,693	1,290	197,983

* The make-good asset balance has been reclassified to reflect current disclosure methodology as allowed under AASB 16 *Leases.* The prior year has been adjusted to allow comparability between periods.

** Remeasurements occur when options to renew that were previously excluded are subsequently included or when rentals change due to non-fixed rent reviews, causing an adjustment to both right-of-use asset and lease liability balances.

*** Accelerated depreciation relates to the Victorian DC Consolidation project and is based on the estimated exit dates of each site.

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

Significant accounting policies

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

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

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

Note 11. Property, plant and equipment

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Plant and equipment - at cost	134,710	99,960
Less: Accumulated depreciation	(55,980)	(45,114)
	78,730	54,846
Motor vehicles - at cost	41,296	36,963
Less: Accumulated depreciation	(20,038)	(16,630)
	21,258	20,333
	99,988	75,179

The amount of work in progress included in plant and equipment is $28,795,000 (2020: $11,663,000) and relates to projects that are not yet completed and therefore are not being depreciated. $26,797,000 of this balance relates to the Victorian DC consolidation project (2020: $11,286,000).

Note 11. Property, plant and equipment (continued)

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

Consolidated	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2019	41,350	19,395	60,745
Adjustment for change in accounting policy	-	(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	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
Additions	35,822	7,212	43,034
Additions through business combinations	203	-	203
Disposals	(79)	(669)	(748)
Foreign currency translation	(129)	(14)	(143)
Accelerated depreciation expense*	(1,311)	-	(1,311)
Depreciation expense	(10,622)	(5,604)	(16,226)
Balance at 30 June 2021	78,730	21,258	99,988

* Accelerated depreciation relates to the Victorian DC Consolidation project and is based on the estimated exit dates of each site.

Significant accounting policies

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

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

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

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

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

Note 11. Property, plant and equipment (continued)

Critical accounting judgements, estimates and assumptions

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

Note 12. Intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Goodwill	667,879	665,712
Trademarks	59,087	59,069
Less: Accumulated amortisation	(1,346)	-
	57,741	59,069
Customer contracts	25,884	25,872
Less: Accumulated amortisation	(10,248)	(8,450)
	15,636	17,422
Software	36,041	24,150
Less: Accumulated amortisation	(13,413)	(8,916)
	22,628	15,234
	763,884	757,437

The amount of work in progress included in software is $5,951,000 (2020: $12,679,000) and relates to projects that are not yet completed and therefore are not being amortised.

Note 12. Intangibles (continued)

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

Consolidated	Goodwill $'000	Trademarks $'000	Customer contracts $'000	Computer software $'000	Total $'000
Balance at 1 July 2019	646,442	59,194	18,918	9,975	734,529
Additions	-	-	267	7,753	8,020
Additions through business combinations	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
Additions	-	75	20	11,915	12,010
Additions through business combinations	2,739	-	-	-	2,739
Foreign currency translation	(572)	(57)	(8)	(24)	(661)
Accelerated amortisation expense*	-	(1,346)	-	-	(1,346)
Amortisation expense	-	-	(1,798)	(4,497)	(6,295)
Balance at 30 June 2021	667,879	57,741	15,636	22,628	763,884

* Accelerated amortisation relates to the Sprint trademark as it has been determined to now have a finite useful life.

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 FY22 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.

The following key assumptions were used in testing for impairment:

- Pre-tax discount rate: 12.66% (2020: 12.66%)
- Terminal value growth rate beyond 5 years: 1.80% (2020: 1.80%)
- Forecast year on year revenue and EBITDA margin growth ranges as follows:

CGU	Revenue growth average	EBITDA margin growth average
Bapcor Trade	3.0%	Flat
Bapcor NZ	4.5%	Flat
Bapcor Specialist Wholesale	4.8%	0.2 percentage points
Bapcor Retail	2.9%	(0.3) percentage points

Note 12. Intangibles (continued)

A reasonable possible change in assumptions would not cause the carrying value of any CGU to exceed its recoverable amount, however the Bapcor Retail and Bapcor New Zealand CGUs and the ABS brand remains 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.

Bapcor Retail CGU

The recoverable amount of the Retail CGU is estimated to exceed its carrying amount at 30 June 2021 by $21.9M.

Financial metric	+ 5% change	- 5 % change
Discount rate	Decrease headroom to $2.9M	Increase headroom to $43.4M
Revenue growth (average)	Increase headroom to $24.2M	Decrease headroom to $19.6M
EBITDA margin (average)	Increase headroom to $39.7M	Decrease headroom to $4.1M
Terminal growth rate	Increase headroom to $24.1M	Decrease headroom to $19.7M

As per the above table, none of these sensitivities individually cause impairment for the Bapcor Retail CGU.

Bapcor New Zealand CGU (NZD)

The recoverable amount of the Bapcor New Zealand CGU is estimated to exceed its carrying amount at 30 June 2021 by $25.1M.

Financial metric	+ 5% change	- 5 % change
Discount rate	Decrease headroom to $10.0M	Increase headroom to $42.1M
Revenue growth (average)	Increase headroom to $28.2M	Decrease headroom to $21.9M
EBITDA margin (average)	Increase headroom to $39.8M	Decrease headroom to $10.4M
Terminal growth rate	Increase headroom to $27.0M	Decrease headroom to $23.2M

As per the above table, none of these sensitivities individually cause impairment for the Bapcor New Zealand CGU.

ABS brand

The recoverable amount of the ABS brand is estimated to approximate its carrying amount at 30 June 2021.

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

As per the above table, the sensitivities could cause impairment of up to $0.2M for the ABS brand.

There have been no further indicators of impairment after the impairment testing date of 31 March 2021 up until the date of this report.

Note 12. Intangibles (continued)

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

	Consolidated	
	2021 $'000	2020 $'000
Goodwill:		
Trade	111,806	111,274
Bapcor NZ	149,361	149,857
Specialist Wholesale	270,094	268,348
Retail	136,618	136,233
	667,879	665,712

	Consolidated	
	2021 $'000	2020 $'000
Other intangible assets:		
Bapcor NZ	5,330	5,448
Specialist Wholesale	20,782	20,804
Retail	47,222	50,172
Unallocated	43	67
	73,377	76,491

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.

Note 12. Intangibles (continued)

Software
Costs incurred in acquiring, developing, and implementing new software are recognised as intangible assets only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, licenses and direct labour. Software is amortised on a straight-line basis over the period of their expected benefit, being their finite life which is currently between 2 and 5 years. Large scale projects are individually assessed as part of the approval process and determination of finite life may exceed this range.

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

Critical accounting judgements, estimates and assumptions

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

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

Note 13. Investments accounted for using the equity method

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Investment in Tye Soon Limited	8,102	-

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

	2021 $'000	2020 $'000
Opening carrying amount	-	-
Investment	12,282	-
Profit after income tax	102	-
Foreign currency translation	97	-
Impairment	(4,379)	-
Closing carrying amount	8,102	-

Note 13. Investments accounted for using the equity method (continued)

In March 2021, Bapcor announced an expansion in Asia through the agreement to acquire 25% of the issued equity of Tye Soon Limited, a company listed on the Singapore Securities Exchange. This strategic investment brings a range of opportunities for both businesses to collaborate and grow their markets.

The investment was completed in April 2021, with Bapcor investing $12,282,000 for the 25% stake of the issued equity. Due to the extremely low volume of Tye Soon Limited shares traded on the Singapore Securities Exchange, Bapcor based this investment on the net tangible assets rather than the share price.

Bapcor has assessed the recoverable amount of this investment for impairment as at 30 June 2021 under the methodologies prescribed by AASB 136 *Impairment of Assets* utilising the publically available share price on that date. The result of this assessment (effectively a mark-to-market revaluation) was the recognition of a $4,379,000 impairment.

Note 14. Trade and other payables

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Trade payables	173,438	171,478
Accrued expenses	69,722	50,726
	243,160	222,204

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

Significant accounting policies

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

Note 15. Provisions

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Employee benefits	36,717	34,896
Deferred settlements	2,046	969
Lease make good	2,630	2,017
Restructuring	3,618	3,989
	45,011	41,871
Non-current liabilities		
Employee benefits	4,253	3,306
Deferred settlements	882	1,500
Lease make good	10,723	11,465
	15,858	16,271
	60,869	58,142

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 2021, the following deferred settlements are provided for:

- AADi; nil provided (2020: $969,000)
- Commercial Truck Parts group of entities; currently provided at $1,500,000 (2020: $1,500,000)
- Adams Transport Equipment; currently provided at $1,428,000 (2020: nil)

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

Restructuring
This provision represents the estimated termination costs relating to the closure of a number of locations for the Victorian DC consolidation project, which is consolidating existing locations into the purposely built distribution centre in Tullamarine. During FY21, one location move (Nunawading) was completed, with the remaining locations expected to be completed in FY22.

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

Consolidated - 2021	**Deferred settlements $'000**	**Lease make good $'000**	**Restructuring $'000**
Carrying amount at the start of the year	2,469	13,482	3,989
Net additional provisions recognised/(released)	31	(45)	-
Additions through business combinations	1,428	243	-
Amounts used	(1,000)	(323)	(371)
Foreign currency translation	-	(4)	-
Carrying amount at the end of the year	2,928	13,353	3,618

Note 15. Provisions (continued)

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

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

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Employee benefits obligation expected to be settled after twelve months	5,485	5,982

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 16. Borrowings

	Consolidated 2021 $'000	2020 $'000
Non-current liabilities		
Secured bank loans	205,472	230,982
Less: unamortised transaction costs capitalised	(1,241)	(1,910)
	204,231	229,072

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

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 2021 $'000	2020 $'000
Total facilities		
Bank loans including overdraft*	517,500	517,500
Used at the reporting date		
Bank loans including overdraft*	205,472	230,982
Unused at the reporting date		
Bank loans including overdraft*	312,028	286,518

* Total facilities available at 30 June was $520M (2020: $520M). The amount used in the above table excludes $2.5M (2020: $2.5M) of facility which relates to bank guarantees under the working capital tranche.

Note 16. Borrowings (continued)

Net debt reconciliations

	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash and cash equivalents	39,598	126,300
Lease liabilities	(226,330)	(181,808)
Borrowings excluding unamortised transaction costs capitalised	(205,472)	(230,982)
Net debt	(392,204)	(286,490)
Add: Lease liabilities	226,330	181,808
Add/(less): Net derivative financial instruments	1,725	(4,521)
Pro-forma net debt as per debt facility agreement	(164,149)	(109,203)

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 2019	47,610	(159,649)	(382,960)	(494,999)
Cash flows	78,480	54,552	152,200	285,232
Other	210	(76,711)	(222)	(76,723)
Balance at 30 June 2020	126,300	(181,808)	(230,982)	(286,490)
Cash flows	(85,572)	61,104	25,500	1,032
Other	(1,130)	(105,626)	10	(106,746)
Balance at 30 June 2021	39,598	(226,330)	(205,472)	(392,204)

Significant accounting policies

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is amortised on a straight-line basis over the term of the facility.

Note 17. Lease liabilities

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Lease liability - Properties	63,233	57,149
Lease liability - Motor vehicles	884	1,523
	64,117	58,672
Non-current liabilities		
Lease liability - Property	161,816	122,173
Lease liability - Motor vehicles	397	963
	162,213	123,136
	226,330	181,808

The large increase in property lease liabilities in FY21 was primarily due to $45.1M recognised on commencement of the Tullamarine, Victoria distribution centre lease. This was offset by an increase to the right-of-use assets by the same amount. Refer to note 10.

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

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

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

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

Note 18. Derivative financial instruments

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	2,732	131
	2,732	131
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	(1,007)	(4,576)
Interest rate swap contracts - cash flow hedges	-	(76)
	(1,007)	(4,652)
	1,725	(4,521)

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

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

Significant accounting policies

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

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

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

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

Note 19. Fair value measurement

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

Consolidated - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	2,732	-	2,732
Total assets	-	2,732	-	2,732
Liabilities				
Derivative financial instruments	-	1,007	-	1,007
Deferred consideration	-	-	2,928	2,928
Total liabilities	-	1,007	2,928	3,935

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 consideration	-	-	2,469	2,469
Total liabilities	-	4,652	2,469	7,121

There were no transfers between levels during the financial year.

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

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

Significant accounting policies

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

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

Note 19. Fair value measurement (continued)

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

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

Note 20. Issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares	339,412,500	339,412,500	878,652	878,652
Treasury shares	-	-	(10,680)	(9,234)
	339,412,500	339,412,500	867,972	869,418

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 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
Balance	30 June 2021	339,412,500	878,652

There were no movements in ordinary share capital during the current year.

During the prior financial year, 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.

Note 20. Issued capital (continued)

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 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)
Purchase of treasury shares	10 September 2020	210,744	(1,446)
Utilisation of treasury shares for LTI	14 September 2020	(210,744)	-
Balance	30 June 2021	-	(10,680)

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 $6.86 (2020: $6.94) per share.

Significant accounting policies

Ordinary shares are classified as equity.

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

Note 21. Reserves

	Consolidated	
	2021 $'000	2020 $'000
Foreign currency reserve	(6,883)	(6,140)
Cash flow hedge reserve	1,208	(3,181)
Share-based payments reserve	14,087	10,718
	8,412	1,397

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.

Note 21. Reserves (continued)

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 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
Revaluation	-	6,332	-	6,332
Deferred tax	-	(1,943)	505	(1,438)
Share-based payment expense	-	-	2,864	2,864
Foreign currency translation	(743)	-	-	(743)
Balance at 30 June 2021	(6,883)	1,208	14,087	8,412

Note 22. Retained profits

	Consolidated 2021 $'000	Consolidated 2020 $'000
Retained profits at the beginning of the financial year	109,432	89,110
Adjustment for change in accounting policy	-	(9,156)
Retained profits at the beginning of the financial year - restated	109,432	79,954
Profit after income tax expense for the year	118,765	79,172
Dividends paid (note 24)	(62,791)	(49,694)
Retained profits at the end of the financial year	165,406	109,432

Note 23. Non-controlling interest

	Consolidated 2021 $'000	Consolidated 2020 $'000
Investment in Car Bits Asia, Thailand		
Opening balance	1,812	2,233
Non-controlling interest loss for the financial year	(206)	(455)
Foreign currency revaluation	(201)	34
Closing balance	1,405	1,812

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 24. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Final dividend for the year ended 30 June 2020 (2020: 30 June 2019) of 9.5 cents (2020: 9.5 cents) per ordinary share *	32,244	26,931
Interim dividend for the year ended 30 June 2021 (2020: 30 June 2020) of 9.0 cents (2020: 8.0 cents) per ordinary share **	30,547	22,763
	62,791	49,694

* Nil amount (2020: $7,274,000) of the final dividend for the year ended 30 June 2020 (2020: 30 June 2019) was settled under the Dividend Reinvestment Plan.
** Nil amount (2020: $6,770,000) of the interim dividend for the year ended 30 June 2021 (2020: 30 June 2020) was settled under the Dividend Reinvestment Plan.

The Board has declared a final dividend in respect of FY21 of 11 cents per share, fully franked. The final dividend will be paid on 14 September 2021 to shareholders registered on 31 August 2021.

The final dividend takes the total dividends declared in relation to FY21 to 20 cents per share, fully franked, representing an increase of dividends paid of 14.3% compared to the prior financial year. Dividends paid and declared in relation to FY21 represents 52.2% of pro-forma net profit after tax.

Franking credits

	Consolidated 2021 $'000	Consolidated 2020 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	107,586	90,797

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

Note 24. Dividends (continued)

Significant accounting policies

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

Note 25. Earnings per share

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax	118,559	78,717
Non-controlling interest	206	455
Profit after income tax attributable to the owners of Bapcor Limited	118,765	79,172

	Cents	Cents
Basic earnings per share	34.99	26.97
Diluted earnings per share	34.86	26.85

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	339,412,500	293,608,644
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,298,981	1,291,262
Weighted average number of ordinary shares used in calculating diluted earnings per share	340,711,481	294,899,906

Significant accounting policies

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

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

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

	Consolidated	
	2021 $'000	2020 $'000
Profit after income tax expense for the year	118,559	78,717
Adjustments for:		
Depreciation and amortisation	85,380	80,052
Impairment of investments	4,379	-
Net loss/(gain) on disposal of property, plant and equipment	353	(50)
Share of profit - associates	(102)	-
Unwinding of the discount on deferred settlements	-	134
Amortisation of capitalised borrowing costs	669	670
Non-cash share-based payment expense	2,864	2,219
Finance lease interest unwind	7,264	6,324
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(23,672)	3,605
Increase in inventories	(82,419)	(10,574)
Decrease/(increase) in other operating assets	(5,041)	1,234
Increase in trade and other payables	19,581	33,732
Increase/(decrease) in provision for income tax	6,205	(1,190)
Increase in other operating liabilities	1,842	5,380
Net cash from operating activities	135,862	200,253

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 27. Financial risk management

Financial risk management objectives

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

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

The consolidated entity holds the following financial instruments:

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Financial assets		
Cash and cash equivalents	39,598	126,300
Trade and other receivables*	181,408	155,216
Derivative financial instruments	2,732	131
Total financial assets	223,738	281,647
Financial liabilities		
Trade and other payables	243,160	222,204
Derivative financial instruments	1,007	4,652
Deferred settlements	2,928	2,469
Borrowings **	205,472	230,982
Lease liabilities	226,330	181,808
Total financial liabilities	678,897	642,115

* 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 27. Financial risk management (continued)

	AUD strengthened			AUD weakened		
Consolidated - 2021	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Derivative financial instruments	1%	-	1,294	(1%)	-	(1,321)
Other financial assets	1%	(642)	-	(1%)	655	-
Other financial liabilities	1%	585	-	(1%)	(597)	-
		(57)	1,294		58	(1,321)

	AUD strengthened			AUD weakened		
Consolidated - 2020	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
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)

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. There were no interest rate swap contracts in place as at 30 June 2021.

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

	2021		2020	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Borrowings (principal)	1.94%	205,472	2.56%	230,982
Less: amounts covered by interest rate swaps	-	-	2.54%	(20,000)
Net exposure to cash flow interest rate risk		205,472		210,982

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 $400,000 (2020: $590,000).

The amount recognised in other comprehensive income net of tax in relation to interest rate swaps was nil (2020: $104,000).

Note 27. Financial risk management (continued)

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

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

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

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

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

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Bank loans including overdraft*	312,028	286,518

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

Note 27. Financial risk management (continued)

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

Consolidated - 2021	**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	243,160	-	-	-	243,160
Borrowings*	6,087	109,656	11,724	100,000	227,467
Deferred consideration	2,046	882	-	-	2,928
Lease liabilities	64,117	53,957	77,558	104,982	300,614
Total non-derivatives	315,410	164,495	89,282	204,982	774,169
Derivatives					
Forward foreign exchange contracts	1,007	-	-	-	1,007
Total derivatives	1,007	-	-	-	1,007

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

* 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.

Note 27. Financial risk management (continued)

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

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

The consolidated entity is not subject to externally imposed capital requirements, other than contractual banking covenants and obligations. All bank lending requirements have been complied with during the year and at the date of this report, which include the following covenants:
- Net leverage ratio not exceeding 3.00:1 (Net Debt : EBITDA);
- Fixed charge cover ratio not below 1.75:1 (EBITDA plus Rent : Net Total Cash Interest plus Rent)

Note 28. Related party transactions

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

Subsidiaries
Interests in subsidiaries are set out in note 32.

Key management personnel
Disclosures relating to key management personnel are set out in note 33 and the Remuneration Report included in the Directors' Report.

Note 29. Business combinations

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

- Adams Transport Equipment (Pty Ltd)
- Autobarn Melton
- Autobarn Townsville
- Autopro Castlemaine
- Autopro Kyneton
- Opposite Lock Hobart
- Opposite Lock Welshpool
- Truckparts Dubbo

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

Note 29. Business combinations (continued)

Total consideration (cash paid, debts forgiven and deferred payments recognised) relating to these acquisitions was $4,382,000, acquiring net assets of $1,643,000 and goodwill of $2,739,000.

Acquisition accounting is 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.

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

Significant accounting policies

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

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

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

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

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

Critical accounting judgements, estimates and assumptions

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

Note 30. Deed of cross guarantee

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

Bapcor Limited
Bapcor Finance Pty Ltd
Bapcor Services Pty Ltd
Burson Automotive Pty Ltd
Car Bitz & Accessories Pty Ltd
Aftermarket Network Australia Pty Ltd
Bapcor Retail Pty Ltd (previously 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
AADi Australia Pty Ltd *
Commercial Parts Pty Ltd *
Commercial Spares Pty Ltd *
Don Kyatt Spare Parts (QLD) Pty Ltd *
He Knows Truck Parts Pty Ltd *
I Know Parts and Wrecking Pty Ltd *

* These entities were added to the deed of cross guarantee in August 2020. The prior year comparatives have been amended as if they were part of the deed to ensure comparability.

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

Note 30. Deed of cross guarantee (continued)

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

Statement of comprehensive income	**2021 $'000**	**2020 $'000**
Revenue	1,586,797	1,302,244
Share of profits of associates accounted for using the equity method	102	-
Other income	2,388	3,222
Expenses	(1,440,559)	(1,211,131)
Profit before income tax expense	148,728	94,335
Income tax expense	(46,386)	(27,729)
Profit after income tax expense	102,342	66,606
Other comprehensive income		
	3,644	(7,890)
Other comprehensive income for the year, net of tax	3,644	(7,890)
Total comprehensive income for the year	105,986	58,716

Equity - retained profits	**2021 $'000**	**2020 $'000**
Retained profits at the beginning of the financial year	62,774	45,862
Profit after income tax expense	102,342	66,606
Dividends paid	(62,791)	(49,694)
Retained profits at the end of the financial year	102,325	62,774

Note 30. Deed of cross guarantee (continued)

Statement of financial position	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	3,435	106,269
Trade and other receivables	170,886	144,606
Inventories	399,468	319,458
Derivative financial instruments	2,525	89
Other	297	297
	576,611	570,719
Non-current assets		
Right-of-use assets	174,417	133,201
Property, plant and equipment	91,689	66,416
Intangibles	608,108	600,692
Deferred tax	31,737	31,988
Intercompany	14,555	5,189
Investments	337,326	337,326
	1,257,832	1,174,812
Total assets	1,834,443	1,745,531
Current liabilities		
Trade and other payables	214,508	199,704
Lease liabilities	57,356	51,452
Derivative financial instruments	800	4,341
Income tax	7,536	1,569
Provisions	42,972	39,783
	323,172	296,849
Non-current liabilities		
Borrowings	192,259	217,090
Lease liabilities	144,052	102,163
Provisions	14,702	15,054
	351,013	334,307
Total liabilities	674,185	631,156
Net assets	1,160,258	1,114,375
Equity		
Issued capital	867,972	869,418
Reserves	189,961	182,183
Retained profits	102,325	62,774
Total equity	1,160,258	1,114,375

Note 31. Parent entity information

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

Statement of comprehensive income

	Parent	
	2021 $'000	2020 $'000
Statement of comprehensive income		
Loss after income tax	(24,364)	(13,830)
Internal dividend income	-	-
Total comprehensive income	(24,364)	(13,830)

	Parent	
	2021 $'000	2020 $'000
Statement of financial position		
Total current assets	-	-
Total assets	768,312	853,543
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	867,972	869,418
Other reserves	14,088	10,718
Current year profits/(losses)	(24,364)	(13,830)
Dividends paid	(62,791)	(49,694)
Prior years retained earnings	(26,593)	36,931
Total equity	768,312	853,543

Subsequent to 30 June 2021, the subsidiaries have declared and paid internal dividends to the parent of $165,000,000 which takes the available retained earnings from ($113,748,000) to $51,252,000.

Note 32. Interests in subsidiaries

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

		Ownership interest	
Name	Principal place of business / Country of incorporation	2021 %	2020 %
Bapcor Finance Pty Ltd	Australia	100.0%	100.0%
Bapcor Services Pty Ltd	Australia	100.0%	100.0%
Bapcor Logistics Services Pty Ltd	Australia	100.0%	-
Bapcor International Pty Ltd *	Australia	100.0%	100.0%
Bapcor Asia Pte Ltd *	Singapore	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%
Bapcor Retail Pty Ltd (previously 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 Ltd *	New Zealand	100.0%	100.0%
Hellaby Resource Services Ltd *	New Zealand	100.0%	100.0%

* These subsidiaries are non-trading

Note 33. Related party transactions - key management personnel disclosures

Compensation

	Consolidated 2021 $	Consolidated 2020 $
Short-term employee benefits	10,189	7,733
Post-employment benefits	266	245
Long-term benefits	78	76
Share-based payments	2,543	2,234
	13,076	10,288

Loans

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	-	601
Amounts repaid	-	(601)
Closing balance	-	-

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

Note 34. Share-based payments

The 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.

Note 34. Share-based payments (continued)

In relation to the FY21 year an offer to participate in the LTI was made to ten of Bapcor's senior executives. These allocated Performance Rights have a performance period that ends on 30 June 2023 at which time the performance hurdles are tested.

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

Grant date	**10/09/20**		**20/10/20**	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/07/20 to 30/06/23		1/07/20 to 30/06/23	
Test date	30/06/23		30/06/23	
Expiry date	6/9/35		6/9/35	
Quantity granted	187,287	187,287	100,504	100,504
Exercise price	Nil		Nil	
Fair value at grant date *	$4.51	$6.42	$5.61	$7.74
Other conditions	Restriction on sale to 30/06/24		Restriction on sale to 30/06/24	
Share price on valuation date	$6.89		$8.19	
Volatility	38.02%		38.31%	
Dividend yield	2.54%		2.14%	
Risk free rate	0.2441%		0.1269%	

* 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 34. Share-based payments (continued)

If the vesting conditions are met, the Performance Rights are converted into fully paid ordinary shares of the Company at the election of the Participant.

As per the Bapcor Employee Equity Plan, the expiry date is 6 September 2035, however the Performance Rights lapse if vesting condition are not met.

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

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

2021

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ exercised*	Expired/ forfeited/ other	Balance at the end of the year
04/12/2017	30/06/2020	$0.00	425,746	-	(210,744)	(215,002)	-
26/09/2018	30/06/2021	$0.00	189,710	-	-	(20,810)	168,900
29/10/2018	30/06/2021	$0.00	170,886	-	-	-	170,886
06/09/2019	30/06/2022	$0.00	355,588	-	-	(50,250)	305,338
01/11/2019	30/06/2022	$0.00	209,560	-	-	-	209,560
10/09/2020	30/06/2023	$0.00	-	374,574	-	-	374,574
20/10/2020	30/06/2023	$0.00	-	201,008	-	-	201,008
			1,351,490	575,582	(210,744)	(286,062)	1,430,266

* Of the 210,744 rights vested in the period, 191,235 rights have not been exercised by the participant.

2020

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ other	Balance at the end of the year
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

The weighted average exercise price for the Performance Rights exercised in the current financial year was $6.86 (2020: $6.94).

The weighted average contractual lives are 1.67 years (2020: 1.76 years).

The expense arising from share-based payment transactions relating to the LTI during the year as part of employee benefits expense was $2,864,000 (2020: $2,219,000).

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 34. Share-based payments (continued)

Significant accounting policies

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

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

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

Critical accounting judgements, estimates and assumptions

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

Note 35. Remuneration of auditors

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

	Consolidated	
	2021	2020
	$	$
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements – relating to current financial year	608,838	603,502
Audit or review of the financial statements – relating to previous financial year	15,000	-
	623,838	603,502

Note 36. Commitments and contingent liabilities

Commitments

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Guarantees in relation to leases	4,255	4,454
Guarantees in relation to performance of contracts*	5,130	5,130
Supply of equipment*	978	12,718
	10,363	22,302

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

Contingent liabilities

There are no contingent liabilities (2020: 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 types of transactions.

Note 37. Events after the reporting period

Apart from the dividend declared and the ongoing uncertainty around Covid related restrictions, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 30 to the financial statements.

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

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

On behalf of the directors

Margaret Haseltine	Darryl Abotomey
Chair	Chief Executive Officer and Managing Director

18 August 2021
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 2021 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 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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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 $8.9 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 adjusted Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Audit procedures were performed on the Australian and New Zealand operations assisted by local component auditors in New Zealand under the supervision of the Group engagement team.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and intangible assets with indefinite lives *(Refer to note 12) $725.6m* At 30 June 2021, the Group recognised $667.9 million of goodwill and $57.7 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 '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: • the terminal value growth rate beyond 5 years • forecast year on year revenue and EBITDA margin growth ranges • the discount rate adopted in the models 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.	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 the reliability of forecast cash flows used in the models through comparison to 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 models were appropriate 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 differences in actual and forecast cash flows • Comparing forecast year on year revenue growth ranges to industry forecasts prepared by independent third parties • Assessing the reasonableness of disclosures related to sensitivity to a change in 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:

Key audit matter	*How our audit addressed the key audit matter*
	○ discount rates used in the models appropriately reflected the risks of the 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 data inputs as required under Australian Accounting Standards • Testing the mathematical accuracy of the models on a sample basis. We also considered the reasonableness of disclosures in note 12, including those regarding the key assumptions, in accordance with the requirements of the Australian Accounting Standards.
Carrying value of Inventory *(Refer to note 9) $447.1m* At 30 June 2021, the Group recorded a provision for aged and slow-moving inventory of $53.8 million. The provision is calculated by applying judgemental provisioning rates to aged and slow-moving inventory categories. A 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 appropriate and consistent with that applied in the prior year and was in accordance with Australian Accounting Standards • Evaluating the reliability and relevance of underlying data inputs used to calculate the movement in the inventory provision, including agreeing a sample of inventory written off to supporting documentation such as Board approvals • Considering the reasonableness of disclosures in note 9 in light of the requirements of the 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 2021, 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 17 to 43 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Bapcor Limited for the year ended 30 June 2021 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
18 August 2021

Bapcor Limited
Corporate directory
30 June 2021

Directors	Margaret Haseltine (Independent, Non-Executive Director and Chair) Darryl Abotomey (Managing Director and Chief Executive Officer) Therese Ryan (Independent, Non-Executive Director) Jennifer Macdonald (Independent, Non-Executive Director) Mark Powell (Independent, Non-Executive Director) James Todd (Independent, Non-Executive Director)
Company secretary	George Sakoufakis
Notice of annual general meeting	The details of the annual general meeting of Bapcor Limited are: Date: 19 October 2021 Time: To be confirmed Address: To be confirmed
Registered office	127-139 Link Road Melbourne Airport VIC 3045 Australia
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford VIC 3067 Australia Ph: +61 3 9415 4000 or 1300 850 505 (within Australia)
Auditor	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia
Stock exchange listing	Bapcor Limited shares are listed on the Australian Securities Exchange (ASX: BAP)
Website	www.bapcor.com.au