GPC Asia Pacific (NZ) Holdings Limited

Annual Report
For the year ended 31 December 2017

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Corporate information

Directors
Julian Buckley
Jonathon Maddren

Registered Office
510 Mt Wellington Hwy
Mt Wellington
Auckland

Auditor
Ernst & Young

Annual Report

For the year ended 31 December 2017.

The Board of Directors present their Annual Report including the financial statements of the Company and Group for the year ended 31 December 2017 and the auditor's report thereon.

The shareholders of the Company have exercised their right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a), and (e) to (j) of section 211(1) of the Act.

For and on behalf of the Board:

Julian Buckley - Director

30 May 2018

Jonathon Maddren - Director

30 May 2018

Consolidated statement of comprehensive income

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
Sale of goods		307,832	276,889
Finance revenue		433	299
Revenue	3(a)	308,265	277,188
Changes in inventories of finished goods	4(a)	(168,038)	(151,107)
Gross Profit		140,227	126,081
Other income/(loss)	3(b)	(27)	202
Employee benefits expense	4(d)	(61,716)	(55,091)
Lease and rental property occupancy expenses		(18,755)	(16,518)
Information technology and communication expenses		(1,840)	(1,553)
Depreciation and amortisation expenses	4(b)	(4,187)	(3,826)
Administration expenses		(5,838)	(5,513)
Other expenses		(26,300)	(25,152)
Finance costs	4(c)	(311)	-
Profit/(loss) before income tax		21,253	18,630
Income tax (expense)/credit	5	(6,598)	(5,197)
Net profit/(loss) for the period		14,655	13,433
Other comprehensive income			
Cash flow hedges, net of tax		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		14,655	13,433

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

Consolidated statement of financial position

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
Current assets			
Cash assets		**32,699**	**29,494**
Trade and other receivables	6	**20,545**	**18,253**
Inventories	7	**82,655**	**77,608**
Other current assets	8	**239**	**160**
Total current assets		**136,138**	**125,515**
Non-current assets			
Property, plant and equipment	9	**17,280**	**15,776**
Intangible assets	10	**103,462**	**92,127**
Deferred tax assets	5	**5,810**	**5,779**
Other non-current assets	11	**2,196**	**1,978**
Total non-current assets		**128,748**	**115,660**
Total assets		**264,886**	**241,175**
Current liabilities			
Trade and other payables	12	**62,520**	**63,004**
Provisions	13	**4,520**	**4,180**
Current tax liabilities		**3,041**	**2,373**
Total current liabilities		**70,081**	**69,557**
Non-current liabilities			
Provisions	13	**2,100**	**1,812**
Deferred tax liabilities	5	**1,666**	**422**
Total non-current liabilities		**3,766**	**2,234**
Total liabilities		**73,847**	**71,791**
Net assets		**191,039**	**169,384**
Equity			
Contributed equity	14	**150,021**	**143,021**
Retained profits/(losses)	15	**41,018**	**26,363**
Total equity		**191,039**	**169,384**

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

For and on behalf of the Board who authorise the issue of these financial statements on 30 May 2018.

Julian Buckley - Director

Jonathon Maddren – Director

Consolidated statement of change in equity

Consolidated	Ordinary shares $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 January 2016	143,021	-	12,930	155,951
Profit/(loss) for the period	-	-	13,433	13,433
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	13,433	13,433
Share capital issue	-	-	-	-
At 31 December 2016	143,021	-	26,363	169,384
At 1 January 2017	**143,021**	**-**	**26,363**	**169,384**
Profit/(loss) for the period	**-**	**-**	**14,655**	**14,655**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**14,655**	**14,655**
Share capital issue	**7,000**	**-**	**-**	**7,000**
At 31 December 2017	**150,021**	**-**	**41,018**	**191,039**

This statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

		Consolidated	
	Notes	2017 $000	2016 $000
Cash flows from operating activities			
Receipts from customers		354,335	319,022
Payments to suppliers and employees		(330,973)	(286,941)
Interest received		433	299
Borrowing costs		(311)	-
Income tax paid		(5,965)	(5,301)
Net cash flows from operating activities		17,519	27,079
Cash flows from investment activities			
Acquisition of property, plant and equipment		(3,890)	(4,714)
Acquisition of intangibles		(87)	(286)
Acquisition of businesses and acquisition related costs		(17,337)	(15,566)
Net cash flows used in investing activities		(21,314)	(20,566)
Cash flows from financial activities			
Proceeds from issues of ordinary shares		7,000	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		7,000	-
Net increase / (decrease) in cash held		3,205	6,513
Add opening cash brought forward		29,494	22,981
Closing cash carried forward		32,699	29,494

Notes to the consolidated financial statements

1. Corporate information

The financial statements of GPC Asia Pacific (NZ) Holdings Limited (the Company) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 30 May 2018.

GPC Asia Pacific (NZ) Holdings Limited (the Parent) is a company incorporated in New Zealand whose shares are wholly owned by GPC Asia Pacific (Australasia) Holdings Pty Ltd.

The nature of the operations and principal activities of the Group are the marketing and distribution of automotive parts and accessories.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Financial Markets Conduct Act 2013.

For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The Group is eligible to report in accordance with NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period.

(b) Statement of Compliance

The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of GPC Asia Pacific (NZ) Holdings Limited and its subsidiaries as at and for the period ended 31 December each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the parent are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 2(d)). The difference between the above items and the fair value of the consideration (including fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

(d) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair value of the assets transferred to the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with NZ IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(e) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of GPC Asia Pacific (NZ) Holdings Limited and its New Zealand subsidiary is New Zealand dollars ($).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

(f) Cash and cash equivalents

Cash assets in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

(g) Trade and other receivables

Trade receivables, which generally have 30 day terms from the end of the month in which a sale occurs, are recognised and carried at original invoice amount less an allowance for impairment and warranty claims.

Collectability of receivables is reviewed on an ongoing basis at a business unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Cost of inventories comprises the purchase price including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of inventory, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of inventory. Volume discounts and rebates are included in determining the cost of purchase.

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

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

(i) Derivative financial instruments and hedging

The Group uses derivative financial instruments (consisting of interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecasted transaction.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash Flow Hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (reserves), while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred out of reserves and included in the measurement of the hedged transaction (finance costs or inventory purchases) when the forecast transaction occurs.

The Group tests each of the designated cash flow hedges for effectiveness on an annual basis both retrospectively and prospectively. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the statement of comprehensive income.

If the forecast transaction is no longer expected to occur, amounts in reserves are reclassified to profit or loss in the statement of comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, (due to it being ineffective) amounts previously recognised in reserves remain in reserves until the forecast transaction occurs.

(j) Investments

Investments in controlled entities are carried at the lower of cost and recoverable amount. Investments in controlled entities are eliminated on consolidation.

(k) Impairment of assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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 to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(l) Property, plant and equipment

Cost and valuation

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Major depreciation periods are:	December 2017	December 2016
Leasehold improvements:	5 to 10 years	5 to 10 years
Plant and equipment:	3 to 10 years	3 to 10 years

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

(m) Leases

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

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the estimated useful life of the assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(n) Intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at the amount recognised at acquisition date less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

(n) Intangibles (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Further details on methodology and assumptions used are outlined in note 11.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(o) Trade and other Payables

Trade and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are paid within the respective vendor terms.

(p) Interest-bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

(q) Provisions (continued)

A provision for make good is recognised where an obligation exists under an operating lease to return the asset to the lessor in its original condition.

Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of taxes, from the proceeds.

(s) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when there is a persuasive evidence indicating that there has been a transfer of risks and rewards to the customer, no further processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed. Risks and rewards are considered passed to the customer at the time of delivery of goods to the customer.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Rental income

Rental income from subleased property is recognised as other income

(t) Taxes

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

(t) Taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that is it probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised; except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Allowance for impairment loss of trade and other receivables (refer note 2(g) and refer note 6)
- Provision for diminution in value of inventories (refer note 2(h) and refer note 7)
- Make good provision (refer note 2(g) and refer note 13(b))
- Employee benefits provisions (refer note 2(g) and refer note 13)
- Estimates of useful life of property, plant and equipment and intangibles (refer note 2 (l), note 2(n) and note 9)
- Deferred income tax (refer note 2(t) and refer note 5)

(v) Changes in accounting policies

There have been no changes in accounting policies. All policies are consistent with those applied in the prior period.

Notes to the consolidated financial statements

	Notes	Consolidated 2017 $000	2016 $000
3. Revenue and other income			
(a) Revenue			
Sale of goods		**307,832**	276,889
Finance revenue		**433**	299
		308,265	277,188
(b) Other income			
Rental Income		**38**	24
Net gain/(loss) on disposal of property, plant and equipment		**(65)**	178
		(27)	202
4. Expenses			
(a) Changes in inventories of finished goods			
Cost of goods sold		**168,038**	151,107
(b) Depreciation and amortisation expenses			
Leasehold improvements	9	**578**	599
Plant and equipment	9	**3,104**	2,889
Total depreciation of non-current assets		**3,682**	3,488
Customer relationships	10	**249**	92
Software	10	**256**	246
Total amortisation of intangible assets		**505**	338
Total depreciation and amortisation expense		**4,187**	3,826
(c) Finance costs			
Bank loans and overdrafts		**3**	-
Other Loans		**308**	-
Total finance costs		**311**	-
(d) Employee benefit expenses			
Wages and salaries		**56,623**	50,115
Defined contribution superannuation expense		**1,308**	1,228
Other employee benefit expense		**3,785**	3,748
		61,716	55,091

Notes to the consolidated financial statements

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
5. Income tax			
(a) Income Tax expense			
The major components of income tax expense are:			
Income statement			
Current income tax			
Current income tax charge		**6,551**	6,181
Relating to the origination and reversal of temporary differences		**(30)**	12
Adjustments in respect of current income tax of previous periods		**77**	(996)
Income tax expense reported in profit or loss		**6,598**	5,197
(b) Numerical reconciliation between aggregate tax expense recognised in profit or loss and tax expense calculated per the statutory income tax rate.			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
Accounting profit before tax		**21,253**	18,630
At the Group's statutory income tax rate of 28%		**5,951**	5,216
Adjustments in respect of current income tax of previous periods		**77**	(156)
Expenditure not allowable for income tax purpose		**129**	59
Other items (net)		**441**	78
Aggregate income tax expense		**6,598**	5,197

Notes to the consolidated financial statements

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
5. Income tax (continued)			
(c) Deferred tax			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Accelerated depreciation for tax purposes		**890**	1,062
Provisions and accruals		**4,920**	4,717
Intangibles		**(1,666)**	(422)
		4,144	5,357
Amounts *recognised directly in equity*			
Cash flow hedges		**-**	-
		4,144	5,357
Reflected in the statement of financial position as follows:			
Deferred tax assets		**5,810**	5,779
Deferred tax liabilities		**(1,666)**	(422)
Net deferred tax balance		**4,144**	5,357
Movements:			
Opening balance at the beginning of period		**5,357**	4,783
(Charged)/Credited to the statement of comprehensive income		**30**	996
Acquired on acquisition of business		**(1,243)**	(422)
Credited to equity (on interest rate swaps)		**-**	-
Closing balance at end of period		**4,144**	5,357
(d) Imputation credit balance			
The amount of imputation credits available for use in subsequent reporting periods		**19,246**	13,141
		19,246	13,141
6. Trade and other receivables			
Current			
Trade debtors		**18,605**	17,011
Allowance for impairment loss		**(268)**	(82)
		18,337	16,929
Other receivables		**2,208**	1,324
		20,545	18,253
Movements in the provision for impairment of receivables			
As at 1 January		**82**	75
Charge for the year		**200**	19
Utilised		**(14)**	(12)
As at 31 December		**268**	82

Notes to the consolidated financial statements

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
7. Inventories			
Current			
Finished goods at cost		**93,312**	87,456
Provision for diminution in value		**(10,657)**	(9,848)
Total inventories at lower of cost and net realisable value		**82,655**	77,608
8. Other current assets			
Prepayments		**239**	160
		239	160

9. Property, plant and equipment

	Leasehold improvements $000	Plant and equipment $000	Total $000
Cost			
At 1 January 2016	3,833	18,559	22,392
At 31 December 2016	4,981	23,195	28,176
Additions	774	3,512	4,286
Additions through the acquisition of entities/operations	2	1,195	1,197
Disposals	(11)	(1,348)	(1,359)
At 31 December 2017	5,746	26,554	32,300
Depreciation			
At 1 January 2016	2,214	7,130	9,344
At 31 December 2016	2,813	9,587	12,400
Depreciation charge for the year	578	3,104	3,682
Disposals	(11)	(1,051)	(1,062)
At 31 December 2017	3,380	11,640	15,020
Net book value			
At 31 December 2017	2,366	14,914	17,280

Notes to the consolidated financial statements

10. Intangible assets

	Goodwill	Customer relationships	Software	Total
	$000		$000	$000
Cost				
At 1 January 2016	87,642	-	874	88,516
At 31 December 2016	90,041	1,597	1,160	92,798
Additions	-	-	87	87
Additions through the acquisition of entities/operations (restated)	870	587	-	1,457
Additions through the acquisition of entities/operations	6,181	4,115	-	10,296
Disposals	-	-	-	-
At 31 December 2017	97,092	6,299	1,247	104,638
Amortisation				
At 1 January 2016	-	-	(333)	(333)
At 31 December 2016	-	(92)	(579)	(671)
Amortisation charge for the year	-	(249)	(256)	(505)
Disposals	-	-	-	-
At 31 December 2017	-	(341)	(835)	(1,176)
Net book value				
At 31 December 2017	97,092	5,958	412	103,462

(b) Description of the Group's intangible assets

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment loss. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to note 2(n)).

Software

Software is recognised at cost less any accumulated impairment loss. These intangible assets have been determined to have finite useful lives of between 1 and 5 years.

(c) Impairment tests for goodwill and intangibles with indefinite useful lives

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to one cash generating unit (CGU) for impairment testing being the Group.

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management.

(ii) Key assumptions used in value in use calculations for 31 December 2017

The following describes each key assumption on which management has based its cash flow projections when determining the value in use for each CGU. These key assumptions are based on past experience.

- Future cash flows - Budgeted earnings before interest, depreciation and tax for the preceding year are used as a proxy for future cash flows adjusted for budgeted tax payments and budgeted capital expenditure.
- Weighted Average Cost of Capital (WACC) – The budgeted future cash flows have been discounted using a Group specific risk adjusted weighted average cost of capital.

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial projections approved by senior management over the medium-term, with longer-term forecasts fading to a market growth rate.

The compound average growth rate ("CAGR") applied over the forecast period is 13.1% (2016: 6.1%), inclusive of a significant contribution from recently completed acquisitions, and (ii) an extrapolation of cash flows to steady state using a long term growth rate of 3% (2016: 3%) - considered to be equivalent to the long term industry growth rates. The post tax WACC rate used to discount the future cash flows is 9.1% (2016: 9.1%).

Notes to the consolidated financial statements

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
11. Other non-current assets			
Related party receivables (i):			
– Parent Entity non-interest bearing		**2,196**	1,978
		2,196	1,978

(i) For terms and conditions of related party receivables refer to note 21.

	Consolidated 2017 $000	Consolidated 2016 $000
12. Trade and other payables		
Current		
Trade creditors	**46,361**	41,785
Other creditors and accruals	**13,837**	14,949
Related party payables:		
– other related party non-interest bearing	**2,322**	6,270
	62,520	63,004

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
13. Provisions			
Current			
Make good provision		**12**	24
Employee benefits		**4,508**	4,156
		4,520	4,180
Non-current			
Make good provision		**1,756**	1,436
Employee benefits		**344**	376
		2,100	1,812
(a) Movement in provisions			
Make good provision			
Carrying amount at the beginning of the period		**1,460**	1,423
Arising from business combinations		**-**	24
Provisions made during the period		**319**	21
Amounts utilised during the period		**(11)**	(8)
Carrying amount at the end of the period		**1,768**	1,460

(b) Nature and timing of provisions

Make Good Provision

The make good provision accounts for the requirements under the property operating lease agreements to restore leased premises to their original condition on exit. The effect of the time value of money was considered immaterial and accordingly discounting has not been applied.

Employee Benefits

Refer to note 2(q)(i) and (ii) for the relevant accounting policy and discussion of the significant estimates and assumptions applied in the measurement of this provision.

Notes to the consolidated financial statements

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
14. Contributed equity			
(a) Issued and paid up capital			
Ordinary shares		**68,530**	61,530
Redeemable preference shares		**81,491**	81,491
		150,021	143,021

	2017 Number of shares	2017 $000	2016 Number of shares	2016 $000
(b) Movements in ordinary shares on issue				
Beginning of the period	**138,411,219**	**143,021**	138,411,219	143,021
Issued during the period	**7,000,000**	**7,000**	-	-
End of the period	**145,411,219**	**150,021**	138,411,219	143,021

During the year, the issued share capital was increased by $7,000,000 by the issue of 7,000,000 ordinary shares of $1.00 each.

(c) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in equal voting rights and share equally in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The shares have no par value.

Redeemable preference shares

Redeemable preference shares have the right to receive dividends as declared and, in the event of the winding up of the company, to receive the issue price per redeemable preference share ahead of the ordinary shares and all other classes of shares. The holders of the redeemable preference shares are not entitled to interest.

	Consolidated 2017 $000	Consolidated 2016 $000
15. Retained profits		
Retained profits		
Balance at the beginning of period	**26,363**	12,930
Net profit attributable to members of GPC Asia Pacific (NZ) Holdings Limited	**14,655**	13,433
Total available for appropriation	**41,018**	26,363
Balance at end of the period	**41,018**	26,363

Notes to the consolidated financial statements

16. Business combinations

Acquisitions in the 2017 financial reporting period

The Group acquired certain assets and liabilities of two businesses during the period ended 31 December 2017.

The assets and liabilities of two independent automotive aftermarket product retailers were acquired: ADL Auto Parts on 1 June 2017, and Sulco Tools and Equipment NZ on 8 September 2017. These acquisitions filled a gap in the store network of the Group's automotive parts business.

The components of the acquisition costs of the two transactions are summarised below:

	Provisional Consolidated Fair value recognised on acquisition $000
Consideration	
- Cash paid	17,337
- Contingent consideration	-
- Deferred consideration	25
	17,362
Assets	
- Cash	1
- Receivables	2,584
- Inventories	6,087
- Property, plant and equipment	1,197
- Other Assets	-
- Goodwill	6,181
- Other Intangibles	4,115
Total assets	20,165
Liabilities	
- Payables	(1,468)
- Deferred tax liability	(1,152)
- Provisions	(183)
Total liabilities	(2,803)
Total identifiable net assets at fair value	17,362

	Notes	Consolidated 2017 $000	2016 $000
17. Lease commitments			
Operating leases – property (non-cancellable):			
Minimum lease payments			
– not later than one year		**12,993**	11,698
– later than one year and not later than five years		**32,723**	28,622
– later than five years		**10,932**	8,529
Aggregate lease expenditure contracted for at balance date		**56,648**	48,849

The Group leases various offices, warehouses and stores under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Assets that are the subject of operating leases include land and buildings, motor vehicles, plant and machinery.

Notes to the consolidated financial statements

18. Contingent liabilities or contingent assets

At balance date the Directors are not aware of any material contingent liabilities or contingent assets.

19. Events after the balance sheet date

No events have occurred after the end of the reporting period that are considered significant to the operations of the Group.

	Consolidated	
	2017 $000	2016 $000
20. Auditors' remuneration		
Amounts received or due and receivable by Ernst & Young New Zealand in relation to the Company and any other company in the consolidated Group for:		
– an audit or review of the financial statements	**48**	47
– tax compliance	**30**	32
	78	79

21. Related party disclosures

(a) Ultimate parent

GPC Asia Pacific (NZ) Holdings Limited is the ultimate New Zealand parent entity and the ultimate parent of the Group is Genuine Parts Company, a public entity incorporated in the United States of America.

(b) Transactions with related parties

Related party			Consolidated	
		Sales to Related Parties $000	Purchases from Related Parties $000	Other Transactions with Related Parties $000
Commonly controlled entity:				
GPC Asia Pacific Pty Ltd				
– Purchases of inventory	**31 December 2017**	**-**	**11,850**	-
	31 December 2016	-	12,474	-
– Interest charges	**31 December 2017**	**-**	-	**-**
	31 December 2016	-	-	-
– Licence and royalty fees	**31 December 2017**	**-**	**-**	**6,802**
	31 December 2016	-	-	6,509
– Management fees	**31 December 2017**	**-**	**-**	**6,867**
	31 December 2016	-	-	5,462

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Management and royalty fees are charged by GPC Asia Pacific Pty Limited in Australia to GPC Asia Pacific Limited in New Zealand on normal terms and conditions in accordance with approved agreements.

Outstanding balances at period end are unsecured, interest-free and settlement occurs in cash.

(c) Other receivables from related parties

The balance relates to a non-interest bearing loan with a related Australian Company, GPC Asia Pacific Pty Limited in relation to the acquisition of the group by GPC Asia Pacific Acquisition Co. Pty Ltd (Note 11).

Notes to the consolidated financial statements

21. Related party disclosures (continued)

(d) Trade payables to other related parties

Outstanding balances at period end are unsecured and settlement occurs in cash. During the period an intercompany loan existed with a related Australian Company, GPC Asia Pacific Pty Limited in Australia. This loan incurred interest at 9%, and the loan was fully repaid by 31 December 2017.

(e) Compensation of key management personnel

	Consolidated	
	2017 $000	2016 $000
Total compensation paid to key management personnel	**662**	975

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Independent auditor's report to the Shareholder of GPC Asia Pacific (NZ) Holdings Limited

Opinion

We have audited the financial statements of GPC Asia Pacific (NZ) Holdings Limited ("the Company") and its subsidiaries (together "the Group") on pages 4 to 24, which comprise the consolidated statement of financial position of the Group as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 4 to 24 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the Company's shareholder. Our audit has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based upon the work we have performed on the other information 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.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the Group's ability 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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 International Standards on Auditing (New Zealand) 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/. This description forms part of our auditor's report.

Ernst & Young

Melbourne
30 May 2018