



# ANNUAL REPORT 2021

“

FY21 was a watershed year in the life of NTAW – the change in scale and diversity of its operations was profound

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Dear Shareholder

The 2021 financial year has been a year of significant growth and transformation for your Company. I am proud that National Tyre & Wheel Limited (**NTAW**) is now the largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand with a leading market share in multiple industry segments, providing a full service offering of over 100 brands and 50,000 SKUs to over 3,000 customers with a headcount of over 600 employees.

The acquisition of the Tyres4U business in August 2020 substantially increased the diversity of NTAW's business, allowing revenue to be generated from new sources including:

- New products, including truck and bus tyres, agricultural (e.g. tractor) and off-the-road tyres (e.g. earthmoving vehicles), industrial tyres (e.g. forklifts), original equipment tyre and wheel packages (e.g. for truck trailers);
- New distribution channels including tyre and wheel retailing and vehicle fleet operators; and
- New services including national account management with local fulfilment capabilities as well as mechanical and tyre fitting services.

The successful implementation of several strategic decisions (near source manufacture of some key products, new budget tyre products and new wheel products, excellent returns on the investment from expanding into Western Australia, organisational changes in Tyres4U (Australia) and structural changes to sales management and operations), along with favourable trading conditions, resulted in improved profitability.

Your Company generated revenue of \$461.5 million in the 2021 financial year (representing over 2.5 million tyres and wheels sold), including 11 months trading of the Tyre4U businesses. This activity was converted to a Reported EBITDA of \$46.1 million and an Operating EBITDA of \$35.7 million as shown on page 5.

Your Company's balance sheet is strong with a net debt position of \$16.0 million at 30 June 2021 and a net debt to equity + debt ratio of 11.7%.

To better manage the new scale and diversity of NTAW, executive level managers for Innovation and Technology, People and Culture, Marketing, and Supply Chain and Logistics were recruited. Along with existing Finance and Administration managers, a new leadership group was formed to offer shared services to NTAW's businesses.

Directors were pleased to declare a FY21 interim dividend of 3.00 cents per share and a FY21 final dividend of 5.00 cents per share (both fully franked) which were paid to shareholders on 9 April and 15 October 2021, respectively. The full year dividend represents a payout ratio of 43% of net profit after tax but before amortisation (**NPATA**), which is in line with Company policy of paying out 40% - 60% of NPATA.

## Chairman's letter (cont)

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Your Board and management have worked diligently and constructively during the year and that effort is appreciated.

Your Board and management will continue to guide your Company with confidence that recent earnings and shareholder returns can be maintained despite COVID related uncertainty. Your Company is expected to benefit from further organisational initiatives, synergies arising from the Tyres4U acquisition, the overall resilience shown by the tyre and wheel industry over the past 18 months and an ongoing interest in acquisitions and strategic alliances.

I would like to thank our staff, customers, suppliers and shareholders for the support they have delivered over the past year.

Yours faithfully

  
Murray Boyte  
Chairman

“

**National Tyre & Wheel Limited  
is now the largest  
independent tyre and wheel  
importer and wholesale  
distributor in Australia and  
New Zealand**

”





### Introduction

In 2013 NTAW embarked on a mission to diversify by importing a wider array of products, targeting more vehicle segments, expanding supplier and customer bases and distributing through more sales channels.

Part of the way into that journey, the Company listed on the ASX in FY18 with revenue of \$147 million and earnings per share of 5.25 cents.

Today, NTAW is generating annual revenue of \$480 million, with earnings per share in FY21 of 18 cents. A fully franked full year FY21 dividend of 8 cents per share was paid in 2021.

With the mission of building diversity and scale essentially accomplished, NTAW is aiming to be the tyre and wheel industry leader in digital transformation. During FY22, this new mission involves structural changes to the organisation of the Group, capturing economies of scale and investment in a new IT platform.

These activities are designed to enhance customer experiences, underpinning maintainable earnings growth in future years. In addition, NTAW remains on the lookout for further bolt on acquisitions to expand its product portfolio and market share.

### Operations - Overview

NTAW carries on the business of importing and distributing over 2.5 million tyres and wheels in Australia, New Zealand and South Africa, employing over 600 people and selling to over 3,000 customers. Group businesses have a leading market share in the following industry segments:

- Truck and bus tyres;
- 4WD tyres;
- Agricultural and off-the-road tyres;
- Industrial tyres;
- 4WD wheels;
- Original equipment tyres and wheels (for caravans, truck trailers and farm equipment); and
- Budget tyres (in Western Australia and South Australia).

Separate operating subsidiaries of NTAW are focused on targeting these segments and offering a “one stop shop” for tyres and wheels for almost all vehicles.

## Managing Director's report (cont)



Delivering tyre and wheel solutions for all segments, with a focus on commercial vehicles – trucks, buses, agricultural vehicles, off-the-road and construction vehicles skid steer equipment and other small machinery.



Delivering passenger, SUV, light truck and 4WD tyre solutions, supporting an array of re-sellers with value adding services and addressing all consumer segments.



Delivering original equipment tyre and wheel solutions to manufacturers – focused on caravans and truck trailers.



Delivering wheel and tyre and management solutions for industrial vehicles (e.g. forklifts of various sizes).



Supplying budget tyre solutions for all vehicle types in Western Australia and South Australia.



Delivering wheel solutions to an array of re-sellers, with a focus on 4WD wheels and expert advice.

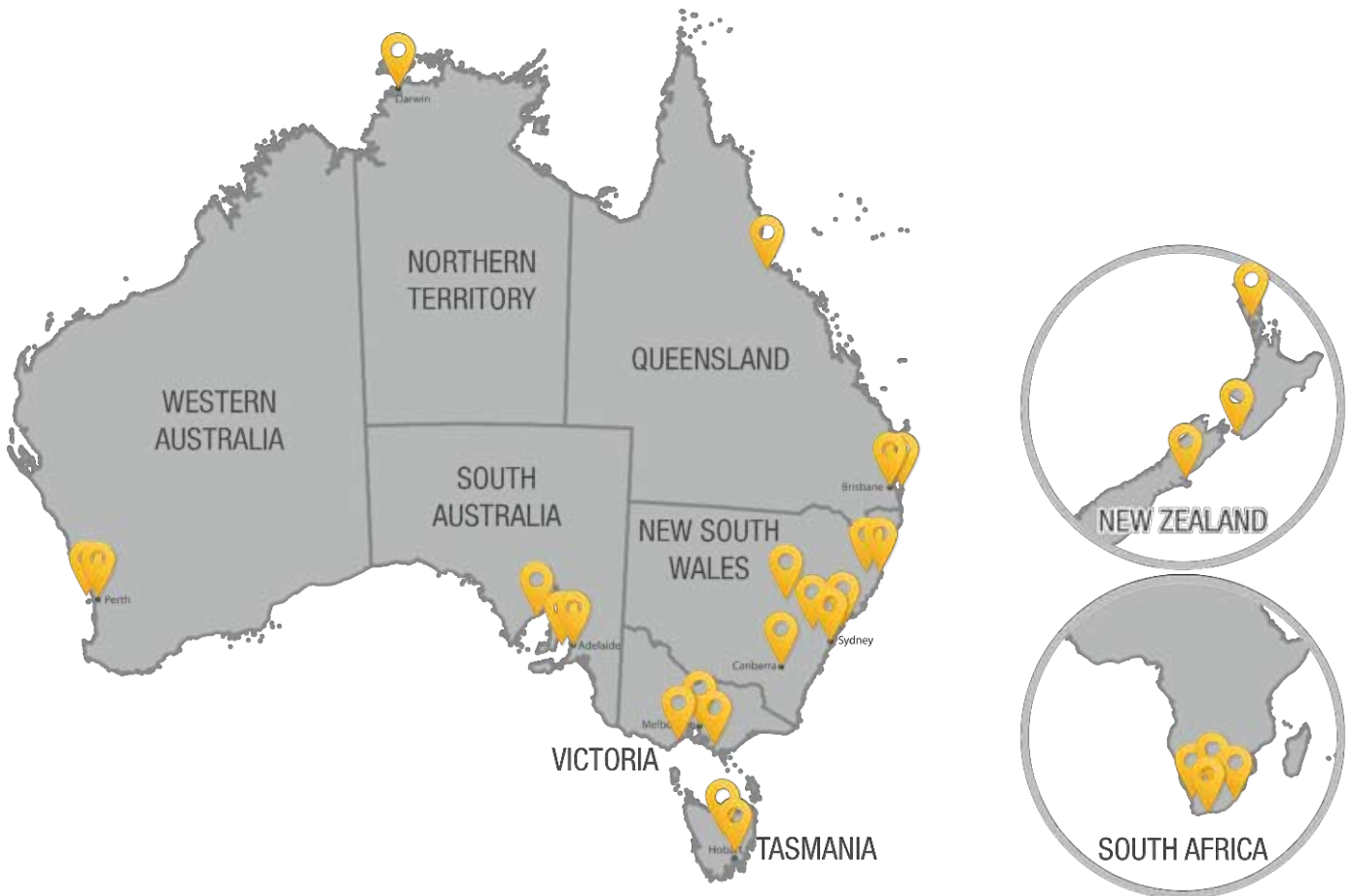


Delivering passenger, SUV and 4WD tyre and wheel solutions in South Africa.



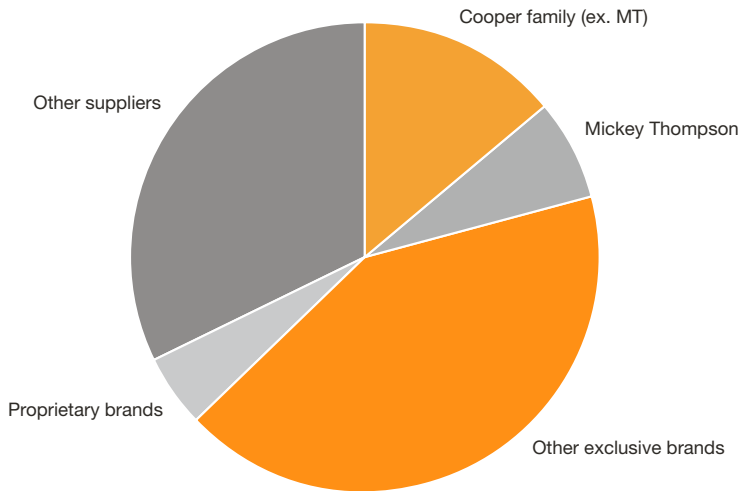
64 company owned and licensed retail stores operating throughout Australia with a focus on delivering value to commercial customers and consumers.

Customers are serviced from the largest network of warehouses in Australia and New Zealand.



The Group sells over 100 brands (more than 50,000 SKUs) supplied by a wide range of exclusive and non-exclusive suppliers.

FY21 Supplier Mix by Revenue



Key exclusive supplier relationships have existed for decades and are underpinned by both parties expectations of performance being consistently met rather than formal, long term Agreements.



Products are distributed through all industry channels.

|   |   |   |
|---|---|---|
| <p><b>B2B<br/>End User</b></p> <p><b>Customer Mix</b></p> <ul style="list-style-type: none"> <li>• Caravan, truck trailer and farm equipment manufacturers</li> <li>• Commercial truck and bus fleet operators</li> <li>• Hire car fleet operators</li> <li>• Forklift and industrial equipment operators</li> <li>• Large scale farmers</li> </ul> | <p><b>B2B<br/>Re-Seller</b></p> <p><b>Customer Mix</b></p> <ul style="list-style-type: none"> <li>• Tyre speciality retail stores (chains and independents)</li> <li>• Mechanical service businesses</li> <li>• Car dealers</li> <li>• Online re-sellers</li> </ul> | <p><b>B2C<br/>Retail</b></p> <p><b>Consumers</b> (enthusiasts, adventurers, downsizers, commuters, traditional consumers, do it for me segments) and <b>commercial customers</b>.</p> |
|---|---|---|

Note – some business units operate in more than one distribution channel.

## Operations – 2021 Financial Year

In FY21 NTAW business units successfully executed various strategic and tactical initiatives, including:

- Re-organisation of ETD and Tyres4U (Australia) sales teams;
- Near-sourced manufacture of some Cooper Tires® brand products resulted in lower prices, driving higher sales volume and revenue;
- New wheel products delivered higher volumes and revenue;
- The February 2020 purchase of Industrial Tyre Service in Western Australia (integrated into Statewide) was a success with revenue growing by 19% in FY21; and
- Budget tyre sales in the eastern states (underpinned by the Dynamo brand) exceeded expectations.



The Group also benefitted from favourable trading conditions, including:

- Less intense price competition as competitors rebuilt inventories run down in Q4 of FY20 and focussed on profitable cash flows in response to the COVID pandemic;
- Favourable movements, and stability, in the value of the Australian Dollar against currencies paid to suppliers;
- Robust regional economies with record harvests;
- Strong consumer demand for motor vehicle accessories; and
- Consistent truck movements underpinning sustained sales of industrial and truck tyres.

NTAW purchased the business assets of Tyres4U in Australia and New Zealand in August 2020. The price paid resulted in a gain on bargain purchase of \$0.6 million.

The contribution of the Tyres4U businesses to the Group's net profit before tax in FY21 (11 months) was \$8.7 million and this represented a meaningful turn around in Tyres4U's financial performance from FY19 and FY20. This turn around can largely be attributed to synergies derived from the purchase by Tyres4U of Tyre & Tube Australia in October 2019, as well as the favourable trading conditions and some of the tactical decisions outlined above.

NTAW businesses (excluding Tyres4U) contributed the remaining net profit before tax of \$20.2 million, which was \$14.0 million or 225% higher than FY20.

In February 2021, NTAW was advised that Cooper Tire & Rubber Company (the Group's largest supplier accounting for 14% of total revenue) had been acquired by Goodyear Tire & Rubber Company, a traditional competitor of Cooper's. NTAW (via a subsidiary) has a long-term agreement (expiring in 2027) pursuant to which it has the exclusive right to import and distribute Cooper Tires® and Mastercraft passenger, SUV and 4WD products. The change of ownership of Cooper Tires® does not affect the status of this agreement.

### **FY21 Financial Results**

NTAW has reported total revenue of \$461.5 million (2020: \$158.9 million) for the financial year, an increase of \$302.6 million (190.5%) on the prior year resulting from the Tyres4U acquisition in August 2020 and improved trading conditions.

The Group has reported an EBITDA of \$46.1 million (2020: \$12.2 million). The result for FY21 includes a gain on bargain purchase of \$0.6m related to the Tyres4U acquisition and \$1.4 million of related acquisition costs incurred in the year. Accounting of lease expenses in accordance with AASB 16 *Leases* resulted in \$11.0 million of lease expenses (FY20: \$3.1 million) being classified "below" EBITDA, largely as depreciation (of the right-of-use assets recognised on the statement of financial position). Unrealised foreign exchange gain on foreign exchange contracts and foreign currency denominated suppliers of \$0.3 million (2020: loss of \$0.5 million) was recognised during the year.

NTAW's statutory profit for the Group after providing income tax and non-controlling interest amounted to \$20.5 million (2020: \$4.2 million).

## Managing Director's report (cont)

NTAW has a strong balance sheet with net assets of \$91.8 million (Jun-20: \$68.8 million). The net debt position was \$16.0 million (Jun-20: net cash of \$13.6 million, prior to the acquisition of Tyres4U) and a 'net debt to equity + debt' ratio of 11.7%.

The key operating metrics for the Company in FY21 compared to FY20 were:

| Key Operating Metrics                  | FY21  | FY20  |
|--|-------|-------|
| Gross profit margin                    | 29.8% | 26.0% |
| Operating costs as a % of revenue      | 19.8% | 16.9% |
| EBITDA margin                          | 10.0% | 7.7%  |
| NPATA (\$ million)                     | 21.1  | 5.7   |
| Earnings per share* (cents)            | 18.7  | 5.5   |
| Dividend per share (full year) (cents) | 8.0   | 1.3   |
| Operating cash flow (\$ million)       | 22.7  | 15.5  |
| Interest cover                         | 15.4x | 12.0x |

\* Basic earnings per share calculated on NPATA attributable to NTAW shareholders

### Comments:

- FY21 result includes 11 months of the Tyres4U businesses.
- FY21 NPATA includes \$0.6 million gain on Tyres4U purchase and \$1.4 million non-recurring acquisition costs associated with that purchase.
- AASB 16 *Leases* has been adopted in the reported result.
- NPATA attributable to NTAW shareholders excludes non-controlling interests (representing the residual 50% interest in TLS) and is adjusted for amortisation.

NTAW had cash of \$28.9 million at 30 June 2021, up from \$25.9 million at 30 June 2020. Net tangible assets per ordinary share of 64.8 cents at 30 June 2021 shows significant growth compared to 49.8 cents at 30 June 2020.

Net Debt at 30 June 2021 of \$16.0m.  
Net Debt to EBITDA 0.35 times.  
Net Debt to Equity + Debt ratio of 11.7%.

A new banking facility was negotiated to fund the Tyres4U transaction, ongoing working capital and capital expenditure requirements.

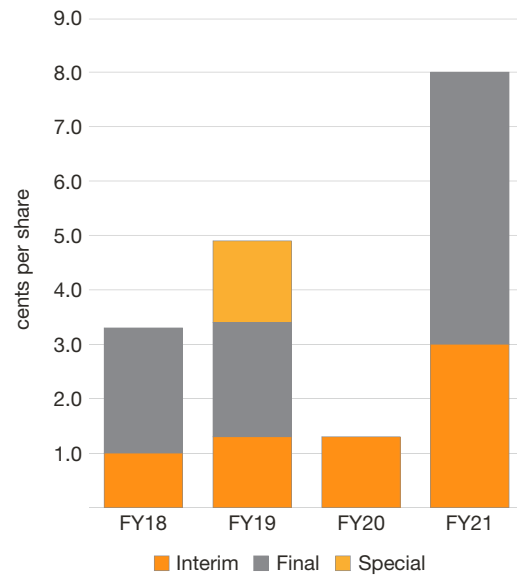
The Group is adequately funded within existing debt facilities to continue to fund future growth initiatives.

NTAW currently has \$20.65m available franking credits.

Share price post IPO (Dec, 2017)



NTAW Dividend History



## Restructuring

NTAW is now organised into business units targeting specific industry segments and shared services units providing centralised support in marketing, supply chain/logistics, people & culture, finance and administration and IT/innovation. The Group's leadership team has been expanded to include business founders and managers from business units and shared services units.

The re-organisation of operating businesses will continue during FY22 to align customer relationship management programs, unify sales management and implement cross-selling incentives (e.g. the merger of Tyres4U and MPC original equipment businesses into "Integrated OE").

The Group's distribution platform is also being re-organised with warehouse consolidations and logistics improvements in Sydney and Melbourne occurring in 1H22 and Brisbane and Perth in 1H23.

The Group's IT systems are being completely upgraded during FY22, using the Microsoft Dynamics ERP system as the platform for single Group wide finance and administration management, a state of the art, adaptable IT system that can deliver value adding services from data driven marketing solutions, augmented/virtual reality, machine learning/artificial intelligence, information via the internet of things and e-commerce from transactional partnerships, VoIP and other remote mechanisms.

FY22 IT project costs are estimated to be \$3.1 million, with extensions for state of the art value adding customer services (VR, AI, data analytics, supply chain management) to be built in FY23 for an estimated additional cost of \$2.5 million.

The Group is also changing procurement processes with the introduction of a Sales and Operations Planning system in 1H22 designed to improve demand and supply forecasting, with resulting working capital and inventory management benefits for the Group and customers.

These restructuring initiatives are expected to deliver profit growth from 4Q22.

### Strategy

NTAW aims to be the tyre and wheel industry leader in digital transformation, targeting innovations that will deliver better customer experiences, including:

- Improvements in inventory management – more sophisticated data analytics informing forecasts;
- Integrating re-seller point of sale data informing real time decisions on procurement, model stock and incentives;
- Real time tracking of deliveries from factory order to arrival at re-seller/consumer;
- Improved treadwear monitoring and cents per kilometre calculations;
- Insights from data collection and analytics informing product mix and promotional activity – shopping behaviour, internet usage, demographics, market sizing (by vehicle, pattern, size, population), market share (by re-seller), spending patterns, geofenced promotions, ROI measurement (independent of social media and search platforms) – delivered internally and to customers in real time;
- Flexible pricing models;
- Augmented and virtual reality POS – holographic imagery on permanent display, virtual imagery immersing customers in products – removing the present lack of sensory engagement in tyre and wheel purchasing, more sophisticated virtual pre purchase experience; and
- Seamless e-commerce customer experience in the real and virtual worlds – a “phygital” platform (combining the physical and digital worlds).

Digital leadership also means that NTAW can sponsor a more contemporary “ecosystem” providing additional value adding benefits to customers.





## Outlook

The tyre and wheel industry, and NTAW, proved to be resilient when confronted with economic disruption arising from the COVID pandemic in FY21.

In the short term, businesses will continue to be disrupted by community lockdowns. While consumers responded well in FY21 when restrictions were reduced, it is not certain that a similar response will occur when they are next eased. NTAW does not expect these disruptions to have any material adverse effect in the medium to long term. To the contrary, NTAW's focus on digital transformation is based on the premise that COVID induced changes in B2B and B2C buying behaviour will be a source of growth.

In summary, NTAW's confidence that recent earnings and shareholder returns can be maintained over the next few years, despite disruption from the pandemic, is underpinned by:

- The resilience shown by the industry in FY21;
- Operating efficiencies and effectiveness arising from organisational changes to business units and shared services – especially those directed at improving relatively low profit margins in the Tyres4U business in Australia;
- Benefits from the FY22 initiatives described earlier;
- Increased sales and lower costs to serve from the digital transformation program; and
- NTAW's ongoing interest in acquisitions and strategic alliances provides an upside case to this outlook.

### Acknowledgements

FY21 was a watershed year in the life of NTAW – the change in scale and diversity of its operations was profound. Financial performance and operational outcomes have exceeded expectations by a significant margin without any material contribution from business improvement programs that are designed to improve earnings.

The Group, guided by an expanded leadership team of experienced executives, has embraced a new vision – to be the tyre and wheel industry leader in digital transformation. This is a bold endeavour, requiring large investments and effective change management.

NTAW is ready to bring this vision to life because of the support it has received from employees, customers, suppliers and the communities that have sustained everyone through recent difficulties. NTAW employees, in particular, have again proven to be dedicated and hard working.

The Board and senior management team is very grateful for the support received from all stakeholders.



Peter Ludemann  
Managing Director

“

The Group has a leading market share in the following industry segments: Truck and bus tyres; 4WD tyres; Agricultural and OTR tyres; Industrial tyres; 4WD wheels; Original equipment tyres and wheels; and Budget tyres

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# FINANCIAL REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of National Tyre & Wheel Limited (referred to hereafter as the 'Company', 'NTAW', 'NTD' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

### Directors

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

|                |   |
|----------------|---|
| Murray Boyte   | Non-Executive Chairman                        |
| Peter Ludemann | Chief Executive Officer and Managing Director |
| Terry Smith    | Executive Director                            |
| Bill Cook      | Non-Executive Director                        |
| Robert Kent    | Non-Executive Director                        |

### Principal activities

The principal activity of the Group during the financial year ended 30 June 2021 was the distribution and marketing of motor vehicle tyres, wheels, tubes and related products throughout Australia, New Zealand and South Africa.

NTAW is the holding company for the following operating subsidiaries:

- Exclusive Tyre Distributors Pty Ltd ("ETD");
- Exclusive Tyre Distributors (NZ) Limited ("ETDNZ");
- Dynamic Wheel Co. Pty Limited ("Dynamic");
- Integrated OE Pty Ltd ("OE"), previously M.P.C. Mags and Tyres Pty Ltd;
- Statewide Tyre Distribution Pty Ltd ("Statewide");
- Top Draw Tyres Proprietary Limited t/a Tyrelife Solutions ("TLS");
- Tyres4U Pty Ltd ("T4UAU");
- Tyres4U (NZ) Ltd ("T4UNZ");
- Tyreright Operations Pty Ltd ("TRT"); and
- NTAW Holdings (NZ) Ltd.

Apart from the Tyres4U acquisition, detailed below, which substantially altered the scale and diversity of the Group's activities, there have been no other significant changes in the nature of the Group's activities during the year.

### Dividends

Dividends paid during the financial year were as follows:

|                  | Consolidated   |                |
|------------------|----------------|----------------|
|                  | 2021<br>\$'000 | 2020<br>\$'000 |
| Final dividend   | -              | 2,573          |
| Special dividend | -              | 1,080          |
| Interim dividend | 3,425          | 1,286          |
|                  | <u>3,425</u>   | <u>4,939</u>   |

At the date of signing these financial statements, the Company has declared a fully franked final dividend of 5.00 cents per share with a record date of 20 September 2021 and a payment date of 15 October 2021. The total dividend payable is \$5,715,000. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2021 and will be recognised in subsequent financial reports.

## Operating and financial review

### Review of operations

In August 2020, NTAW acquired the business assets of Tyres4U in Australia and New Zealand. The value of the net tangible assets acquired in the transaction was \$49.3m, for consideration consisting of \$43.8m in cash and \$4.9m in NTAW shares, resulting in a gain on bargain purchase of \$0.6m. The cash component of the acquisition was funded by Group cash holdings and a new debt facility from Commonwealth Bank of Australia.

The Tyres4U acquisition substantially increased the scale of the Group's business:

- Tyres4U businesses contributed \$264.6m to Group revenue in FY2021;
- Group inventory increased by \$48.5m (117%) on the closing date of the transaction;
- the number of people employed by the Group increased by 468 (214%);
- the number of distribution centres operated by the Group grew by 12, to a total of 30, during FY2021; and
- during FY2021, the Group sold 2.5m tyres and wheels to over 3,000 customers. Together with services and accessories, the Group generated revenue of \$461.5m, compared to \$158.9m in FY2020.

The Tyres4U acquisition also substantially increased the diversity of the Group's business, allowing revenue to be generated from new sources including:

- New products, including truck and bus tyres, agricultural (e.g. tractor) and off-the-road tyres (e.g. earthmoving vehicles), industrial tyres (e.g. forklifts), original equipment tyre and wheel packages (e.g. for truck trailers);
- New distribution channels including tyre and wheel retailing and vehicle fleet operators, including national account management and local fulfilment services; and
- Services related to tyre and wheel businesses (e.g. mechanical and fitting services).

All the Group's businesses benefited from favourable trading conditions throughout FY2021, particularly:

- Less intense price competition as competitors rebuilt inventories run down in Q4 of FY2020 in response to the COVID pandemic;
- Favourable movements, and stability, in the value of the Australian Dollar against currencies paid to suppliers;
- Strong consumer demand for motor vehicle accessories;
- Consistent goods movements underpinning sustained sales of industrial and truck tyres; and
- Strong demand for agricultural, off-the-road and 4WD tyres as farm output and regional economic activity reached levels not seen for many years.

Most of the profit growth experienced in FY2021 came from Group businesses other than Tyres4U. In addition to favourable trading conditions, this improvement arose from the successful execution of various strategic decisions made after a disappointing result in FY2019 and FY2020. These strategies included near source manufacture of some key products, new tyre products in the budget category, excellent returns on the investment made to expand Statewide into Western Australia, organisational changes in Tyres4U (Australia), structural changes to sales management and operations and the introduction of new wheel products.

During FY2021, the Group recruited people to better manage the new scale and diversity of operations, including executive level managers for Innovation & Technology, People & Culture, Marketing and Supply Chain & Logistics. Along with existing executive level management of Finance & Administration, a new leadership group was formed to offer shared services to the Group's businesses.

Synergies are expected to arise from the acquisition of Tyres4U. For example, the additional costs of forming a new executive team were offset, to some extent, by redundancies in other roles. With all businesses in the Group operating at capacity to meet demand for products, and with the executive suite being established, the capture of other synergies from integrating sales, logistics, marketing and administrative activities was deferred to FY2022 and beyond.

**Results highlights**

NTAW has reported total revenue of \$461.5m (2020: \$158.9m) for the financial year, an increase of \$302.6m (190.5%) on the prior year resulting from the Tyres4U acquisition in August 2020 and improved trading conditions throughout the Group.

NTAW's statutory profit for the Group after providing income tax and non-controlling interest amounted to \$20.5m (2020: \$4.2m).

NTAW has a strong balance sheet with net assets of \$91.8m (Jun-20: \$68.8m). The net debt position was \$16.0m (Jun-20: net cash of \$13.6m, prior to the acquisition of Tyres4U) and a 'net debt to equity + debt' ratio of 11.7%.

**Key operating metrics**

|                                       | FY2021 | FY2020 |
|---------------------------------------|--------|--------|
| Gross profit margin                   | 29.8%  | 26.0%  |
| Operating costs as % of total revenue | 19.8%  | 16.9%  |
| Reported EBITDA <sup>1</sup> margin   | 10.0%  | 7.7%   |
| Operating EBITDA <sup>2</sup> margin  | 7.7%   | 7.4%   |

1 EBITDA means earnings before interest, tax, depreciation and amortisation.

2 Refer to reconciliation between Reported EBITDA and Operating EBITDA below.

NTAW has reported a gross profit margin of 29.8% and an Operating EBITDA margin of 7.7%, with gross profit margin and Operating EBITDA margin surpassing that achieved in the prior year resulting from increased customer demand and favourable exchange rates between the AUD and USD. The Group's operating costs as a percentage of sales of 19.8% was greater than prior years due to the change in the business structure (Tyres4U acquisition) and investment made to enable the Group to leverage its diversity and scale into increased market share.

**Key financial results**

| \$'000                                  | FY2021  | FY2020  |
|---|---------|---------|
| Sales revenue                           | 461,533 | 158,857 |
| Gross profit                            | 137,510 | 41,263  |
| Reported EBITDA                         | 46,145  | 12,184  |
| Operating EBITDA                        | 35,653  | 11,786  |
| NPATA attributable to NTAW <sup>1</sup> | 21,142  | 5,665   |

1 NPATA excludes non-controlling interest and amortisation on a tax effected basis.

**Operating EBITDA**

The Group has reported an EBITDA of \$46.1m (2020: \$12.2m). The result for FY2021 includes a gain on bargain purchase of \$0.6m related to the Tyres4U acquisition and \$1.4m of acquisition costs incurred in the year. Accounting of leases expenses in accordance with AASB 16 *Leases* resulted in \$11.0m of lease expenses (FY20: \$3.1m) being classified "below" EBITDA, largely as depreciation (of the right-of-use assets recognised on the Statement of financial position). Unrealised foreign exchange gain on foreign exchange contracts and foreign currency denominated suppliers of \$0.3m (2020: loss of \$0.5m) was recognised during the year.

After taking into account the above items, an Operating EBITDA of \$35.7m was earned in FY2021 (FY2020: \$11.8m) as shown in the following table:

| \$'000  | FY2021        | FY2020        |
|---|---------------|---------------|
| <b>Net profit after tax</b>   | <b>20,540</b> | <b>4,228</b>  |
| Depreciation and amortisation   | 14,278        | 5,121         |
| Finance costs (net)   | 2,949         | 828           |
| Income tax expense  | 8,378         | 2,007         |
| <b>Reported EBITDA</b>  | <b>46,145</b> | <b>12,184</b> |
| Impact on Occupancy costs due to adopting AASB 16                           | (11,024)      | (3,082)       |
| Gain on bargain purchase  | (596)         | -             |
| Acquisition costs   | 1,449         | -             |
| Impairment charges on intangible assets related to South African subsidiary | -             | 2,210         |
| Unrealised foreign exchange (gains)/losses                                  | (321)         | 474           |
| <b>Operating EBITDA</b>   | <b>35,653</b> | <b>11,786</b> |

### Financial Position

Key financial information in relation to the Group's financial position at year end is shown below:

|                                | 30 June 2021 | 30 June 2020 |
|--------------------------------|--------------|--------------|
| Total assets (\$'000)          | 268,438      | 125,195      |
| Net assets (\$'000)            | 91,813       | 68,845       |
| Net (debt)/cash (\$'000)       | (15,989)     | 13,636       |
| Shares on issue ('000)         | 114,295      | 102,891      |
| Dividends per security (cents) | 8.00         | 1.25         |

Significant balance movements during the financial year were as follows:

- Net debt has increased \$29.6m and 11.3m shares were issued as part of the Tyres4U acquisition;
- Total assets have significantly increased due to the expanded operations of the Group; and
- A final dividend of 5.00 cents has been declared in respect of the year (FY2020: nil), with an interim dividend of 3.00 cents being declared during FY2021 (FY2020: 1.25 cents).

### Outlook

The tyre & wheel industry, and NTAW, proved to be resilient when confronted with economic disruption arising from the pandemic.

NTAW's primary goal leading up to the Tyres4U acquisition was to build diversity and scale, seeking economies of scale to improve customer service levels and reduce overhead costs due to higher import prices and lower sell out prices – the by-product of global surplus manufacturing capacity for most types of tyre. The Tyres4U acquisition delivered the diversity and scale NTAW had been seeking.

NTAW's new vision is to be the tyre and wheel industry leader in digital transformation. The Group will achieve this goal by harnessing technology to deliver innovative value-adding solutions for all stakeholders. At the same time, NTAW will bring about an alignment of culture within the Group based on core aspirations of decency, innovation, collaboration and energy.

The following measures have, and will, be taken in pursuit of NTAW's vision:

- A new executive team (described earlier), together with the creation of a new Chief Operating Officer role, with the required skill and experience will drive various projects described below;
- A new enterprise resource planning and IT platform will be installed with financial & administrative functionality by FY2023 and value adding customer services rolled out throughout FY2023 and beyond;
- Leveraging the new IT platform to reduce overheads in FY2023;
- Integrating and improving sales and operations planning;
- Capturing other supply chain and logistics efficiencies (e.g. consolidating warehouses, better delivery fleet management);
- Integrating the Group's passenger and light truck sales and marketing activities, allowing the Tyres4U Commercial team to focus on truck, bus, agricultural and off-the-road business;
- Offering more incentives to customers to increase their purchasing from the Group and providing an outstanding, seamless, one stop purchasing experience for those customers across the entire array of the Group's products and services; and
- Continuous refinement of the Group's product mix and distribution capabilities to meet supplier and customer expectations.

#### Significant changes in the state of affairs

Other than the acquisition of Tyres4U, there were no significant changes in the state of affairs of the Group during the financial year.

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

Apart from the dividend declared as disclosed above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

#### Likely developments and expected results of operations

The Group will continue to pursue growth in revenue in the next financial year as it seeks to leverage the diversity and scale built up in recent years in addition to the realisation of revenue and cost synergies throughout the Group in FY2022 and beyond.

#### Material business risks

The Board is committed to monitoring and mitigating business risks faced by the Group, including the following key risks that have the potential to materially impact its financial prospects:

- **Supplier risk** – the Group is party to a long-term formal distribution and licence agreement with Cooper Tire & Rubber Company ("Cooper Tires") for the supply of Cooper and Mastercraft branded products in passenger, SUV and 4WD segments. The Group owns customer relationships and controls the marketing of brands, but it relies on rights under formal long-term agreements granted by Cooper Tires to access the Cooper brand. Goodyear Tire and Rubber Company purchased Cooper Tires during the year and there is some risk that the change in ownership will impact the Group's long-term relationship with Cooper Tires. The acquisition of Tyres4U introduces the Group to many new suppliers, significantly reducing the risk of supplier dependency on Cooper Tires with the Cooper family of brands (excluding Mickey Thompson) accounting for approximately 14% of revenue and 18% of gross profit for FY21. The Group exclusively imports 29 brands in various product segments and many of these exclusive importation and distribution agreements have existed for more than 20 years. As these agreements do not have long-term tenure, the Group relies on meeting or exceeding supplier expectations. This strategy has served the Group well, with all supplier relationships surviving decades despite there being no formal long-term tenure.

- **Foreign exchange risk** – a significant proportion of the Group's costs and expenses are transacted in foreign currencies. Adverse movements between the Australian Dollar, New Zealand Dollar and South African Rand against the US Dollar may increase the price at which the Group acquires its trading stock and result in volatility in profitability to the extent that the Group may or may not be able to pass on price changes to its customers (after allowing for the impact inventory cycles have on the time it takes for exchange rate movements to impact on cost of goods sold and the behaviour of competitors). The Group also seeks to use foreign exchange contracts to mitigate its foreign exchange exposures. The effect of foreign currency translation on operating results from offshore operations remains inherent in the Group's business.
- **Business integration risk** – the Group has acquired interests in several businesses in recent years with the successful integration and capturing of synergies from the acquisitions and managing growth being critical to the Group's continued performance and earnings. The Group's Board and management is experienced in acquiring and integrating businesses, conducts comprehensive due diligence and ensures an integration plan is followed.
- **Retention of key personnel** – the Group's future success is significantly dependent on the expertise and experience of its key personnel and management. The loss of services of key members of management, and any delay in their replacement, or the failure to attract additional key managers to new roles could have a material adverse effect on NTAW's financial performance and ability to deliver on its growth strategies.
- **Customer risk** – the Group is dependent on its ability to retain its existing customers and attract new customers. Although customer concentration is low, sales revenue would be adversely affected if all members of a chain or group decided not to purchase products from the Group. Although this risk has been further reduced as a consequence of the Tyres4U acquisition, the Group proactively manages its customer relationships and has established value adding customer loyalty programs.
- **Risk of competition** – the tyre and wheel wholesale market is highly competitive. Competition is based on factors including price, service, quality, performance standards, range and the ability to provide customers with an appropriate range of quality products in a timely manner. A failure by the Group to effectively compete with its competitors may adversely affect the Group's future financial performance and position.
- **COVID-19 pandemic** – the Group is subject to the current and potential economic impacts due to the COVID-19 pandemic and government imposed responses (e.g. mandatory trading shutdowns). Management monitored operating activities to ensure that the appropriate level of working capital (including cash) was maintained to meet customer demand and continues to do so. The Group continue to enforce the safe working practices implemented during the year to mitigate risks to employees and other stakeholders.

#### Environmental regulation

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

#### Information on Directors

|                                      |  |
|--------------------------------------|--|
| Name:                                | Murray Boyte   |
| Title:                               | Independent, Non-Executive Chairman  |
| Experience and expertise:            | Mr Boyte has over 35 years' experience in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. In addition, he has held executive positions and Directorships in the transport, horticultural, financial services, investment, health services and property industries. |
| Other current directorships:         | Eureka Group Holdings Limited (ASX: EGH); Hillgrove Resources Limited (ASX: HGO); Eumundi Group Limited (ASX: EBG)   |
| Former directorships (last 3 years): | Abano Healthcare Group Limited (NZX: ABA)  |
| Special responsibilities:            | Member of Audit and Risk Committee; Member of Remuneration and Nominations Committee   |
| Interests in shares:                 | 203,163 ordinary shares  |
| Interests in options:                | Nil  |

|                                      |   |
|--------------------------------------|---|
| Name:                                | Peter Ludemann  |
| Title:                               | Chief Executive Officer ('CEO') and Managing Director   |
| Qualifications:                      | Degrees in Law and Commerce (Marketing) from University of New South Wales  |
| Experience and expertise:            | Mr Ludemann joined the Group as a director in 2012 and became full time CEO of NTAW in July 2013. He has worked as a commercial lawyer, a director of numerous private companies, the Managing Director of a Life Science Investment firm and as a Private Equity Investment Manager at AMP Capital. He has been the driving force behind the evolution of NTAW from a closely held family trust carrying on a niche 4WD tyre wholesale business to a more widely held entity operating in tyre and wheel segments. He has managed the acquisition and integration of Dynamic, M.P.C Mags and Tyres, National Tyre Wholesalers, Statewide, TLS and Tyres4U. Mr Ludemann has been responsible for the execution of a succession plan for NTAW founders that has included the distribution of retained earnings, the creation of a public company corporate structure, the IPO and listing of NTAW as well as generational change within the Group. |
| Other current directorships:         | Nil   |
| Former directorships (last 3 years): | Nil   |
| Special responsibilities:            | Nil   |
| Interests in shares:                 | 2,759,928 ordinary shares   |
| Interests in options:                | 350,000 options   |
| Name:                                | Terry Smith   |
| Title:                               | Executive Director  |
| Experience and expertise:            | Mr Smith has over 40 years' experience in tyre importing, wholesaling and retailing. Terry's career is one of successful entrepreneurship, as he and wife Susanne, were responsible for taking Exclusive Tyre Distributors ('ETD') from a start-up business to one of the largest independent national tyre wholesalers in Australia.   |
| Other current directorships:         | Nil   |
| Former directorships (last 3 years): | Nil   |
| Special responsibilities:            | Member of Remuneration and Nominations Committee  |
| Interests in shares:                 | 27,255,297 ordinary shares  |
| Interests in options:                | Nil   |
| Name:                                | Bill Cook   |
| Title:                               | Independent, Non-Executive Director   |
| Experience and expertise:            | Mr Cook is an Independent Non-Executive Director of NTAW. Mr Cook commenced his career at Ford Motor Company in finance. He worked for Consolidated Press Holdings with the late Kerry Packer from 1983 to 1996 as Head of M&A and worldwide reporting. After two years as General Manager of Qantas Flight Catering's Sydney business he undertook Private Equity investment consulting roles, and subsequently joined AMP Capital as an investment manager in the Private Equity team. Since leaving AMP, Mr Cook has served as non-executive director for a number of companies, including NTAW since 2013.  |
| Other current directorships:         | Nil   |
| Former directorships (last 3 years): | Nil   |
| Special responsibilities:            | Chair of Audit and Risk Committee; Member of Remuneration and Nominations Committee   |
| Interests in shares:                 | 403,132 ordinary shares   |
| Interests in options:                | Nil   |



|                                      |   |
|--------------------------------------|---|
| Name:                                | Robert Kent   |
| Title:                               | Independent, Non-Executive Director   |
| Qualifications:                      | Bachelor of Business degree (Marketing) from the Queensland University of Technology and is a Graduate of the Australian Institute of Company Directors.  |
| Experience and expertise:            | Mr Kent was the Managing Director of Publicis Mojo (Queensland), part of a global advertising firm, from 2000 to 2017. He was also a member of the Publicis National Board of Management. Robert is an experienced marketing executive who has managed many campaigns involving sales, promotion and brand building. He was also Managing Director of Personalised Plates Queensland from 2013 to 2017. |
| Other current directorships:         | Nil   |
| Former directorships (last 3 years): | Nil   |
| Special responsibilities:            | Chair of Remuneration and Nominations Committee; Member of Audit and Risk Committee   |
| Interests in shares:                 | 282,133 ordinary shares   |
| Interests in options:                | Nil   |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'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, unless otherwise stated.

### Company secretaries

#### *Jason Lamb*

Mr Lamb is the Chief Financial Officer and joint Company Secretary. Mr Lamb has over 20 years' accountancy experience. He is a Certified Practising Accountant with a Bachelor of Commerce (Accounting) and a Bachelor of Economics from the University of Queensland. Mr Lamb was responsible for setting up the financial accounting systems for NTAW. He has also been responsible for all financial due diligence work relating to business acquisitions and the establishment of financial reporting systems for those operating entities. He participates in all Board meetings for NTAW and each operating entity as well as overseeing the production of financial reports for all entities.

#### *Laura Fanning*

Mrs Fanning was the joint Company Secretary during part of FY2021. Mrs Fanning is a Chartered Accountant and Chartered Secretary with more than 20 years' financial, governance and commercial experience. She has held Company Secretary and senior finance positions in several listed and unlisted companies. Mrs Fanning resigned as joint Company Secretary on 26 November 2020.

#### *Hugh McMurchy*

Mr McMurchy is the joint Company Secretary, being appointed 1 July 2021. Mr McMurchy is a Chartered Accountant with over 10 years' experience in public accounting before joining NTAW in 2020.

### 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:

|                | <i>Full Board</i> |             | <i>Remuneration and Nominations Committee</i> |             | <i>Audit and Risk Committee</i> |             |
|----------------|-------------------|-------------|---|-------------|---------------------------------|-------------|
|                | <i>Attended</i>   | <i>Held</i> | <i>Attended</i>                               | <i>Held</i> | <i>Attended</i>                 | <i>Held</i> |
| Murray Boyte   | 19                | 20          | 5   | 5           | 4                               | 4           |
| Peter Ludemann | 20                | 20          | 4*  | 5*          | 4*                              | 4*          |
| Terry Smith    | 20                | 20          | 5   | 5           | 4*                              | 4*          |
| Bill Cook      | 18                | 20          | 5   | 5           | 4                               | 4           |
| Robert Kent    | 20                | 20          | 5   | 5           | 4                               | 4           |

\* Attended by invitation only

**Remuneration Report (audited)**

The remuneration report details the key management personnel ("KMP") remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and *Corporations Regulations 2001*.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Relationship between remuneration and Company performance
- (d) Service agreements
- (e) Share-based compensation
- (f) Equity instruments held by key management personnel
- (g) Other transactions with key management personnel

**(a) Principles used to determine the nature and amount of remuneration**

The objective of the Group's executive remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive remuneration with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform with accepted market practice for remuneration and reward. The Board of Directors ('the Board') ensures that executive remuneration satisfies the following key criteria for good remuneration governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration and Nominations Committee is responsible for reviewing remuneration arrangements for its directors and executives and making recommendations to the Board for consideration and approval. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nominations Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group, as determined by the Board.

The reward framework is designed to align executive reward to shareholders' interests. The Board considers that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

Since the Group's listing on the ASX, in accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

**Remuneration report (audited) (continued)***Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nominations Committee. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. The non-executive directors do not receive share options or other incentives.

Under NTAW's constitution, the directors decide the total amount paid to all directors as remuneration for their services. However, under the ASX listing rules, the aggregate non-executive directors' remuneration (i.e. excluding the Managing Director and executive directors, if any) for a financial year must not exceed the amount fixed by the Company in general meeting. This amount has been fixed at \$750,000 per annum. Any changes to the aggregate remuneration will be put to a general meeting where the shareholders will be asked to approve a maximum annual aggregate remuneration.

The annual base non-executive director fees paid by the Company are \$90,000 per annum for the chairman and \$70,000 per annum for other non-executive directors. An additional fee of \$10,000 per annum has been paid to the chairman of each Board committee. Directors may also be reimbursed for all travelling and other expenses incurred in connection with their Company duties. Total annual fees payable to non-executive directors for FY2021 is \$250,000 (FY2020: \$250,000).

*Executive director remuneration*

Fees and payments to executive directors reflect the demands and responsibilities of their role. Executive directors' fees and payments are reviewed annually by the Remuneration and Nominations Committee. Details of executive director remuneration are contained in section (d) Service Agreements of the Remuneration Report.

*Executive remuneration*

The Group aims to reward executives based on their position and responsibilities, with a level and mix of remuneration which has both fixed and variable components. The executive remuneration framework includes the following components:

- Fixed remuneration – comprising base salary, superannuation contributions and other benefits, having regard to comparable market benchmarks. Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive;
- Short-term incentive (“STI”) program – an ‘at risk’ component of remuneration where, if individual, business unit and Group performance measures are met, senior executives will be awarded cash bonuses equal to a percentage of their fixed remuneration. Performance measures include a financial gateway hurdle and non-financial key performance indicators (“KPIs”). The percentage of fixed remuneration received is capped, but may vary, between individuals and depending on the level of performance achieved; and
- Long-term incentive (“LTI”) program – an ‘at risk’ component of remuneration where senior executives are awarded options which are subject to an earnings per share (“EPS”) performance condition and a service condition. The number of options to be awarded will be determined by the Board having regard to the overall amount of executive remuneration and the annual profit impact of the options awarded.

The combination of these comprises an executive's total remuneration. The Board believes this remuneration framework ensures that remuneration outcomes link to Company performance and the long-term interests of Shareholders.

*2021 STI Program*

During FY2021, senior executives' entitlement to an STI was based on achievement of agreed performance objectives including:

- Financial performance;
- Operational performance;
- Strategy and innovative initiatives;
- Workplace health and safety; and
- Stakeholder satisfaction.

**Remuneration report (audited) (continued)**

Actual performance criteria varied between executives, having regard to their roles and responsibilities.

The Board applies the following general principles when determining and measuring performance targets and any STI incentive:

|             |  |
|-------------|--|
| STI Pool    | The size of the STI pool is determined by the Board, upon advice from the Remuneration and Nominations Committee, having regard to individual employment contracts. In consultation with the Remuneration and Nominations Committee, the Board assesses the Group's financial performance and the performance of key management personnel against agreed performance objectives.   |
| Structure   | The STI available is split between the achievement of financial gateway hurdles (at a group and/or individual operating entity level) and non-financial KPIs. The proportion of the STI between financial and non-financial varies between key management personnel.<br>The financial gateway hurdles are based on Operating EBITDA which the Board believes is an acceptable proxy for overall operating performance. Operating EBITDA is calculated by adjusting Reported EBITDA for the impact of the adoption of AASB 16 <i>Leases</i> and non-operational related items, which included a gain on bargain purchase and one-off acquisition costs and unrealised foreign exchange gains/losses for FY2021. |
| Achievement | The achievement of financial and non-financial KPIs vary between key management personnel. The Board retains discretion in relation to the impact that non-recurring or unusual items may have on achievement of the STIs.   |

The actual amount received by key management personnel, as a result of achieving the pre-determined financial hurdles and non-financial KPIs, are listed in the remuneration tables below.

**2021 LTI Program**

Options may be granted under the Employee Share Option Plan ("ESOP") which was adopted on 6 November 2017. Each option entitles the participant to subscribe for one ordinary share in the Company. The specific terms relevant to the grant of options are set out in an offer from the Company to the Eligible Person which contains details of the application price (which must not be for more than nominal consideration), the expiry date, the exercise price, the vesting date, any applicable performance conditions and other specific terms relevant to those options.

During FY2021, 1,680,000 options were granted to senior executives, including 930,000 issued to certain key management personnel, pursuant to the ESOP on the specific key terms:

- The Vesting Date of the options is 30 September 2023, subject to meeting the Performance Conditions.
- The Performance Period for the Performance Conditions is the period from the Grant Date until the Vesting Date (inclusive of each of those dates).
- The performance conditions were as follows:

1) Earnings per share ("EPS") condition – the Company's earnings per share for the year ended 30 June 2021 is at least 10% higher than its EPS for the year ended 30 June 2020 or if this is not achieved, the Company's EPS for the year ended 30 June 2022 is at least 10% higher than its EPS for the year ended 30 June 2020. Calculation of the EPS growth rate is based upon the EPS results reported in NTAW's financial statements for the above years.

The base EPS for the year ended 30 June 2020 will be 5.51 cents per share. This is based upon the Company's 2020 net profit after providing for income tax and non-controlling interests and excluding amortisation (NPATA) attributable to Shareholders of \$5.665 million. The target EPS based on NPATA attributable to Shareholders for the 2021 year or if this is not achieved, the 2022 year is, therefore, 6.06 cents per share.

The EPS results to be used for the 2021 and 2022 years will be based upon the Company's audited financial statements for that year. However, the EPS may be adjusted for items which the Board, in its discretion, considers should be included in, or excluded from, this result.

The EPS condition will be measured over two years if required to allow for uncertainty regarding the ongoing impact of COVID-19 on execution of the Company's growth strategies and the timing of synergies to be realised from the acquisition of Tyres4U in August 2020.

**Remuneration report (audited) (continued)**

2) Service condition – continuous employment of the employee with NTAW or one of its subsidiaries from the Grant Date until the Vesting Date.

- The Expiry Date of the options was 30 September 2025 which is two years after the Vesting Date, if not lapsed earlier.
- If the Performance Conditions are not met before the end of the Performance Period, the options will lapse.

It is the Board's intention to grant performance rights to senior executives for the FY2022 under a new LTI Plan. The Plan is expected to be finalised in September 2021, and will be subject to shareholder approval.

**(b) Details of remuneration**

The key management personnel of the Group in FY2021 consisted of the following directors of National Tyre & Wheel Limited:

- Murray Boyte – Chairman
- Peter Ludemann – Chief Executive Officer and Managing Director
- Terry Smith – Executive Director
- Bill Cook – Non-Executive Director
- Robert Kent – Non-Executive Director

And the following persons:

- Jason Lamb – Chief Financial Officer and Joint Company Secretary
- Colin Skead – Chief Executive Officer, ETD (appointed NTAW Chief Operating Officer on 1 July 2021)
- Chris Hummer – Managing Director, Dynamic and Executive Chairman, OE
- Georg Schramm – Managing Director, Top Draw Tyres (South Africa)
- Trevor Wren – Managing Director, Statewide
- Leslie DeCelis – Executive Director, T4UAU and T4UNZ

**Amounts of remuneration**

Details of the remuneration of key management personnel of the Group are set out in the following tables.

|  | Short-term benefits               |                |               | Post-employment benefits | Long-term benefits | Share-based payments | Total            |
|--|-----------------------------------|----------------|---------------|--------------------------|--------------------|----------------------|------------------|
|  | Cash salary and fees <sup>1</sup> | Cash Bonus     | Non-monetary  | Super-annuation          | Long service leave | Equity-settled       |                  |
| 2021                                   | \$                                | \$             | \$            | \$                       | \$                 | \$                   | \$               |
| <i>Non-Executive Directors:</i>        |                                   |                |               |                          |                    |                      |                  |
| M Boyte                                | 82,192                            | -              | -             | 7,808                    | -                  | -                    | 90,000           |
| W Cook                                 | 73,060                            | -              | -             | 6,940                    | -                  | -                    | 80,000           |
| R Kent                                 | 80,000                            | -              | -             | -                        | -                  | -                    | 80,000           |
| <i>Executive Directors:</i>            |                                   |                |               |                          |                    |                      |                  |
| T Smith                                | 86,227                            | -              | -             | 8,192                    | -                  | -                    | 94,419           |
| P Ludemann                             | 514,477                           | 226,665        | -             | 24,144                   | 14,094             | 18,302               | 797,682          |
| <i>Other Key Management Personnel:</i> |                                   |                |               |                          |                    |                      |                  |
| J Lamb                                 | 275,451                           | 136,640        | -             | 24,491                   | 5,059              | 16,770               | 458,411          |
| C Skead                                | 299,363                           | 141,666        | -             | 24,471                   | 2,605              | 15,964               | 484,068          |
| C Hummer                               | 335,666                           | 133,844        | -             | 24,215                   | 15,557             | 15,964               | 525,246          |
| G Schramm                              | 316,543                           | -              | -             | -                        | -                  | 8,470                | 304,161          |
| T Wren                                 | 197,573                           | 87,302         | 11,575        | 24,548                   | 5,506              | 15,964               | 342,469          |
| L Decelis <sup>2</sup>                 | 525,901                           | -              | -             | 23,214                   | 15,423             | -                    | 564,538          |
|  | <b>2,786,453</b>                  | <b>726,117</b> | <b>11,575</b> | <b>168,024</b>           | <b>58,245</b>      | <b>91,434</b>        | <b>3,841,846</b> |

1 Including movement in annual leave provisions.

2 Classified as key management personnel from 4 August 2020, when Tyres4U business was acquired.

## Remuneration report (audited) (continued)

| 2020                                   | Short-term benefits               |                |               | Post-employment benefits | Long-term benefits | Share-based payments | Total            |
|--|-----------------------------------|----------------|---------------|--------------------------|--------------------|----------------------|------------------|
|  | Cash salary and fees <sup>1</sup> | Cash bonus     | Non-monetary  | Super-annuation          | Long service leave | Equity-settled       |                  |
|  | \$                                | \$             | \$            | \$                       | \$                 | \$                   | \$               |
| <i>Non-Executive Directors:</i>        |                                   |                |               |                          |                    |                      |                  |
| M Boyte                                | 82,192                            | -              | -             | 7,808                    | -                  | -                    | 90,000           |
| W Cook                                 | 73,093                            | -              | -             | 6,944                    | -                  | -                    | 80,037           |
| R Kent                                 | 56,350                            | -              | -             | 23,650                   | -                  | -                    | 80,000           |
| <i>Executive Directors:</i>            |                                   |                |               |                          |                    |                      |                  |
| T Smith                                | 86,227                            | -              | -             | 8,192                    | -                  | -                    | 94,419           |
| P Ludemann                             | 507,181                           | 126,415        | -             | 25,000                   | 15,283             | 5,603                | 679,482          |
| <i>Other Key Management Personnel:</i> |                                   |                |               |                          |                    |                      |                  |
| J Lamb                                 | 277,710                           | 86,426         | -             | 25,000                   | 5,367              | 4,980                | 399,483          |
| C Skead                                | 275,631                           | 8,213          | -             | 24,982                   | 1,402              | 4,825                | 315,053          |
| C Hummer                               | 186,126                           | 63,694         | -             | 21,830                   | 4,446              | 4,825                | 280,921          |
| G Schramm                              | 326,887                           | -              | -             | -                        | -                  | -                    | 326,887          |
| T Wren <sup>2</sup>                    | 215,420                           | 53,438         | 11,575        | 22,094                   | 47,000             | 4,825                | 354,352          |
| R Chelvaratnam <sup>3</sup>            | 174,880                           | 3,960          | -             | 16,461                   | 3,317              | 4,825                | 203,443          |
|  | <b>2,261,697</b>                  | <b>342,146</b> | <b>11,575</b> | <b>181,961</b>           | <b>76,815</b>      | <b>29,883</b>        | <b>2,904,077</b> |

1 Including movement in annual leave provisions.

2 Cash bonus includes a discretionary bonus of \$50,000 resulting from specific business unit achievements which were accrued in FY2020.

3 Ceased being classified as key management personnel at 30 June 2020.

The relative proportion of the total remuneration opportunity of key management personnel of the Group is as follows:

| Name                                   | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|--|--------------------|------|---------------|------|---------------|------|
|  | 2021               | 2020 | 2021          | 2020 | 2021          | 2020 |
| <i>Non-Executive Directors:</i>        |                    |      |               |      |               |      |
| M Boyte                                | 100%               | 100% | -             | -    | -             | -    |
| W Cook                                 | 100%               | 100% | -             | -    | -             | -    |
| R Kent                                 | 100%               | 100% | -             | -    | -             | -    |
| <i>Executive Directors:</i>            |                    |      |               |      |               |      |
| T Smith                                | 100%               | 100% | -             | -    | -             | -    |
| P Ludemann                             | 67%                | 67%  | 31%           | 30%  | 2%            | 3%   |
| <i>Other Key Management Personnel:</i> |                    |      |               |      |               |      |
| J Lamb                                 | 66%                | 65%  | 30%           | 30%  | 4%            | 5%   |
| C Skead                                | 67%                | 66%  | 30%           | 29%  | 3%            | 5%   |
| C Hummer                               | 69%                | 66%  | 28%           | 27%  | 3%            | 7%   |
| G Schramm                              | 97%                | 100% | -             | -    | 3%            | -    |
| T Wren                                 | 68%                | 66%  | 27%           | 26%  | 5%            | 8%   |
| L DeCelis                              | 100%               | -    | -             | -    | -             | -    |

**Remuneration report (audited) (continued)**

The proportion of the cash bonus paid/payable or forfeited is as follows:

| Name                                   | Cash bonus paid/payable |      | Cash bonus forfeited <sup>1</sup> |      |
|--|-------------------------|------|-----------------------------------|------|
|  | 2021                    | 2020 | 2021                              | 2020 |
| <i>Executive Directors:</i>            |                         |      |                                   |      |
| P Ludemann                             | 100%                    | 56%  | -                                 | 44%  |
| <i>Other Key Management Personnel:</i> |                         |      |                                   |      |
| J Lamb                                 | 100%                    | 63%  | -                                 | 37%  |
| C Skead                                | 100%                    | 6%   | -                                 | 94%  |
| C Hummer                               | 100%                    | 83%  | -                                 | 17%  |
| G Schramm                              | -                       | -    | -                                 | -    |
| T Wren                                 | 100%                    | 78%  | -                                 | 22%  |
| R Chelvaratnam                         | -                       | -    | -                                 | -    |

1 Forfeited cash bonuses are not accrued in the relevant year's result.

**(c) Relationship between remuneration and Company performance**

The table below summarises the Group's performance and correlates it to the total key management personnel remuneration for the financial year:

| Metric  | FY2021    | FY2020    | FY2019    | FY2018    |
|---|-----------|-----------|-----------|-----------|
| Sales revenue (\$'000)  | 461,533   | 158,857   | 168,365   | 153,402   |
| Net profit after tax attributable to shareholders (\$'000) <sup>1</sup> | 20,255    | 4,551     | 6,391     | 9,314     |
| Operating EBITDA (\$'000)   | 35,653    | 11,786    | 12,728    | 12,016    |
| Share price at end of year (\$)   | 1.06      | 0.38      | 0.37      | 1.23      |
| Basic earnings per share (cents)  | 17.90     | 4.12      | 6.22      | 5.25      |
| Dividends paid (cents per share)  | 8.00      | 1.25      | 4.80      | 3.30      |
| Key management personnel remuneration (\$)                              | 3,841,846 | 2,904,077 | 2,354,957 | 3,650,352 |

1 FY2018 is the pro-forma net profit after tax attributable to shareholders as disclosed in the 2018 financial report.

**(d) Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements with no fixed tenure requirements. Details of these agreements for the FY2021 year were as follows:

|          |  |
|----------|--|
| Name:    | Peter Ludemann   |
| Title:   | Chief Executive Officer and Managing Director  |
| Details: | Mr Ludemann has an annual total fixed remuneration (TFR) of \$503,700 consisting of base salary, superannuation and other benefits. Under the terms of his employment contract, he is eligible to receive short term incentives (STI) with a maximum opportunity of 45% of TFR per annum (at maximum performance levels). The STI will be in the form of an annual cash bonus, subject to the achievement of key performance indicators as determined by the Board. Subject to shareholder approval, Mr Ludemann will also be awarded long term incentives (LTI) under NTAW's Employee Share Option Plan. He has statutory leave entitlements and is entitled to 5 weeks annual leave per year. Either party may terminate the contract on 6 months' notice. In the case of termination by NTAW, NTAW may provide payment in lieu of notice. Mr Ludemann's employment contract does not contain any express redundancy provisions. Mr Ludemann's contract contains a 5 year non-compete restraint within Australia and New Zealand and a 12 month non-solicitation of employees, contractors and clients who deal with NTAW. |

**Remuneration report (audited) (continued)**

Name: Terry Smith  
Title: Executive Director  
Details: Mr Smith's fixed remuneration package is \$70,000 inclusive of statutory superannuation contribution and a car allowance of \$22,300. Mr Smith is employed on a part time basis. Either party may terminate the contract on 6 months' notice. In the case of termination by NTAW, NTAW may provide payment in lieu of notice. Mr Smith is entitled to redundancy pay in accordance with the NTAW's legal obligations. Mr Smith's contract contains a 6 month non-compete restraint within Australia and a 6 month non-solicitation of employees, contacts and clients with whom he has contact with, or influence over.

Name: Jason Lamb  
Title: Chief Financial Officer and joint Company Secretary  
Details: Mr Lamb has an annual total fixed remuneration (TFR) of \$303,644 consisting of base salary, superannuation and a car allowance. Under the terms of his employment contract, he is eligible to receive short term incentives (STI) with a maximum opportunity of 45% of TFR per annum (at maximum performance levels). The STI will be in the form of an annual cash bonus, subject to the achievement of key performance indicators as determined by the Board. Mr Lamb will also be awarded long term incentives (LTI) under NTAW's Employee Share Option Plan. He is eligible for short term incentives as determined by the Board. Mr Lamb has statutory leave entitlements. Either party may terminate the contract on 6 months' notice. In the case of termination by NTAW, NTAW may provide payment in lieu of notice. He is entitled to redundancy pay in accordance with NTAW's legal obligations. Mr Lamb's contract contains a 6 month non-compete restraint within Australia and a 6 month non-solicitation of employees, contacts and clients with whom he has contact with, or influence over.

Name: Colin Skead  
Title: Chief Executive Officer, ETD (appointed NTAW Chief Operating Officer on 1 July 2021)  
Details: Mr Skead has an annual total fixed remuneration (TFR) of \$314,813 consisting of base salary, superannuation and other benefits. Under the terms of his employment contract, he is eligible to receive short term incentives (STI) with a maximum opportunity of 45% of TFR per annum (at maximum performance levels). The STI will be in the form of an annual cash bonus, subject to the achievement of key performance indicators as determined by the Board. Mr Skead will also be awarded long term incentives (LTI) under NTAW's Employee Share Option Plan. He has statutory leave entitlements. Either party may terminate the contract on 3 months' notice. In the case of termination by ETD, ETD may provide payment in lieu of notice. Mr Skead is entitled to redundancy pay in accordance with the Company's legal obligations. Mr Skead's contract contains a 6 month non-compete restraint within as specified geographical area and a 6 month non-solicitation of employees, contacts and clients with whom he has contact with, or influence over.

Name: Chris Hummer  
Title: Managing Director, Dynamic and Executive Chairman, OE  
Details: Mr Hummer has an annual total fixed remuneration (TFR) of \$301,125 consisting of base salary, superannuation and a car allowance. Under the terms of his employment contract, he is eligible to receive short term incentives (STI) with a maximum opportunity of 40% of TFR per annum (at maximum performance levels). The STI will be in the form of an annual cash bonus, subject to the achievement of key performance indicators as determined by the Board. Mr Hummer will also be awarded long term incentives (LTI) under NTAW's Employee Share Option Plan. He has statutory leave entitlements. Either party may terminate the contract on 3 months' notice. In the case of termination by Dynamic, Dynamic may provide payment in lieu of notice. Mr Hummer is entitled to redundancy pay in accordance with the Company's legal obligations. Mr Hummer's contract contains a 12 month non-compete restraint within as specified geographical area and a 12 month non-solicitation of employees, contacts and clients with whom he has contact with, or influence over.



**Remuneration report (audited) (continued)**

Name: Georg Schramm  
Title: Managing Director, TLS (South Africa)  
Details: Mr Schramm's employment contract is governed by South African law. His fixed remuneration package (in South African Rand) is R2,873,130 per annum and he is entitled to a car allowance totalling R300,000 per annum. He is eligible to receive an annual bonus of R187,859 at the discretion of the Company. Either party may terminate the contract on 6 months' notice. Where Mr Schramm is terminated due to operational requirements, the termination will be governed by TLS policies or practices or, if no policy or practice exists, in accordance with the law.

Name: Trevor Wren  
Title: Managing Director, Statewide  
Details: Mr Wren has an annual total fixed remuneration (TFR) of \$219,000 consisting of base salary, superannuation and car allowance. Under the terms of his employment contract, he is eligible to receive short term incentives (STI) with a maximum opportunity of 40% of TFR per annum (at maximum performance levels). The STI will be in the form of an annual cash bonus, subject to the achievement of key performance indicators as determined by the Board. Mr Wren will also be awarded long term incentives (LTI) under NTAW's Employee Share Option Plan. He has statutory leave entitlements. Either party may terminate the contract on 3 months' notice. In the case of termination by Statewide, Statewide may provide payment in lieu of notice. Mr Wren is entitled to redundancy pay in accordance with the Company's legal obligations. Mr Wren's contract contains a 6 month non-compete restraint within as specified geographical area and a 6 month non-solicitation of employees, contacts and clients with whom he has contact with, or influence over.

Name: Leslie DeCelis  
Title: Executive Director, T4UUAU and T4UNZ  
Details: Mr DeCelis has an annual total fixed remuneration (TFR) of \$553,000 consisting of base salary, superannuation and other benefits. He has statutory leave entitlements. Either party may terminate the contract on 4 weeks' notice. In the case of termination by NTAW, NTAW may provide payment in lieu of notice. Mr DeCelis is entitled to a termination payment of \$1,560,000 upon termination of employment. Mr DeCelis' contract contains a 3 year non-compete restraint within Australia and a 3 year non-solicitation of employees, contacts and clients with whom he has contact with, or influence over.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

All key management personnel are required to keep information obtained during their employment confidential, both during their employment and after their employment ends. Employment contracts contains an assignment of intellectual property created during the course of their employment.

**(e) Share-based compensation***Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021 (2020: nil).

**Remuneration report (audited) (continued)***Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year are as follows:

| <i>Name</i>             | <i>Number of options granted</i> | <i>Grant date</i> | <i>Vesting date and exercise date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>Fair value per option at grant date</i> |
|-------------------------|----------------------------------|-------------------|---------------------------------------|--------------------|-----------------------|--|
| P Ludemann <sup>1</sup> | 170,000                          | 25 Feb 21         | 30 Sep 23                             | 30 Sep 25          | \$0.57                | \$0.43                                     |
| J Lamb                  | 160,000                          | 25 Feb 21         | 30 Sep 23                             | 30 Sep 25          | \$0.57                | \$0.43                                     |
| C Skead                 | 150,000                          | 25 Feb 21         | 30 Sep 23                             | 30 Sep 25          | \$0.57                | \$0.43                                     |
| C Hummer                | 150,000                          | 25 Feb 21         | 30 Sep 23                             | 30 Sep 25          | \$0.57                | \$0.43                                     |
| G Schramm               | 150,000                          | 25 Feb 21         | 30 Sep 23                             | 30 Sep 25          | \$0.57                | \$0.43                                     |
| T Wren                  | 150,000                          | 25 Feb 21         | 30 Sep 23                             | 30 Sep 25          | \$0.57                | \$0.43                                     |

<sup>1</sup> Approval for the issue of these options was obtained in accordance with ASX Listing Rule 10.14.

**(f) Equity instruments held by key management personnel***Shareholding*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

|                             | <i>Balance at the start of the year</i> | <i>Received as part of remuneration</i> | <i>Additions - DRP</i> | <i>Additions - Off-market</i> | <i>Balance at the end of the year</i> |
|-----------------------------|---|---|------------------------|-------------------------------|---------------------------------------|
| <b>Ordinary shares</b>      |   |   |                        |                               |                                       |
| Murray Boyte                | 156,237                                 | -                                       | 6,926                  | 40,000                        | 203,163                               |
| Peter Ludemann              | 2,759,928                               | -                                       | -                      | -                             | 2,759,928                             |
| Terry Smith                 | 27,255,297                              | -                                       | -                      | -                             | 27,255,297                            |
| Bill Cook                   | 403,132                                 | -                                       | -                      | -                             | 403,132                               |
| Robert Kent                 | 204,901                                 | -                                       | 7,232                  | 70,000                        | 282,133                               |
| Jason Lamb                  | 363,722                                 | -                                       | -                      | -                             | 363,722                               |
| Colin Skead                 | 3,500                                   | -                                       | -                      | -                             | 3,500                                 |
| Chris Hummer                | 4,652,522                               | -                                       | -                      | -                             | 4,652,522                             |
| Trevor Wren                 | 655,737                                 | -                                       | -                      | -                             | 655,737                               |
| Leslie DeCelis <sup>1</sup> | 102,450                                 | -                                       | 7,145                  | 100,000                       | 209,595                               |
|                             | <b>36,557,426</b>                       | <b>-</b>                                | <b>21,303</b>          | <b>210,000</b>                | <b>36,788,729</b>                     |

<sup>1</sup> Shareholding at time of being classified key management personnel.

*Options*

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

## Remuneration report (audited) (continued)

|                | <i>Balance at<br/>the start of<br/>the year</i> | <i>Granted</i> | <i>Exercised</i> | <i>Lapsed</i> | <i>Balance at<br/>the end of<br/>the year</i> |
|----------------|---|----------------|------------------|---------------|---|
| <b>Options</b> |   |                |                  |               |   |
| Murray Boyte   | -   | -              | -                | -             | -   |
| Peter Ludemann | 180,000   | 170,000        | -                | -             | 350,000                                       |
| Terry Smith    | -   | -              | -                | -             | -   |
| Bill Cook      | -   | -              | -                | -             | -   |
| Robert Kent    | -   | -              | -                | -             | -   |
| Jason Lamb     | 160,000   | 160,000        | -                | -             | 320,000                                       |
| Colin Skead    | 155,000   | 150,000        | -                | -             | 305,000                                       |
| Chris Hummer   | 155,000   | 150,000        | -                | -             | 305,000                                       |
| Georg Schramm  | -   | 150,000        | -                | -             | 150,000                                       |
| Trevor Wren    | 155,000   | 150,000        | -                | -             | 305,000                                       |
| Leslie DeCelis | -   | -              | -                | -             | -   |
|                | <b>805,000</b>                                  | <b>930,000</b> | -                | -             | <b>1,735,000</b>                              |

All options on issue remain unvested as at 30 June 2021.

**(g) Other transactions with key management personnel***Related party leases*

During the 2021 financial year, the Group leased business premises owned by a closely related party of a KMP member. The lease expires on 30 May 2023 and has two 5 year renewal options. Rent payments for FY2021 totalled \$176,694 (2020: \$214,845 for two premises, one which ceased during FY2020), with \$nil outstanding at 30 June 2021 (2020: \$nil).

*Loans to key management personnel*

At 30 June 2021, there was an unsecured loan receivable from a member of KMP of \$82,032 (2020: \$nil). No interest was paid on or payable during FY2021 in relation to this loan. \$9,065 of interest would have been charged if the loan was on an arms-length basis. No write down or allowance for doubtful receivables has been recognised in relation to this loan. The loan is repayable on cessation of employment of the KMP.

***This concludes the Remuneration Report, which has been audited.***

**Shares under option**

There were 3,455,000 unissued ordinary shares of National Tyre & Wheel Limited under option outstanding at the date of this report. These options were issued in two tranches (1,775,000 and 1,680,000), have an exercise price of \$0.3735 and \$0.5745, respectively and expire on 07/11/2024 and 30/09/2025, respectively. The option holders have no right to participate in any share issue prior to exercising the options.

**Shares issued on the exercise of options**

There were no ordinary shares of National Tyre & Wheel Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

**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.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**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.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

**Officers of the Company who are former partners of Pitcher Partners**

There are no officers of the Company who are former partners of Pitcher Partners.

**Rounding of amounts**

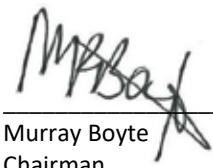
The Company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

**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 immediately after this directors' report.

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



---

Murray Boyte  
Chairman

31 August 2021  
Brisbane

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Brisbane, QLD 4000

Postal address  
GPO Box 1144  
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors  
National Tyre & Wheel Limited  
30 Gow Street  
MOOROOKA QLD 4105

### Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of National Tyre & Wheel Limited and the entities it controlled during the year.



PITCHER PARTNERS



WARWICK FACE  
Partner

Brisbane, Queensland  
31 August 2021

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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|                |                 |                 |                |                |              |                |                   |               |               |
|----------------|-----------------|-----------------|----------------|----------------|--------------|----------------|-------------------|---------------|---------------|
| NIGEL FISCHER  | PETER CAMENZULI | KYLIE LAMPRECHT | BRETT HEADRICK | COLE WILKINSON | JEREMY JONES | JAMES FIELD    | ROBYN COOPER      | CHERYL MASON  | MURRAY GRAHAM |
| MARK NICHOLSON | JASON EVANS     | NORMAN THURECHT | WARWICK FACE   | SIMON CHUN     | TOM SPLATT   | DANIEL COLWELL | FELICITY CRIMSTON | KIERAN WALLIS | ANDREW ROBIN  |

## Statement of profit or loss and other comprehensive income for the year ended 30 June 2021

|  | Note | 2021<br>\$'000 | 2020<br>\$'000 |
|--|------|----------------|----------------|
| <b>Revenue from contracts with customers</b>                         | 5    | 461,533        | 158,857        |
| Other income   | 6    | 1,357          | 1,313          |
| Gain on bargain purchase   | 30   | 596            | -              |
| <b>Expenses</b>  |      |                |                |
| Cost of goods sold   |      | (324,023)      | (117,594)      |
| Employee benefits and other related costs                            |      | (58,612)       | (17,106)       |
| Depreciation and amortisation  | 7    | (14,278)       | (5,121)        |
| Occupancy  |      | (7,984)        | (1,692)        |
| Marketing  |      | (6,178)        | (3,691)        |
| Professional fees and acquisition costs                              |      | (3,530)        | (739)          |
| Insurance  |      | (3,070)        | (739)          |
| Other  |      | (13,887)       | (4,046)        |
| Finance costs  | 7    | (3,006)        | (997)          |
| Impairment loss  | 15   | -              | (2,210)        |
| <b>Profit before income tax expense</b>                              |      | <b>28,918</b>  | <b>6,235</b>   |
| Income tax expense   | 8    | (8,378)        | (2,007)        |
| <b>Profit after income tax expense for the year</b>                  |      | <b>20,540</b>  | <b>4,228</b>   |
| <b>Other comprehensive income</b>                                    |      |                |                |
| <i>Items that may be reclassified subsequently to profit or loss</i> |      |                |                |
| Foreign currency translation   |      | 740            | (1,096)        |
| Other comprehensive income for the year, net of tax                  |      | 740            | (1,096)        |
| <b>Total comprehensive income for the year</b>                       |      | <b>21,280</b>  | <b>3,132</b>   |
| Profit for the year is attributable to:                              |      |                |                |
| Non-controlling interest   |      | 285            | (323)          |
| Owners of National Tyre & Wheel Limited                              |      | 20,255         | 4,551          |
|  |      | <b>20,540</b>  | <b>4,228</b>   |
| Total comprehensive income for the year is attributable to:          |      |                |                |
| Non-controlling interest   |      | 285            | (323)          |
| Owners of National Tyre & Wheel Limited                              |      | 20,995         | 3,455          |
|  |      | <b>21,280</b>  | <b>3,132</b>   |
|  |      | <b>Cents</b>   | <b>Cents</b>   |
| Basic earnings per share   | 25   | 17.90          | 4.42           |
| Diluted earnings per share   | 25   | 17.56          | 4.36           |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

|  | Note | 2021<br>\$'000 | 2020<br>\$'000 |
|--|------|----------------|----------------|
| <b>Assets</b>  |      |                |                |
| <b>Current assets</b>  |      |                |                |
| Cash and cash equivalents  | 9    | 28,905         | 25,859         |
| Trade and other receivables  | 10   | 71,807         | 23,215         |
| Inventories  | 11   | 101,025        | 41,487         |
| Other financial assets   | 12   | 835            | -              |
| Prepayments  |      | 4,265          | 1,580          |
| Total current assets   |      | <u>206,837</u> | <u>92,141</u>  |
| <b>Non-current assets</b>  |      |                |                |
| Property, plant and equipment                                      | 13   | 10,167         | 3,615          |
| Right-of-use assets  | 14   | 33,544         | 11,800         |
| Intangible assets  | 15   | 15,698         | 16,739         |
| Other financial assets   | 12   | 116            | -              |
| Deferred tax   | 8    | 2,076          | 900            |
| Total non-current assets   |      | <u>61,601</u>  | <u>33,054</u>  |
| <b>Total assets</b>  |      | <u>268,438</u> | <u>125,195</u> |
| <b>Liabilities</b>   |      |                |                |
| <b>Current liabilities</b>   |      |                |                |
| Trade and other payables   | 16   | 82,335         | 24,930         |
| Borrowings   | 17   | 2,954          | -              |
| Lease liabilities  | 18   | 9,496          | 3,298          |
| Provisions   | 19   | 11,904         | 3,652          |
| Other financial liabilities  | 12   | -              | 943            |
| Current tax liability  |      | 1,138          | 902            |
| Total current liabilities  |      | <u>107,827</u> | <u>33,725</u>  |
| <b>Non-current liabilities</b>                                     |      |                |                |
| Borrowings   | 17   | 41,940         | 12,223         |
| Lease liabilities  | 18   | 24,472         | 9,172          |
| Provisions   | 19   | 2,386          | 1,230          |
| Total non-current liabilities                                      |      | <u>68,798</u>  | <u>22,625</u>  |
| <b>Total liabilities</b>   |      | <u>176,625</u> | <u>56,350</u>  |
| <b>Net assets</b>  |      | <u>91,813</u>  | <u>68,845</u>  |
| <b>Equity</b>  |      |                |                |
| Issued capital   | 20   | 70,204         | 65,272         |
| Reserves   | 21   | 62             | (859)          |
| Retained earnings  |      | 18,208         | 1,378          |
| Equity attributable to the owners of National Tyre & Wheel Limited |      | <u>88,474</u>  | <u>65,791</u>  |
| Non-controlling interest   |      | 3,339          | 3,054          |
| <b>Total equity</b>  |      | <u>91,813</u>  | <u>68,845</u>  |

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



# Statement of changes in equity

for the year ended 30 June 2021

|   | Issued capital<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Share-based<br>payments<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Non-<br>controlling<br>interest<br>\$'000 | Total equity<br>\$'000 |
|---|--------------------------|---|--|--------------------------------|---|------------------------|
| Balance at 1 July 2019  | 65,272                   | 182   | -  | 1,912                          | 3,377                                     | 70,743                 |
| Initial adoption of AASB 16   | -                        | -   | -  | (146)                          | -   | (146)                  |
| <b>Balance at 1 July 2019 - restated</b>                            | <b>65,272</b>            | <b>182</b>  | <b>-</b>                                     | <b>1,766</b>                   | <b>3,377</b>                              | <b>70,597</b>          |
| Profit after income tax expense for the year                        | -                        | -   | -  | 4,551                          | (323)                                     | 4,228                  |
| Other comprehensive income for the year, net of tax                 | -                        | (1,096)   | -  | -                              | -   | (1,096)                |
| Total comprehensive income for the year                             | -                        | (1,096)   | -  | 4,551                          | (323)                                     | 3,132                  |
| <i>Transactions with owners in their capacity as owners:</i>        |                          |   |  |                                |   |                        |
| Share-based payments (note 24)                                      | -                        | -   | 55   | -                              | -   | 55                     |
| Dividends paid (note 22)  | -                        | -   | -  | (4,939)                        | -   | (4,939)                |
| <b>Balance at 30 June 2020</b>                                      | <b>65,272</b>            | <b>(914)</b>  | <b>55</b>                                    | <b>1,378</b>                   | <b>3,054</b>                              | <b>68,845</b>          |
| Balance at 1 July 2020  | 65,272                   | (914)   | 55   | 1,378                          | 3,054                                     | 68,845                 |
| Profit after income tax expense for the year                        | -                        | -   | -  | 20,255                         | 285                                       | 20,540                 |
| Other comprehensive income for the year, net of tax                 | -                        | 740   | -  | -                              | -   | 740                    |
| Total comprehensive income for the year                             | -                        | 740   | -  | 20,255                         | 285                                       | 21,384                 |
| <i>Transactions with owners in their capacity as owners:</i>        |                          |   |  |                                |   |                        |
| Shares issued as consideration in acquisition (note 20 and note 30) | 4,858                    | -   | -  | -                              | -   | 4,858                  |
| Share-based payments (note 24)                                      | -                        | -   | 181  | -                              | -   | 181                    |
| Dividends paid (note 22)  | 74                       | -   | -  | (3,425)                        | -   | (3,352)                |
| <b>Balance at 30 June 2021</b>                                      | <b>70,204</b>            | <b>(174)</b>  | <b>236</b>                                   | <b>18,208</b>                  | <b>3,339</b>                              | <b>91,813</b>          |

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

|  | Note | 2021<br>\$'000       | 2020<br>\$'000       |
|--|------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                      |      |                      |                      |
| Receipts from customers  |      | 486,769              | 173,453              |
| Payments to suppliers and employees                              |      | <u>(454,286)</u>     | <u>(155,221)</u>     |
|  |      | 32,483               | 18,232               |
| Interest received  |      | 57                   | 169                  |
| Interest and other finance costs paid                            |      | (2,859)              | (997)                |
| Income taxes paid  |      | <u>(7,015)</u>       | <u>(1,881)</u>       |
| Net cash from operating activities                               | 23   | <u>22,666</u>        | <u>15,523</u>        |
| <b>Cash flows from investing activities</b>                      |      |                      |                      |
| Payment for purchase of business, net of cash acquired           | 30   | (36,496)             | -                    |
| Payments for property, plant and equipment                       |      | (2,554)              | (1,265)              |
| Proceeds from disposal of property, plant and equipment          |      | 31                   | 229                  |
| Transfers from term deposits                                     |      | <u>(140)</u>         | <u>-</u>             |
| Net cash used in investing activities                            |      | <u>(39,159)</u>      | <u>(1,036)</u>       |
| <b>Cash flows from financing activities</b>                      |      |                      |                      |
| Proceeds from borrowings   |      | 38,164               | -                    |
| Repayment of borrowings  |      | (6,095)              | (360)                |
| Repayment of lease liabilities                                   |      | (9,664)              | (2,558)              |
| Dividends paid   | 22   | <u>(3,352)</u>       | <u>(4,939)</u>       |
| Net cash from/(used in) financing activities                     |      | <u>19,053</u>        | <u>(7,857)</u>       |
| Net increase in cash and cash equivalents                        |      | 2,560                | 6,630                |
| Cash and cash equivalents at the beginning of the financial year |      | 25,859               | 19,077               |
| Effects of exchange rate changes on cash and cash equivalents    |      | <u>32</u>            | <u>152</u>           |
| Cash and cash equivalents at the end of the financial year       | 9    | <u><u>28,451</u></u> | <u><u>25,859</u></u> |

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

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**Note 1. General information**

The financial statements cover National Tyre & Wheel Limited as a Group consisting of National Tyre & Wheel Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ('Group' or "NTAW"). The financial statements are presented in Australian Dollars ('AUD'), which is National Tyre & Wheel Limited's functional and presentation currency.

National Tyre & Wheel Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

30 Gow Street  
Moorooka QLD 4105

A description of the nature of the Group'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 31 August 2021. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

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

**Basis of preparation**

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

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss 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 Group'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 3.

**New or amended Accounting Standards and Interpretations adopted**

The Group 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.

**Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 34.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of National Tyre & Wheel Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended.

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

**Note 2. Significant accounting policies (continued)**

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

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

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

Where the Group 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 Group 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.

**Operating segments**

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.

**Foreign currency translation***Foreign currency transactions*

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.

*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 translation reserve in equity.

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

**Revenue recognition**

The Group recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

**Note 2. Significant accounting policies (continued)***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.

*Services revenue*

Revenue from services performed is recognised when the services are rendered. No services performed include multiple deliverables.

**Other income***Interest income*

Interest income 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.

*Other income*

Other income is recognised when it is received or when the right to receive payment is established.

*Government grants*

Government grants are recognised when conditions attached to the grants have been complied with and the right to receive the grant has been established. Government grants received during the financial year were limited to funds received from the Australian Government under the JobKeeper Payment scheme. These have been classified as other income.

**Income tax**

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.

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.

National Tyre & Wheel Limited (the 'head entity') and its wholly-owned Australian subsidiaries (Exclusive Tyre Distributors Pty Ltd, Dynamic Wheel Co Pty Limited, Integrated OE Pty Ltd, Statewide Tyre Distribution Pty Ltd, Tyres4U Pty Ltd and Tyreright Operation Pty Ltd), have formed an income tax consolidated group under the tax consolidation regime. The head entity and subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

**Note 2. Significant accounting policies (continued)**

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

**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 Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 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 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

**Cash and cash equivalents**

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**Trade and other receivables**

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

The Group has applied the simplified approach under AASB 9 *Financial Instruments* to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Expected credit losses are based on a review of receivable balances and identification of specific debtors, based on historical credit loss experience, and adjusted for factors that are specific to the receivable balance, as well as current and forward-looking economic conditions affecting the ability of the customers to settle the receivables.

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

**Inventories**

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

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.

**Note 2. Significant accounting policies (continued)****Derivative financial instruments**

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.

The Group has not satisfied the documentation, designation and effectiveness tests required by Australian Accounting Standards, as such they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in profit or loss.

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

**Property, plant and equipment**

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.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

|                          |                 |
|--------------------------|-----------------|
| Leasehold improvements   | 2.5% to 15%     |
| Plant and equipment      | 5% to 60%       |
| Motor vehicles           | 13.5% to 30%    |
| Capital work in progress | 0% until in use |

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

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Right-of-use assets**

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 Group 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 Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.



**Note 2. Significant accounting policies (continued)****Lease liabilities**

The Group has adopted AASB 16 *Leases* from 1 July 2019. As of this date, 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 Group'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.

**Intangible assets**

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.

**Brand name**

Brand names are assessed as having an indefinite useful life on the basis of brand strength, ongoing expected profitability and continuing support. Brand names are not amortised, but are instead tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

**Customer relationships**

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 7 to 10 years.

**Importation rights**

Importation rights are amortised on a straight line basis over the term of the distribution agreement, being between 10 years. Importation rights are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

**Impairment of non-financial 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 non-financial 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 ("CGU") to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Note 2. Significant accounting policies (continued)****Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group 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 days of recognition.

**Borrowings**

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.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group 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.

**Employee benefits***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 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled wholly within 12 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. 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 high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

*Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, which are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes 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, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

**Note 2. Significant accounting policies (continued)**

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Fair value measurement**

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

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

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

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

**Issued capital**

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.

**Dividends**

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

**Earnings per share***Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of National Tyre & Wheel 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.

**Note 2. Significant accounting policies (continued)***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.

**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.

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

**Comparative information**

Comparatives have been reclassified, where applicable, to align with current year presentation. There was no impact on the results or financial position of the Group.

**Rounding of amounts**

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

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

No Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have been early adopted by the Group for the annual reporting period ended 30 June 2021. These Standards and Interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**Note 3. 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 (refer to the respective notes) within the next financial year are discussed below.

*Recognition of identifiable intangible assets on acquisition*

Brand names, importation rights and customer relationships have been recognised on the acquisition of subsidiaries in prior years. The valuation of these assets is based on the acquisition date present value of expected future cash flows associated with the brand and the recurring current customers covering a period of 5 to 12 years (2020: 5 to 12 years). These cash flows have been calculated using annual growth rates of between 3.0%-6.3% (2020: 3.0%-6.3%), a terminal growth rate of 2.5% (2020: 2.5%) and a pre-tax discount rate between 17.0%-20.0% (2020: 17.0%-20.0%).

**Note 3. Critical accounting judgements, estimates and assumptions (continued)***Goodwill and other indefinite life intangible assets*

The Group 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 stated in note 2. 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 (refer to note 15).

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions. No impairment trigger is present in the 2021 financial year. In the 2020 financial year, the Group recognised an impairment loss on goodwill, customer relationships and importation rights belonging to a particular CGU (refer to note 15).

*Share-based payment transactions*

The Group 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 the Binomial 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.

Share-based payments expense under the employee share option plan has been recognised over the expected vesting period of the options. The share-based payment expense incurred is equal to the value of the options and management have assessed the fair value of the options using a Binomial model with the following key criteria: pre-determined exercise price, share price at grant date based on estimated enterprise value of the company, risk-free rate, volatility of share price and assumed vesting period from grant date (refer to note 24 for further details of each group of options issued).

*Warranty provision*

In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty (refer to note 19).

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made (refer to note 8).

**Note 4. Operating segments***Identification of reportable operating segments*

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Directors are of the opinion that there is one reportable segment in the Group as the CODM reviews results, assesses performance and allocates resources at a Group level.

As the information reported to the CODM is the consolidated results of the Group, the segment results are shown throughout these financial statements and are not duplicated here.

*Non-current assets*

As at 30 June 2021, \$49,614,000 (2020: \$29,299,000) of the Group's non-current assets (excluding deferred taxes) were held in Australia, with \$9,605,000 held in New Zealand (2020: \$2,603,000) and \$306,000 (2020: \$252,000) held in South Africa, respectively.

*Major customers*

During the year ended 30 June 2021, none of the Group's external revenue was derived from sales of greater than 10% to any customer (2020: none).

**Note 5. Revenue from contracts with customers**

|                                    | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------|----------------|----------------|
| Sale of goods and services revenue | 461,533        | 158,857        |
|                                    | <b>461,533</b> | <b>158,857</b> |

*Disaggregation of revenue*

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

|              |                |                |
|--------------|----------------|----------------|
| Australia    | 378,593        | 130,642        |
| New Zealand  | 70,968         | 16,193         |
| South Africa | 11,972         | 12,022         |
|              | <b>461,533</b> | <b>158,857</b> |

During the 2021 and 2020 financial years, all revenue from sale of goods was recognised as the goods were transferred at a point in time and revenue from services was recognised as the service was performed over time.

**Note 6. Other income**

|                   | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------|----------------|----------------|
| Government grants | 973            | 1,072          |
| Interest income   | 57             | 169            |
| Other income      | 327            | 72             |
|                   | <b>1,357</b>   | <b>1,313</b>   |

**Note 7. Expenses**

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| Profit before income tax includes the following specific expenses:  |                |                |
| <i>Depreciation</i>   |                |                |
| Leasehold improvements  | 70             | 35             |
| Plant and equipment   | 1,331          | 391            |
| Motor vehicles  | 966            | 341            |
| Right-of-use assets   | 10,870         | 2,990          |
| Total depreciation  | <u>13,237</u>  | <u>3,757</u>   |
| <i>Amortisation</i>   |                |                |
| Customer relationships  | 512            | 558            |
| Importation rights  | 529            | 806            |
| Total amortisation  | <u>1,041</u>   | <u>1,364</u>   |
| Total depreciation and amortisation                                 | <u>14,278</u>  | <u>5,121</u>   |
| <i>Finance costs</i>  |                |                |
| Interest and finance charges paid/payable for financial liabilities | 1,877          | 570            |
| Interest and finance charges paid/payable for lease liabilities     | 1,099          | 427            |
| Other interest and finance charges paid/payable                     | 30             | -              |
| Finance costs expensed  | <u>3,006</u>   | <u>997</u>     |
| <i>Net foreign exchange (gain)/loss</i>                             |                |                |
| Net foreign exchange (gain)/loss                                    | <u>(848)</u>   | <u>235</u>     |
| <i>Expense relating to leases</i>                                   |                |                |
| Expense relating to short-term leases                               | 3,486          | 466            |
| Expense relating to leases of low value assets                      | 8              | 12             |
|   | <u>3,494</u>   | <u>478</u>     |
| <i>Superannuation expense</i>                                       |                |                |
| Defined contribution superannuation expense                         | <u>3,709</u>   | <u>1,081</u>   |
| <i>Bad debts</i>  |                |                |
| Bad debts expense   | <u>156</u>     | <u>67</u>      |

**Note 8. Income tax**

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| <i>Income tax expense</i>  |                |                |
| Current tax  | 8,088          | 3,059          |
| Deferred tax   | 534            | (1,002)        |
| Under/(over) provision in prior years  | (244)          | (50)           |
|  | <u>8,378</u>   | <u>2,007</u>   |
| Income tax expense   | <b>8,378</b>   | <b>2,007</b>   |
| Deferred tax included in income tax expense comprises:                               |                |                |
| Decrease/(increase) in deferred tax assets   | 534            | (1,002)        |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>  |                |                |
| Profit before income tax expense   | 28,918         | 6,235          |
| Tax at the statutory tax rate of 30%   | 8,675          | 1,871          |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: |                |                |
| Sundry items   | 55             | 204            |
|  | 8,730          | 2,075          |
| Adjustment recognised for prior periods  | (244)          | (50)           |
| Difference in overseas tax rates   | (108)          | (18)           |
|  | <u>8,378</u>   | <u>2,007</u>   |
| Income tax expense   | <b>8,378</b>   | <b>2,007</b>   |
| <i>Deferred tax</i>  |                |                |
| Net deferred tax comprises temporary differences attributable to:                    |                |                |
| Capital raising costs  | 354            | 441            |
| Acquisition costs  | 128            | -              |
| Provisions   | 3,662          | 1,528          |
| Property, plant and equipment  | (485)          | (48)           |
| Intangibles  | (1,454)        | (1,608)        |
| Right-of-use assets  | (9,541)        | (3,461)        |
| Other  | (184)          | 159            |
| Lease liabilities  | 9,678          | 3,668          |
| Foreign currency exchange  | (82)           | 221            |
|  | <u>2,076</u>   | <u>900</u>     |
| Deferred tax asset   | <b>2,076</b>   | <b>900</b>     |
| Movements:   |                |                |
| Opening balance  | 900            | (152)          |
| Recognition of deferred taxes on acquisition (note 30)                               | 2,302          | -              |
| Adoption of AASB 16 <i>Leases</i>  | -              | 65             |
| Credited/(charged) to profit or loss   | (534)          | 1,002          |
| (Under)/over provision in prior year   | (595)          | -              |
| Foreign exchange differences   | 3              | (15)           |
|  | <u>2,076</u>   | <u>900</u>     |
| Closing balance  | <b>2,076</b>   | <b>900</b>     |



**Note 9. Cash and cash equivalents**

|              | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------|----------------|----------------|
| Cash at bank | 28,905         | 25,859         |
|              | <b>28,905</b>  | <b>25,859</b>  |

*Reconciliation to cash and cash equivalents at the end of the financial year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

|  |               |               |
|--|---------------|---------------|
| Balances as above                      | 28,905        | 25,859        |
| Bank overdraft (note 17)               | (454)         | -             |
| Balance as per statement of cash flows | <b>28,451</b> | <b>25,859</b> |

**Note 10. Trade and other receivables**

|  |               |               |
|--|---------------|---------------|
| Trade receivables                          | 71,818        | 23,259        |
| Less: Allowance for expected credit losses | (448)         | (44)          |
|  | 71,370        | 23,215        |
| Other receivables                          | 437           | -             |
|  | <b>71,807</b> | <b>23,215</b> |

*Allowance for expected credit losses*

The Group has recognised a net loss of \$156,000 (2020: \$67,000) in profit or loss in respect of the expected credit losses for FY2021. Trade receivables past due but not impaired amount to \$7,169,000 (2020: \$2,952,000).

At 30 June 2021 an ageing analysis of those trade receivables are as follows:

|                       |               |               |
|-----------------------|---------------|---------------|
| Not overdue           | 64,201        | 20,263        |
| 1 to 30 days overdue  | 4,209         | 2,528         |
| 31 to 60 days overdue | 1,499         | 149           |
| 61 plus days overdue  | 1,461         | 275           |
|                       | <b>71,370</b> | <b>23,215</b> |

Refer to note 28 for further information on financial instruments.

**Note 11. Inventories**

|                                |                |               |
|--------------------------------|----------------|---------------|
| Finished goods - at cost       | 88,745         | 30,594        |
| Less: Provision for impairment | (433)          | (13)          |
|                                | 88,312         | 30,581        |
| Stock in transit - at cost     | 12,713         | 10,906        |
|                                | <b>101,025</b> | <b>41,487</b> |

**Note 12. Other financial assets and liabilities**

|                                    | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------|----------------|----------------|
| <b>Current</b>                     |                |                |
| Forward foreign exchange contracts | 587            | (943)          |
| Lease receivables                  | 108            | -              |
| Term deposit                       | 140            | -              |
|                                    | <u>835</u>     | <u>(943)</u>   |
| <b>Non-Current</b>                 |                |                |
| Lease receivables                  | <u>116</u>     | <u>-</u>       |

Refer to note 29 for further information on fair value measurement of forward foreign exchange contracts.

**Note 13. Property, plant and equipment**

|                                  |                 |                |
|----------------------------------|-----------------|----------------|
| Leasehold improvements - at cost | 1,568           | 425            |
| Less: Accumulated depreciation   | <u>(1,136)</u>  | <u>(66)</u>    |
|                                  | 432             | 359            |
| Plant and equipment - at cost    | 21,220          | 5,060          |
| Less: Accumulated depreciation   | <u>(15,204)</u> | <u>(3,334)</u> |
|                                  | 6,016           | 1,726          |
| Motor vehicles - at cost         | 19,127          | 2,764          |
| Less: Accumulated depreciation   | <u>(15,408)</u> | <u>(1,234)</u> |
|                                  | 3,719           | 1,530          |
|                                  | <u>10,167</u>   | <u>3,615</u>   |

*Reconciliations*

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

|  | Leasehold<br>improvements<br>\$'000 | Plant and<br>equipment<br>\$'000 | Motor<br>vehicles<br>\$'000 | Capital works<br>in progress<br>\$'000 | Total<br>\$'000 |
|--|-------------------------------------|----------------------------------|-----------------------------|--|-----------------|
| Balance at 1 July 2019                     | 55                                  | 1,759                            | 1,709                       | 56                                     | 3,579           |
| Additions                                  | 283                                 | 431                              | 552                         | -                                      | 1,266           |
| Disposals                                  | -                                   | (14)                             | (174)                       | -                                      | (188)           |
| Transfers                                  | 56                                  | -                                | -                           | (56)                                   | -               |
| Transfers to right-of-use assets           | -                                   | (50)                             | (197)                       | -                                      | (247)           |
| Depreciation expense                       | (35)                                | (391)                            | (341)                       | -                                      | (767)           |
| Exchange differences                       | -                                   | (9)                              | (19)                        | -                                      | (28)            |
|  | <u>359</u>                          | <u>1,726</u>                     | <u>1,530</u>                | <u>-</u>                               | <u>3,615</u>    |
| Balance at 30 June 2020                    | 359                                 | 1,726                            | 1,530                       | -                                      | 3,615           |
| Additions as part of acquisition (note 30) | 107                                 | 4,610                            | 1,943                       | -                                      | 6,660           |
| Additions                                  | 24                                  | 1,074                            | 1,454                       | -                                      | 2,552           |
| Disposals                                  | -                                   | (110)                            | (261)                       | -                                      | (371)           |
| Depreciation expense                       | (70)                                | (1,331)                          | (966)                       | -                                      | (2,367)         |
| Exchange differences                       | 12                                  | 47                               | 19                          | -                                      | 78              |
|  | <u>432</u>                          | <u>6,016</u>                     | <u>3,719</u>                | <u>-</u>                               | <u>10,167</u>   |
| Balance at 30 June 2021                    | 432                                 | 6,016                            | 3,719                       | -                                      | 10,167          |

**Note 14. Right-of-use assets**

|                                    | 2021<br>\$'000       | 2020<br>\$'000       |
|------------------------------------|----------------------|----------------------|
| Land and buildings - right-of-use  | 47,826               | 17,061               |
| Less: Accumulated depreciation     | (15,993)             | (5,575)              |
|                                    | <u>31,833</u>        | <u>11,486</u>        |
| Plant and equipment - right-of-use | 553                  | 185                  |
| Less: Accumulated depreciation     | (146)                | (70)                 |
|                                    | <u>407</u>           | <u>115</u>           |
| Motor vehicles - right-of-use      | 1,757                | 405                  |
| Less: Accumulated depreciation     | (453)                | (206)                |
|                                    | <u>1,304</u>         | <u>199</u>           |
|                                    | <b><u>33,544</u></b> | <b><u>11,800</u></b> |

*Reconciliations*

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

|   | Land and<br>buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Motor vehicles<br>\$'000 | Total<br>\$'000      |
|---|---------------------------------|----------------------------------|--------------------------|----------------------|
| Recognition of assets on adoption of AASB 16 on 1 July 2019 | 3,982                           | 109                              | 111                      | 4,202                |
| Transfers from property, plant and equipment                | -                               | 50                               | 197                      | 247                  |
| Additions   | 10,326                          | 10                               | -                        | 10,336               |
| Lease modifications   | 76                              | -                                | 44                       | 120                  |
| Disposals   | -                               | -                                | (44)                     | (44)                 |
| Depreciation expense  | (2,862)                         | (40)                             | (88)                     | (2,990)              |
| Foreign exchange differences                                | (36)                            | (14)                             | (21)                     | (71)                 |
|   | <u>11,486</u>                   | <u>115</u>                       | <u>199</u>               | <u>11,800</u>        |
| Balance at 30 June 2020                                     | <b>11,486</b>                   | <b>115</b>                       | <b>199</b>               | <b>11,800</b>        |
| Additions as part of acquisition (note 30)                  | 27,935                          | 52                               | 320                      | 28,307               |
| Additions   | 1,923                           | 308                              | 1,056                    | 3,287                |
| Lease modifications   | 1,016                           | -                                | -                        | 1,016                |
| Disposals   | -                               | -                                | (12)                     | (12)                 |
| Depreciation expense  | (10,529)                        | (73)                             | (266)                    | (10,868)             |
| Foreign exchange differences                                | 2                               | 5                                | 7                        | 14                   |
|   | <u>2</u>                        | <u>5</u>                         | <u>7</u>                 | <u>14</u>            |
| Balance at 30 June 2021                                     | <b><u>31,833</u></b>            | <b><u>407</u></b>                | <b><u>1,304</u></b>      | <b><u>33,544</u></b> |

**Note 15. Intangible assets**

|  | 2021<br>\$'000       | 2020<br>\$'000       |
|--|----------------------|----------------------|
| Goodwill   | 8,878                | 8,878                |
| Less: Accumulated impairment loss                  | (1,311)              | (1,311)              |
|  | <u>7,567</u>         | <u>7,567</u>         |
| Brand name   | <u>2,393</u>         | <u>2,393</u>         |
| Customer relationships                             | 4,798                | 4,798                |
| Less: Accumulated amortisation and impairment loss | (2,343)              | (1,831)              |
|  | <u>2,455</u>         | <u>2,967</u>         |
| Importation rights                                 | 12,106               | 12,106               |
| Less: Accumulated amortisation and impairment loss | (8,823)              | (8,294)              |
|  | <u>3,283</u>         | <u>3,812</u>         |
|  | <b><u>15,698</u></b> | <b><u>16,739</u></b> |

*Reconciliations*

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

| <b>Consolidated</b>     | Goodwill<br>\$'000  | Brand<br>Name<br>\$'000 | Customer<br>relationships<br>\$'000 | Importation<br>rights<br>\$'000 | Total<br>\$'000      |
|-------------------------|---------------------|-------------------------|-------------------------------------|---------------------------------|----------------------|
| Balance at 1 July 2019  | 8,878               | 2,393                   | 3,736                               | 5,306                           | 20,313               |
| Impairment loss         | (1,311)             | -                       | (211)                               | (688)                           | (2,210)              |
| Amortisation expense    | -                   | -                       | (558)                               | (806)                           | (1,364)              |
|                         | <u>7,567</u>        | <u>2,393</u>            | <u>2,967</u>                        | <u>3,812</u>                    | <u>16,739</u>        |
| Balance at 30 June 2020 | 7,567               | 2,393                   | 2,967                               | 3,812                           | 16,739               |
| Amortisation expense    | -                   | -                       | (512)                               | (529)                           | (1,041)              |
|                         | <u>7,567</u>        | <u>2,393</u>            | <u>2,455</u>                        | <u>3,283</u>                    | <u>15,698</u>        |
| Balance at 30 June 2021 | <b><u>7,567</u></b> | <b><u>2,393</u></b>     | <b><u>2,455</u></b>                 | <b><u>3,283</u></b>             | <b><u>15,698</u></b> |

*Impairment of intangible assets – prior year*

In FY2020, an impairment loss of \$2,210,000 was recognised in relation to the Top Draw Tyres Pty Ltd CGU, which included goodwill, customer relationships and importation rights intangible assets, all of which were impaired to \$nil. The pre and post COVID-19 pandemic performance of the CGU as well as continuing uncertainty of its future prospects resulted in the impairment being recognised in FY2020.

*Impairment testing*

For the purpose of impairment testing, goodwill and brand names are allocated to the respective cash-generating units:

**Goodwill**

|                                |              |              |
|--------------------------------|--------------|--------------|
| CGU:                           |              |              |
| - Tyres and wheels             | 5,228        | 5,228        |
| - Integrated OE Pty Ltd ("OE") | 2,339        | 2,339        |
|                                | <u>7,567</u> | <u>7,567</u> |

**Brand names**

|                                |              |              |
|--------------------------------|--------------|--------------|
| CGU:                           |              |              |
| - Integrated OE Pty Ltd ("OE") | 2,393        | 2,393        |
|                                | <u>2,393</u> | <u>2,393</u> |

**Note 15. Intangibles assets (continued)**

The Group tests whether goodwill and brand names have suffered any impairment on an annual basis. The recoverable amount of the CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations are conducted using a discount cash flow methodology based on financial budgets approved by the Board of Directors for the 2022 financial year. The 2022 cashflow budgets have then been extrapolated using estimated annual growth rates, together with terminal growth rates. These growth rates are considered reasonable in light of the 2021 base cashflows and are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill and brand names allocated to them, which have not been impaired during the year:

|                                | 2021                         |                | 2020                         |                |
|--------------------------------|------------------------------|----------------|------------------------------|----------------|
|                                | <i>Tyres and wheels</i><br>% | <i>OE</i><br>% | <i>Tyres and wheels</i><br>% | <i>OE</i><br>% |
| Average annual growth rate (%) | 2.0%                         | 2.0%           | 3.0%                         | 3.0%           |
| Terminal growth rate (%)       | 2.0%                         | 2.0%           | 2.0%                         | 2.0%           |
| Pre-tax discount rate (%)      | 16.1%                        | 16.0%          | 14.7%                        | 15.8%          |

Management has determined the value assigned to each of the above key assumptions as follows:

| <b>Assumption</b>    | <b>Approach used to determine values</b>   |
|----------------------|--|
| Annual growth rate   | Average annual growth rate over the five-year forecast period beyond the 2022 financial year is based on the cashflow budgets, past performance and management's expectations of market development. |
| Terminal growth rate | Terminal growth rate was based on the 2022 forecast cashflows and management's expectations of long-term growth.   |
| Discount rate        | A post-tax estimate based on NTAW's weighted average cost of capital.  |

**Significant estimate: Impact of possible changes in key assumptions**

A sensitivity analysis was performed on key assumptions, as follows:

- Average annual growth rates – reduction by 1%      No impairment in either the Tyres & Wheels CGU or OE CGU
- Terminal growth rate – reduction by 1%              No impairment in either the Tyres & Wheels CGU or OE CGU
- Discount rate – increase by 1%                        No impairment in either the Tyres & Wheels CGU or OE CGU.

In the prior year, the only reasonably possible change in any of the key assumptions that would have resulted in an impairment in any CGU was if the discount rate increased by 1%, the OE CGU would have had to recognise a \$700,000 impairment against the carrying value of goodwill.

**Note 16. Trade and other payables**

|                | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------|----------------|----------------|
| Trade payables | 60,140         | 21,581         |
| GST payable    | 1,236          | 432            |
| Accruals       | 20,959         | 2,917          |
|                | <b>82,335</b>  | <b>24,930</b>  |

Refer to note 28 for further information on financial instruments.

**Note 17. Borrowings**

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| <b>Current</b>  |                |                |
| Bank overdraft  | 454            | -              |
| Bank facility   | 2,500          | -              |
|   | <b>2,954</b>   | <b>-</b>       |
| <b>Non-current</b>  |                |                |
| Bank facility   | 41,940         | 12,223         |
|   | <b>41,940</b>  | <b>12,223</b>  |
| <i>Total secured liabilities</i>  |                |                |
| The total secured liabilities are as follows:   |                |                |
| Bank overdraft  | 454            | -              |
| Bank facility   | 44,440         | 12,223         |
|   | <b>44,894</b>  | <b>12,223</b>  |
| The bank facility has an expiry date of 3 August 2023.  |                |                |
| Refer to note 28 for further information on financial instruments.  |                |                |
| <i>Assets pledged as security</i>   |                |                |
| The bank facility is secured over the assets of National Tyre & Wheel Limited and all subsidiaries except Top Draw Tyres Proprietary Limited. |                |                |
| <i>Financing arrangements</i>   |                |                |
| Unrestricted access was available at the reporting date to the following lines of credit:   |                |                |
| <b>Total facilities</b>   |                |                |
| Bank overdraft  | 5,454          | -              |
| Bank facility   | 56,500         | 12,223         |
| Bank guarantee  | 7,692          | 4,157          |
|   | 69,646         | 16,380         |
| <b>Used at the reporting date</b>   |                |                |
| Bank overdraft  | 454            | -              |
| Bank facility <sup>1</sup>  | 45,445         | 12,223         |
| Bank guarantee  | 7,692          | 1,945          |
|   | 53,591         | 14,168         |
| <sup>1</sup> Includes lease liabilities which were funded by the bank facility.   |                |                |
| <b>Unused at the reporting date</b>   |                |                |
| Bank overdraft  | 5,000          | -              |
| Bank facility   | 11,056         | -              |
| Bank guarantee  | -              | 2,212          |
|   | 16,056         | 2,212          |

**Note 18. Lease liabilities**

|                      | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------|----------------|----------------|
| <b>Current</b>       |                |                |
| Property leases      | 8,889          | 3,162          |
| Equipment leases     | 129            | 51             |
| Motor vehicle leases | 478            | 85             |
|                      | <b>9,496</b>   | <b>3,298</b>   |
| <b>Non-current</b>   |                |                |
| Property leases      | 23,353         | 9,016          |
| Equipment leases     | 262            | 58             |
| Motor vehicle leases | 857            | 98             |
|                      | <b>24,472</b>  | <b>9,172</b>   |

The Group has leases for warehouse and office facilities, warehouse equipment and motor vehicles. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. All variable payments are linked to an index. The lease liabilities are secured by the related underlying asset.

*Leasing activities*

The table below describes the nature of the Group's leasing activities by type of right-of-use asset.

| Right-of-use asset  | No. of leases | Range of remaining term (yrs) | Average remaining term (yrs) | No. of leases with extension options | No. of leases with purchase options | No. of leases with variable payments linked to an index | No. of leases with termination options |
|---------------------|---------------|-------------------------------|------------------------------|--------------------------------------|-------------------------------------|---|--|
| Land and buildings  | 35            | 0.1 - 7.8                     | 2.2                          | 23                                   | -                                   | 14  | -                                      |
| Plant and equipment | 9             | 0.9 - 5.0                     | 2.5                          | -                                    | 1                                   | -   | -                                      |
| Motor vehicles      | 39            | 0.1 - 4.0                     | 2.1                          | -                                    | 23                                  | -   | -                                      |

The total cash outflow for leases in the 2021 financial year was \$9,664,000 (2020: \$2,558,000).

No gain was recognised in the Statement of profit or loss and other comprehensive income in the 2021 financial year reflecting changes in lease payments that arose from rent concessions received as direct consequence of the COVID-19 pandemic (2020: \$130,000).

**Note 19. Provisions**

|                    | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------|----------------|----------------|
| <b>Current</b>     |                |                |
| Employee benefits  | 10,139         | 2,748          |
| Warranties         | 964            | 904            |
| Make-good          | 801            | -              |
|                    | <u>11,904</u>  | <u>3,652</u>   |
| <b>Non-current</b> |                |                |
| Employee benefits  | 617            | 230            |
| Warranties         | 1,105          | 1,000          |
| Make-good          | 664            | -              |
|                    | <u>2,386</u>   | <u>1,230</u>   |

*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 Group does not have an unconditional right to defer settlement. Based on past experience, the Group expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

*Warranties*

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts

*Movements in provisions*

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

|  | 2021<br>\$'000 |
|--|----------------|
| <b>Warranties</b>                        |                |
| Carrying amount at the start of the year | 1,904          |
| Additional provisions recognised         | 620            |
| Amounts used                             | (455)          |
| Carrying amount at the end of the year   | <u>2,069</u>   |
| <b>Make-good</b>                         |                |
| Carrying amount at the start of the year | -              |
| Additional provisions recognised         | 1,435          |
| Amounts used                             | 30             |
| Carrying amount at the end of the year   | <u>1,465</u>   |



**Note 20. Issued capital**

|                              | 2021<br>Shares | 2020<br>Shares | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------|----------------|----------------|----------------|----------------|
| Ordinary shares - fully paid | 114,294,863    | 102,891,313    | 70,204         | 65,272         |

*Movements in ordinary share capital*

| Details   | Date          | Shares      | Issue price | \$'000 |
|---|---------------|-------------|-------------|--------|
| Balance   | 1 July 2019   | 102,891,313 |             | 65,272 |
| Balance   | 30 June 2020  | 102,891,313 |             | 65,272 |
| Shares issued as consideration in acquisition (note 30) | 4 August 2020 | 11,315,903  | \$0.4293    | 4,858  |
| Shares issued per Dividend Reinvestment Plan            | 9 April 2021  | 87,647      | \$0.8500    | 74     |
| Balance   | 30 June 2021  | 114,294,863 |             | 70,204 |

*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.

By way of a poll each share shall have one vote at a meeting.

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

**Note 21. Reserves**

|                                      | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Foreign currency translation reserve | (174)          | (914)          |
| Share-based payments reserve         | 236            | 55             |
|                                      | <u>62</u>      | <u>(859)</u>   |

*Foreign currency translation reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian Dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*

The share-based payments reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration. Share-based payments reserve is transferred to share capital upon exercising of options and is transferred to retained earnings upon lapsing or forfeiture of options.

**Note 22. Dividends**

Dividends paid during the financial year were as follows:

|                  |              |              |
|------------------|--------------|--------------|
| Final dividend   | -            | 2,573        |
| Special dividend | -            | 1,080        |
| Interim dividend | 3,425        | 1,286        |
|                  | <u>3,425</u> | <u>4,939</u> |

Refer to note 20 for details of shares issued pursuant to the Company's Dividend Reinvestment Plan during the 2021 financial year.

At the date of signing these financial statements, the Company has declared a fully franked final dividend of 5.00 cents per share with a record date of 20 September 2021 and a payment date of 15 October 2021. The total dividend payable is \$5,715,000. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2021 and will be recognised in subsequent financial reports

*Franking credits*

|  |               |               |
|--|---------------|---------------|
| Franking credits available for subsequent financial years based on a tax rate of 30% | <u>20,651</u> | <u>15,811</u> |
|--|---------------|---------------|

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits or debits that will arise from the payment or refund of the amount of the provision for income tax or income tax refundable at the reporting date.

**Note 23. Cash flow information***Reconciliation of profit after income tax to net cash from operating activities*

|  | <b>2021</b><br><b>\$'000</b> | <b>2020</b><br><b>\$'000</b> |
|--|------------------------------|------------------------------|
| Profit after income tax expense for the year                                   | 20,540                       | 4,228                        |
| Adjustments for:   |                              |                              |
| Depreciation and amortisation  | 14,278                       | 5,121                        |
| Impairment of intangible assets  | -                            | 2,210                        |
| Gain on bargain purchase   | (596)                        | -                            |
| Net loss/(gain) on disposal of property, plant and equipment                   | (70)                         | (14)                         |
| Share-based payments   | 181                          | 55                           |
| Impairment of receivables  | 156                          | 67                           |
| Foreign exchange differences   | (1,225)                      | (288)                        |
| Change in operating assets and liabilities:                                    |                              |                              |
| Decrease/(increase) in trade and other receivables                             | (15,755)                     | 1,434                        |
| Decrease/(increase) in inventories   | (11,009)                     | 7,075                        |
| Decrease/(increase) in other assets  | (1,005)                      | (300)                        |
| Increase/(decrease) in trade and other payables                                | 15,304                       | (4,519)                      |
| Increase/(decrease) in other provisions  | 504                          | 328                          |
| Increase/(decrease) in provision for income tax                                | 237                          | 1,114                        |
| Decrease/(increase) in deferred tax assets                                     | 1,126                        | (988)                        |
| Net cash from operating activities   | <b>22,666</b>                | <b>15,523</b>                |
| <i>Liabilities from financing activities: Borrowings and Lease liabilities</i> |                              |                              |
| Balance at the start of the year   | 24,693                       | 12,858                       |
| Net cash flows   | 20,971                       | (2,918)                      |
| Recognition of lease liabilities   | 4,426                        | 14,753                       |
| Lease liabilities assumed as part of acquisition (note 30)                     | 28,625                       | -                            |
| Balance at the end of the year   | <b>78,715</b>                | <b>24,693</b>                |

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets (note 14)
- Shares issued as consideration in acquisition (note 30)
- Dividends satisfied by the issue of shares under the DRP (note 20)
- Options issued under the NTAW Employee Share Option Plan (note 24)

**Note 24. Share-based payments***Employee Share Option Plan ("ESOP")*

The Company adopted an employee share option plan on 6 November 2017. The details of the ESOP are summarised as follows:

Options may be granted under the ESOP to any person who is, or is proposed to be, a full-time or part-time employee, a non-executive director, a contractor (40% full-time equivalent ("FTE")) or a casual employee (40% FTE) of the Company or any of its associated bodies corporate, and whom the Board determines to be an eligible person for the purposes of participation in the ESOP (referred to as an 'Eligible Person').

An option may not be granted under the ESOP if, immediately following its grant, the shares to be received on exercise of the option, when aggregated with the number of shares which would be issued if each unvested option granted under the ESOP or any other employee incentive scheme of the Company were to vest and be exercised and the number of shares issued in the previous 3 years under the ESOP or any other employee incentive scheme of the Company, exceeds 5% of the total number of issued shares at the time of grant (or any varied limit if permitted under the *Corporations Act 2001*, ASX Listing Rules and ASIC instruments). Certain offers of options may be excluded from calculation as permitted under Class Order 14/1000, including excluded offers under section 708 of the *Corporations Act 2001* and offers under a disclosure document.

Each option entitles the participant to subscribe for one ordinary share in the Company.

The specific terms relevant to the grant of options are set out in an offer from the Company to the Eligible Person which contains details of the application price (if any) (which must not be for more than nominal consideration), the expiry date, the exercise price, the vesting date, any applicable performance conditions and other specific terms relevant to those options.

Unless otherwise specified in the offer of an option, if a "Change of Control Event" occurs before the vesting date of an option, that option immediately vests and ceases to be subject to any performance condition to which it was subject. A Change of Control Event means the occurrence of one or more of the following events:

- a person who has offered to acquire all shares in the Company acquires Control (as defined in section 50AA of the *Corporations Act 2001*) of the Company;
- any other event occurs which causes a change in Control of the Company;
- unless the Board determines otherwise, a takeover bid is recommended by the Board or a scheme of arrangement which would have a similar effect to a full takeover bid is announced by the Company; and
- any other event which the Board reasonably considers should be regarded as a Change of Control Event.

Options may only be transferred:

- to a legal personal representative on the death of the participant or to the participant's trustee in bankruptcy on the bankruptcy of the participant; or
- pursuant to an off-market takeover bid, in various compulsory acquisition scenarios under Chapter 6A of the *Corporations Act 2001*, under a creditor's scheme of arrangement under section 411 of the *Corporations Act 2001* or if approved by the Board.

An option does not confer any rights to participate in a new issue of shares by the Company.

If the Company conducts a rights issue, the exercise price of options will be adjusted in accordance with the adjustment formula for pro rata issues set out in the Listing Rules.

If the Company makes a bonus issue of securities to holders of shares, the rights of a holder in respect of an unexercised option will be modified such that the participant will receive, upon exercise of an option, one Share plus such additional securities which the participant would have received had the participant exercised the option immediately before the record date for that bonus issue and participated in the bonus issue as the holder of the share.

If the Company's issued capital is reorganised (including consolidation, subdivision, reduction, or return), then the number of options, the exercise price or both or any other terms will be reorganised in a manner determined by the Board which complies with the Listing Rules.

Any shares issued under the ESOP rank equally in all respects with the Shares of the same class on issue, subject to the restrictions on the transfer of shares.

**Note 24 Share based payments (continued)**

Shares issued on exercise of options are not transferable for the period (if any) specified in the offer from the Company to the Eligible Person.

An unvested option lapses upon the first to occur of the following:

- its expiry date;
- any applicable performance condition not being satisfied prior to the end of any prescribed performance period;
- a transfer or purported transfer of the option in breach of the rules;
- 30 days following the day the participant ceases to be employed or engaged by the Company or an associated body corporate by resigning voluntarily and not recommencing employment with the Company or an associated body corporate before the expiration of that 30 days;
- 30 days following the day the participant ceases to be employed or engaged by the Company or an associated body corporate by reason of his or her death, disability, bona fide redundancy, or any other reason with the approval of the Board and the participant has not recommenced employment with the Company or an associated body corporate before the expiration of those 30 days, however the Board has a discretion to deem all or any of the options to have vested; or
- termination of the participant's employment or engagement with the Company or an associated body corporate on the basis the participant acted fraudulently, dishonestly, in breach of the participant's obligations or otherwise for cause.

A vested but unexercised option lapses upon the first to occur of the following:

- its expiry date;
- a transfer or purported transfer of the option in breach of the rules; or
- termination of the participant's employment or engagement with the Company or an associated body corporate on the basis the participant acted fraudulently, dishonestly, in breach of the participant's obligations or otherwise for cause.

Subject to the ASX Listing Rules and the law, the Board may at any time by resolution amend or add to the rules of the ESOP. However, the consent of a participant is required for any change to the rules or option terms which prejudicially affects the rights of the participant in relation to the option (except for certain changes, including changes to benefit the administration of the Plan or to comply with laws, ASX Listing Rules or regulations).

Set out below are summaries of options granted:

| <b>2021</b> |             |                |                             |                  |                 |           |                           |
|-------------|-------------|----------------|-----------------------------|------------------|-----------------|-----------|---------------------------|
| Grant date  | Expiry date | Exercise price | Balance at start<br>of year | Granted          | Lapsed          | Exercised | Balance at end<br>of year |
| 25/02/2021  | 30/09/2025  | \$0.5745       | -                           | 1,680,000        | -               | -         | 1,680,000                 |
| 08/11/2019  | 07/11/2024  | \$0.3735       | 1,845,000                   | -                | (70,000)        | -         | 1,775,000                 |
|             |             |                | <b>1,845,000</b>            | <b>1,680,000</b> | <b>(70,000)</b> | <b>-</b>  | <b>3,455,000</b>          |

| <b>2020</b> |             |                |                             |                  |                    |           |                           |
|-------------|-------------|----------------|-----------------------------|------------------|--------------------|-----------|---------------------------|
| Grant date  | Expiry date | Exercise price | Balance at start<br>of year | Granted          | Lapsed             | Exercised | Balance at end<br>of year |
| 08/11/2019  | 07/11/2024  | \$0.3735       | -                           | 1,845,000        | -                  | -         | 1,845,000                 |
| 07/12/2018  | 30/09/2023  | \$1.1724       | 1,630,000                   | -                | (1,630,000)        | -         | -                         |
|             |             |                | <b>1,630,000</b>            | <b>1,845,000</b> | <b>(1,630,000)</b> | <b>-</b>  | <b>1,845,000</b>          |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.74 years (2020: 4.25 years).

Options lapsed during the 2021 financial year as the performance conditions were not met.

**Note 24 Share based payments (continued)**

The performance conditions for the options granted on 25 February 2021 were as follows:

- 1) Earnings per share ("EPS") condition – the Company's earnings per share for the year ended 30 June 2021 is at least 10% higher than its EPS for the year ended 30 June 2020 or if this is not achieved, the Company's EPS for the year ended 30 June 2022 is at least 10% higher than its EPS for the year ended 30 June 2020.

Calculation of the EPS growth rate is based upon the EPS results reported in NTAW's financial statements for the above years.

The base EPS for the year ended 30 June 2020 will be 5.51 cents per share. This is based upon the Company's 2020 net profit after providing for income tax and non-controlling interests and excluding amortisation (NPATA) attributable to Shareholders of \$5.665 million. The target EPS based on NPATA attributable to Shareholders for the 2021 year or if this is not achieved, the 2022 year is, therefore, 6.06 cents per share.

The EPS results to be used for the 2021 and 2022 years will be based upon the Company's audited financial statements for that year. However, the EPS may be adjusted for items which the Board, in its discretion, considers should be included in, or excluded from, this result.

The EPS condition will be measured over two years if required to allow for uncertainty regarding the ongoing impact of COVID-19 on execution of the Company's growth strategies and the timing of synergies to be realised from the acquisition of Tyres4U in August 2020.

- 2) Service condition – continuous employment of the employee with NTAW or one of its subsidiaries from the Grant Date until the Vesting Date.

The performance conditions for the options granted on 8 November 2019 were as follows:

- 1) Earnings per share condition – Company's EPS for the year ended 30 June 2021 was to be at least 10% higher than its EPS for the year ended 30 June 2019.

Calculation of the EPS growth rate is based upon the EPS results reported in NTAW's audited financial statements for the above years. The Basic EPS reported may be adjusted for items which the Board, in its discretion, considers should be included in, or excluded from, the result.

The Board determined that the FY2019 base EPS for the Options would be 7.74 cents per share. This was based upon the Company's 2019 NPATA attributable to NTAW shareholders. The target EPS for the 2021 financial year (based upon the Company's NPATA attributable to NTAW shareholders) is 8.51 cents per share.

- 2) Service condition – continuous employment of the employee with NTAW or one of its subsidiaries from the Grant Date until the Vesting Date.

*Valuation model inputs*

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 25/02/2021 | 30/09/2025  | \$0.8900                  | \$0.5745       | 61.60%              | 5.67%          | 0.12%                   | \$0.4280                 |
| 08/11/2019 | 07/11/2024  | \$0.4200                  | \$0.3735       | 58.90%              | 7.40%          | 0.88%                   | \$0.1400                 |

**Note 24 Share based payments (continued)***Expenses recognised from share-based payment transactions*

The expense recognised in relation to the share-based payment transactions was recognised within employee benefit expense within the statement of profit or loss as follows:

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Options issued under the NTAW Employee Share Option Plan       | 181            | 55             |
| Total expense recognised from share-based payment transactions | <b>181</b>     | <b>55</b>      |

**Note 25. Earnings per share**

|   |                    |                    |
|---|--------------------|--------------------|
| Profit after income tax   | 20,540             | 4,228              |
| Non-controlling interest  | (285)              | 323                |
| Profit after income tax attributable to the owners of National Tyre & Wheel Limited       | <b>20,255</b>      | <b>4,551</b>       |
|   | <b>Number</b>      | <b>Number</b>      |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 113,173,063        | 102,891,313        |
| Adjustments for calculation of diluted earnings per share:                                |                    |                    |
| Options over ordinary shares  | 2,185,780          | 1,439,071          |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <b>115,358,843</b> | <b>104,330,384</b> |
|   | <b>Cents</b>       | <b>Cents</b>       |
| Basic earnings per share  | 17.90              | 4.42               |
| Diluted earnings per share  | 17.56              | 4.36               |

**Note 26. Key management personnel disclosures**

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

|                              | 2021<br>\$       | 2020<br>\$       |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 3,524,144        | 2,639,068        |
| Post-employment benefits     | 168,024          | 158,311          |
| Long-term benefits           | 58,244           | 76,815           |
| Share-based payments         | 91,434           | 29,883           |
|                              | <b>3,841,846</b> | <b>2,904,077</b> |

**Note 27. Related party transactions***Parent entity*

National Tyre & Wheel Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 33.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

*Transactions with related parties*

During the 2021 financial year, the Group leased business premises owned by a closely related party of a KMP member. The lease expires on 30 May 2023 and has two 5 year renewal options. Rent payments for FY2021 totalled \$176,694 (2020: \$214,845 for two premises, one which ceased during FY2020), with \$nil outstanding at 30 June 2021 (2020: \$nil).

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

At 30 June 2021 there was an unsecured loan receivable from a member of KMP of \$82,032 (2020: \$nil).

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates except for the loan detailed above which is an interest-free loan.

**Note 28. Financial instruments****Financial risk management objectives**

The Group'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 Group'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 Group. The Group 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 Group 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 and ageing analysis for credit 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 Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

**Market risk***Foreign currency risk*

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.



**Note 28. Financial instruments (continued)**

In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Most of the Group's transactions are carried out in AUD. Exposures to currency exchange rates arise from the Group's overseas purchases, which are primarily denominated in US Dollars ('USD'). To mitigate the Group's exposure to foreign currency risk, non-AUD cash flows are monitored, and forward exchange contracts are entered into in accordance with the Group's risk management policies. The usual length of forward contracts entered into are short term and cover known USD exposures. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

At 30 June 2021, the Group had forward foreign exchange contracts to acquire USD \$19,698,000 (2020: USD \$10,700,000). These are due to mature within 5 months of balance date. The fixed exchange rates on these contracts ranged from 0.7463 to 0.7854 (2020: 0.5970 to 0.6972).

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in AUD, was as follows:

|   | 2021<br>\$'000         | 2020<br>\$'000         |
|---|------------------------|------------------------|
| Cash                                    | 374                    | 235                    |
| Trade payables                          | (31,440)               | (12,405)               |
| Buy foreign currency (held for trading) | 587                    | (943)                  |
|   | <u><b>(30,479)</b></u> | <u><b>(13,113)</b></u> |

Based on this exposure, had the Australian Dollar weakened or strengthened against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been affected as follows:

|             | % change | <i>AUD strengthened</i>            |                         | % change | <i>AUD weakened</i>                |                         |
|-------------|----------|------------------------------------|-------------------------|----------|------------------------------------|-------------------------|
|             |          | <i>Effect on profit before tax</i> | <i>Effect on equity</i> |          | <i>Effect on profit before tax</i> | <i>Effect on equity</i> |
| <b>2021</b> |          |                                    |                         |          |                                    |                         |
| USD         | 10%      | <u>2,771</u>                       | <u>1,940</u>            | 10%      | <u>(3,387)</u>                     | <u>(2,371)</u>          |
| <b>2020</b> |          |                                    |                         |          |                                    |                         |
| USD         | 10%      | <u>1,192</u>                       | <u>834</u>              | 10%      | <u>(1,457)</u>                     | <u>(1,020)</u>          |

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations. The actual foreign exchange gain for the year ended 30 June 2021 was \$848,000 (2020: loss of \$235,000).

*Price risk*

The Group is not exposed to any significant price risk.

*Interest rate risk*

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

**Note 28. Financial instruments (continued)**

As at the reporting date, the Group had the following variable rate borrowings outstanding:

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Bank overdraft                               | 454            | -              |
| Bank facility                                | 44,440         | 12,223         |
|  | <u>44,894</u>  | <u>12,223</u>  |
| Net exposure to cash flow interest rate risk | <u>44,894</u>  | <u>12,223</u>  |

An analysis by remaining contractual maturities is shown in 'liquidity risk below.

The outstanding bank facility at 30 June 2021, totalling \$44,440,000, is comprised of a trade finance facility (\$33,190,000) and a loan (\$11,250,000) (2020: \$12,223,000 interest only repayment loan). An official increase/decrease in interest rates of 50 (2020: 50) basis points would have an adverse/favourable effect on profit before tax of \$222,000 (2020: \$61,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. Minimum principal repayments of \$2,500,000 (2020: \$nil) are due during the subsequent 12 month period, although in accordance with the facility agreement, the trade finance facility limit will be increased equal to the value of the principal repayments made.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group 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 1 year.

Cash and cash equivalents are held with Commonwealth Bank of Australia, ASB Bank (NZ) and Nedbank Limited (South Africa), all of which has a short term Standard & Poor's credit rating of A-1+.

**Liquidity risk**

Vigilant liquidity risk management requires the Group 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 Group 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:

|                |               |              |
|----------------|---------------|--------------|
| Bank overdraft | 5,000         | -            |
| Bank facility  | 11,056        | -            |
| Bank guarantee | -             | 2,212        |
|                | <u>16,056</u> | <u>2,212</u> |

**Note 28. Financial instruments (continued)**

The bank overdraft facility may be drawn at any time and terminates on 3 August 2021. The bank facility (trade finance facility) may be drawn at any time and terminates on 3 August 2023. The bank guarantee facilities may be drawn at any time and have a weighted average maturity of 2.62 years (2020: 2.24 years).

*Remaining contractual maturities*

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

|  | 1 year or less<br>\$'000 | Between 1 and<br>2 years<br>\$'000 | Between 2 and<br>5 years<br>\$'000 | Over 5 years<br>\$'000 | Remaining<br>contractual<br>maturities<br>\$'000 |
|--|--------------------------|------------------------------------|------------------------------------|------------------------|--|
| <b>2021</b>                                    |                          |                                    |                                    |                        |  |
| <b>Non-derivatives</b>                         |                          |                                    |                                    |                        |  |
| <i>Non-interest bearing</i>                    |                          |                                    |                                    |                        |  |
| Trade and other payables                       | 81,099                   | -                                  | -                                  | -                      | 81,099   |
| <i>Interest-bearing - variable</i>             |                          |                                    |                                    |                        |  |
| Bank overdraft                                 | 454                      | -                                  | -                                  | -                      | 454  |
| Bank facility                                  | 2,500                    | 2,500                              | 39,777                             | -                      | 44,777   |
| <i>Interest-bearing - fixed rate</i>           |                          |                                    |                                    |                        |  |
| Lease liability                                | 10,386                   | 8,502                              | 14,369                             | 2,956                  | 36,213   |
| Total non-derivatives                          | 94,439                   | 11,002                             | 54,146                             | 2,956                  | 162,543  |
| <b>Derivatives</b>                             |                          |                                    |                                    |                        |  |
| Forward foreign exchange contracts net settled | 587                      | -                                  | -                                  | -                      | 587  |
| Total derivatives                              | 587                      | -                                  | -                                  | -                      | 587  |
| <b>2020</b>                                    |                          |                                    |                                    |                        |  |
| <b>Non-derivatives</b>                         |                          |                                    |                                    |                        |  |
| <i>Non-interest bearing</i>                    |                          |                                    |                                    |                        |  |
| Trade and other payables                       | 24,498                   | -                                  | -                                  | -                      | 24,498   |
| <i>Interest-bearing - variable</i>             |                          |                                    |                                    |                        |  |
| Bank facility                                  | -                        | -                                  | 12,233                             | -                      | 12,233   |
| <i>Interest-bearing - fixed rate</i>           |                          |                                    |                                    |                        |  |
| Lease liability                                | 3,731                    | 3,409                              | 5,537                              | 880                    | 13,557   |
| Total non-derivatives                          | 28,229                   | 3,409                              | 17,770                             | 880                    | 50,288   |
| <b>Derivatives</b>                             |                          |                                    |                                    |                        |  |
| Forward foreign exchange contracts net settled | (943)                    | -                                  | -                                  | -                      | (943)  |
| Total derivatives                              | (943)                    | -                                  | -                                  | -                      | (943)  |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Note 29. Fair value measurement***Fair value hierarchy*

The following tables detail the Group's assets and liabilities, 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

| <b>2021</b>                                      | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Forward foreign exchange contracts - derivatives | -                 | 587               | -                 | 587             |
| Total liabilities                                | -                 | 587               | -                 | 587             |
| <br>   |                   |                   |                   |                 |
| <b>2020</b>                                      | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
| Forward foreign exchange contracts - derivatives | -                 | (943)             | -                 | (943)           |
| Total assets                                     | -                 | (943)             | -                 | (943)           |

There were no transfers between levels during the financial year.

The carrying amounts of cash, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The carrying amounts of borrowings and lease liabilities are assumed to approximate their fair values given they were entered into at market rates.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

Derivative financial instruments have been valued using third party quoted rates, adjusted as appropriate. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

**Note 30. Business combinations**

On 4 August 2020, the Group acquired 100% of the business assets and operations of Tyres4U in Australia and New Zealand. The primary reason for the acquisition was to continue the Group's strategic objective of diversification and seeking scale through acquisitions. Total consideration for the acquisition was \$48,678,000, including \$43,820,000 in cash consideration and \$4,858,000 in Company shares, issued at time of the acquisition. The business assets were acquired by newly incorporated subsidiaries, Tyres4U Pty Ltd and Tyres4U (NZ) Ltd. The acquired business has contributed revenue of \$264,581,000 and profit before tax of \$8,686,000 to the Group from the date of acquisition to 30 June 2021. If the acquisition occurred on 1 July 2020, the full year contribution would have been revenue of \$289,286,000 and profit before tax of \$8,551,000. The acquisition resulted in a gain on bargain purchase being recognised as the vendors accepted the purchase consideration less than the fair value of the business assets. Transaction costs of \$1,449,000 were incurred during the year in relation to the acquisition. These costs are included in Professional fees and insurance expenditure in the Statement of profit or loss and other comprehensive income. To assist with the acquisition, the Company renegotiated its debt facilities with Commonwealth Bank of Australia increasing the total debt facility to \$68,500,000 with total amount owing under this facility at 30 June 2021 being \$52,990,000. Changes throughout the measurement period to the fair value of net assets acquired of \$462,000 have been made from the disclosure included in the 31 December 2020 half-year financial report, resulting in an equal reduction to the gain on bargain purchase recognised.

Details of the acquisition are as follows:

|   | Fair value<br>\$'000 |
|---|----------------------|
| Cash and cash equivalents                                   | 7,324                |
| Trade and other receivables                                 | 32,658               |
| Inventories   | 48,529               |
| Other financial assets                                      | 33                   |
| Other assets  | 1,659                |
| Property, plant & equipment                                 | 6,660                |
| Right-of-use assets   | 28,307               |
| Deferred tax asset  | 2,302                |
| Trade and other payables                                    | (42,104)             |
| Lease liabilities   | (28,625)             |
| Provisions  | (7,470)              |
| <b>Net assets acquired</b>                                  | <b>49,274</b>        |
| Gain on bargain purchase                                    | (596)                |
| <b>Acquisition-date fair value of total consideration</b>   | <b>48,678</b>        |
| <b>Representing:</b>  |                      |
| Cash paid   | 43,820               |
| Shares issued (note 20)                                     | 4,858                |
| <b>Total consideration</b>                                  | <b>48,678</b>        |
| <b>Cash used to acquire business, net of cash acquired:</b> |                      |
| Total consideration   | 48,678               |
| Less: cash and cash equivalents acquired                    | (7,324)              |
| Less: shares issued   | (4,858)              |
| <b>Net cash used</b>  | <b>36,496</b>        |

**Note 31. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Company, and its network firms:

|   | 2021<br>\$            | 2020<br>\$            |
|---|-----------------------|-----------------------|
| <i>Audit services - Pitcher Partners</i>    |                       |                       |
| Audit or review of the financial statements | 335,000               | 200,998               |
| <i>Other services - Pitcher Partners</i>    |                       |                       |
| Transaction services                        | 270,668               | 115,000               |
| Tax compliance services                     | 71,540                | 118,620               |
| IT consulting services                      | 3,600                 | 4,800                 |
|   | <u>345,808</u>        | <u>238,420</u>        |
|   | <b><u>680,808</u></b> | <b><u>439,418</u></b> |
| <i>Audit services - network firms</i>       |                       |                       |
| Audit or review of the financial statements | 12,284                | 27,222                |
| <i>Other services - network firms</i>       |                       |                       |
| Tax compliance services                     | 32,499                | 12,923                |
|   | <u>44,783</u>         | <u>40,145</u>         |

**Note 32. Contingent liabilities**

The Group has given bank guarantees as at 30 June 2021 of \$7,692,000 (2020: \$1,945,000) to various landlords and suppliers for standby letters of credit.

**Note 33. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name                                      | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|---|---|--------------------|-----------|
|   |   | 2021<br>%          | 2020<br>% |
| Exclusive Tyres Distributors Pty Ltd      | Australia   | 100.00%            | 100.00%   |
| Exclusive Tyres Distributors (NZ) Limited | New Zealand   | 100.00%            | 100.00%   |
| Dynamic Wheel Co. Pty Limited             | Australia   | 100.00%            | 100.00%   |
| Integrated OE Pty Ltd                     | Australia   | 100.00%            | 100.00%   |
| Top Draw Tyres Proprietary Limited        | South Africa  | 50.00%             | 50.00%    |
| Statewide Tyre Distribution Pty Ltd       | Australia   | 100.00%            | 100.00%   |
| Tyres4U Pty Ltd                           | Australia   | 100.00%            | -         |
| Tyres4U (NZ) Ltd                          | New Zealand   | 100.00%            | -         |
| Tyreright Operations Pty Ltd              | Australia   | 100.00%            | -         |
| NTAW Holdings (NZ) Ltd                    | New Zealand   | 100.00%            | -         |

**Note 34. Parent entity information**

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

|   | Parent Entity |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | \$'000        | \$'000        |
| <i>Statement of profit or loss and other comprehensive income</i> |               |               |
| Profit/(loss) after income tax                                    | 40,962        | 1,539         |
| Total comprehensive income  | <b>40,962</b> | <b>1,539</b>  |
| <i>Statement of financial position</i>                            |               |               |
| Total current assets  | 2,223         | 2,538         |
| Total assets  | 126,697       | 57,340        |
| Total current liabilities   | 3,156         | 8,690         |
| Total liabilities   | 47,665        | 20,957        |
| Equity  |               |               |
| Issued capital  | 70,204        | 65,272        |
| Reserves  | 236           | 55            |
| Retained earnings/(accumulated losses)                            | 8,592         | (28,944)      |
| Total equity  | <b>79,032</b> | <b>36,383</b> |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had a deed of cross guarantee in place in relation to certain subsidiaries at 30 June 2021 and 30 June 2020. Refer to note 35.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 35. Deed of cross guarantee**

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- National Tyre & Wheel Limited;
- Exclusive Tyres Distributors Pty Ltd;
- Exclusive Tyres Distributors (NZ) Limited;
- Dynamic Wheel Co. Pty Limited (*not party to the deed in the prior year*);
- Integrated OE Pty Ltd (*not party to the deed in the prior year*);
- Statewide Tyre Distribution Pty Ltd (*not party to the deed in the prior year*); and
- Tyres4U Pty Ltd (*not party to the deed in the prior year*).

By entering into the deed, the Australian 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.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by National Tyre & Wheel Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

|   | <b>Closed Group</b>  |                     |
|---|----------------------|---------------------|
|   | <b>2021</b>          | <b>2020</b>         |
|   | <b>\$'000</b>        | <b>\$'000</b>       |
| <b>Statement of profit or loss and other comprehensive income</b> |                      |                     |
| Revenue   | 404,035              | 98,927              |
| Other income  | 3,911                | 3,020               |
| Gain on bargain purchase  | 596                  | -                   |
| Cost of goods sold  | (284,942)            | (73,184)            |
| Employee benefits and other related costs                         | (49,372)             | (10,686)            |
| Depreciation and amortisation                                     | (11,743)             | (3,800)             |
| Professional fees and insurance                                   | (5,888)              | (1,101)             |
| Marketing   | (4,980)              | (3,322)             |
| Occupancy   | (6,477)              | (435)               |
| Other   | (11,292)             | (2,826)             |
| Finance costs   | (2,446)              | (804)               |
|   | <u>31,402</u>        | <u>5,789</u>        |
| <b>Profit before income tax expense</b>                           |                      |                     |
| Income tax expense  | (8,564)              | (1,845)             |
|   | <u>22,838</u>        | <u>3,944</u>        |
| <b>Profit after income tax expense</b>                            |                      |                     |
| <b>Other comprehensive income</b>                                 |                      |                     |
| Foreign currency translation                                      | (49)                 | (89)                |
|   | <u>(49)</u>          | <u>(89)</u>         |
| Other comprehensive income for the year, net of tax               | (49)                 | (89)                |
|   | <u>(49)</u>          | <u>(89)</u>         |
| <b>Total comprehensive income for the year</b>                    | <u><b>22,789</b></u> | <u><b>3,855</b></u> |
| <b>Equity – retained earnings</b>                                 |                      |                     |
| Retained earnings at the beginning of the financial year          | 78                   | 1,201               |
| Opening retained earnings of entities joining the Closed Group    | 22,007               | -                   |
| Profit after income tax expense                                   | 22,838               | 3,944               |
| Dividends paid  | (3,425)              | (4,939)             |
| Transfer from share-based payments reserve                        | -                    | (129)               |
|   | <u>41,498</u>        | <u>78</u>           |
| Retained earnings at the end of the financial year                | <u><b>41,498</b></u> | <u><b>78</b></u>    |



**Note 35. Deed of cross guarantee (continued)**

| Statement of financial position  | Closed Group          |                      |
|----------------------------------|-----------------------|----------------------|
|                                  | 2021<br>\$'000        | 2020<br>\$'000       |
| <b>Current assets</b>            |                       |                      |
| Cash and cash equivalents        | 19,143                | 18,803               |
| Trade and other receivables      | 60,660                | 14,728               |
| Inventories                      | 76,243                | 19,068               |
| Other financial assets           | 694                   | -                    |
| Other current assets             | 2,940                 | 538                  |
|                                  | <u>159,680</u>        | <u>53,137</u>        |
| <b>Non-current assets</b>        |                       |                      |
| Other financial assets           | 61,410                | 33,567               |
| Property, plant and equipment    | 4,919                 | 2,667                |
| Right-of-use assets              | 28,365                | 10,694               |
| Intangible assets                | 6,546                 | 7,233                |
| Deferred tax                     | 2,526                 | 1,870                |
|                                  | <u>103,766</u>        | <u>56,031</u>        |
| <b>Total assets</b>              | <u>263,766</u>        | <u>109,168</u>       |
| <b>Current liabilities</b>       |                       |                      |
| Trade and other payables         | 65,966                | 15,253               |
| Borrowings                       | 2,500                 | -                    |
| Provisions                       | 10,109                | 2,290                |
| Derivative financial instruments | -                     | 740                  |
| Lease liabilities                | 7,981                 | 2,894                |
| Current tax liability            | 835                   | 894                  |
|                                  | <u>87,391</u>         | <u>22,071</u>        |
| <b>Non-current liabilities</b>   |                       |                      |
| Borrowings                       | 41,940                | 12,223               |
| Lease liabilities                | 20,735                | 8,451                |
| Provisions                       | 1,475                 | 1,159                |
|                                  | <u>64,150</u>         | <u>21,833</u>        |
| <b>Total liabilities</b>         | <u>151,541</u>        | <u>43,904</u>        |
| <b>Net assets</b>                | <u><b>111,905</b></u> | <u><b>65,264</b></u> |
| <b>Equity</b>                    |                       |                      |
| Issued capital                   | 70,204                | 65,272               |
| Reserves                         | 203                   | (86)                 |
| Retained earnings                | 41,498                | 78                   |
| <b>Total equity</b>              | <u><b>111,905</b></u> | <u><b>65,264</b></u> |

**Note 36. Events after the reporting period**

Apart from the dividend declared as disclosed in note 22, no matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group'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 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group'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 35 to the financial statements.

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

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

On behalf of the directors



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Murray Boyte  
Chairman

31 August 2021  
Brisbane

**Independent Auditor's Report to the Shareholders of National Tyre & Wheel Limited****Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of National Tyre & Wheel Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of 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; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*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 of the current period. These 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.

| Key Audit Matter  | How our audit addressed the key audit matter  |
|---|---|
| <b>Acquisition of Tyres4U</b><br><b>Refer to Note 30: Business combinations</b>   |   |
| <p>During the year the Group acquired 100% of the business assets and operations of Tyres4U in Australia and New Zealand for gross purchase consideration of \$48.678 million. This was considered a significant purchase for the Group.</p> <p>Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets liabilities.</p> <p>As the acquisition date fair value of net assets acquired exceeded the purchase consideration, a gain on bargain purchase of \$0.596 million was recorded in the Statement of Profit or Loss and Other Comprehensive Income.</p> <p>It is due to the size of the acquisition and the estimation process involved in accounting for it that this is a key area of audit focus.</p>  | <p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating management’s processes and controls;</li> <li>• Reading the sale and purchase agreement to understand key terms and conditions;</li> <li>• Evaluating the assumptions and methodology used by management in determining the fair values of net assets acquired;</li> <li>• Comparing the Group’s final fair value adjustments at 30 June 2021 to the previously reported values at 31 December 2020, and performing testing on certain fair value adjustments to confirm that they related to new information obtained about facts and circumstances that existed on acquisition date, therefore were eligible for recognition; and</li> <li>• Assessing the adequacy of the Group’s disclosures in respect of business acquisitions.</li> </ul>   |
| <b>Impairment of goodwill and separately identifiable intangible assets</b><br><b>Refer to Note 15: Intangibles</b>   |   |
| <p>As part of business combinations completed during prior years, the Group recognised goodwill and other intangible assets valued at \$8.878 million and \$19.297 million respectively.</p> <p>These intangible assets relate to the acquisition of various subsidiaries of National Tyre &amp; Wheel Limited, with these subsidiaries being the basis of management’s determination of Cash-Generating Units (“CGU”) in the Group.</p> <p>The carrying amount of goodwill and the intangible assets is supported by value-in-use calculations prepared by management which are based on budgeted future cash flows, key estimates and significant judgements such as the annual growth rates, discount rate and terminal value growth rate.</p> <p>This is a key area of audit focus as the value of the intangible assets is material and the evaluation of the recoverable amount of these assets requires significant judgement in determining the key estimates supporting the expected future cash flows of the CGUs and the utilisation of the relevant assets.</p> | <p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating management’s processes and controls;</li> <li>• Assessing management’s determination of the Group’s CGUs based on our understanding of the nature of the Group’s business and the identifiable groups of cash generating assets;</li> <li>• Comparing the cash flow forecasts used in the value-in-use calculations to Board approved budgets for the 2022 financial year and the Group’s historic actual performance;</li> <li>• Assessing the significant judgements and key estimates used for the impairment assessment, in particular, the annual growth rates, discount rate and terminal value growth rate;</li> <li>• Checking the mathematical accuracy of the impairment testing model and agreeing relevant data to the latest budgets;</li> <li>• Performing sensitivity analysis by varying significant judgements and key estimates, including the annual growth rates, discount rate and terminal value growth rate, for the CGUs to which goodwill and indefinite useful life intangible assets relate; and</li> <li>• Assessing the adequacy of the Group’s disclosures in respect of impairment testing of goodwill and indefinite useful life intangible assets.</li> </ul> |

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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, 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.

### *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 has 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 10 - 20 of the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of National Tyre & Wheel 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.

  
PITCHER PARTNERS

  
WARWICK FACE  
Partner

Brisbane, Queensland  
31 August 2021

The shareholder information set out below was applicable as at 20 August 2021.

#### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

|                                       | Number<br>of holders<br>of ordinary<br>shares | % of total<br>shares<br>issued |
|---------------------------------------|---|--------------------------------|
| 1 to 1,000                            | 253   | 0.1                            |
| 1,001 to 5,000                        | 517   | 1.4                            |
| 5,001 to 10,000                       | 280   | 2.0                            |
| 10,001 to 100,000                     | 483   | 13.1                           |
| 100,001 and over                      | 91  | 83.4                           |
|                                       | <u>1,624</u>                                  | <u>100.0</u>                   |
| Holding less than a marketable parcel | <u>66</u>                                     | <u>0.0</u>                     |

#### Equity security holders

##### *Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

|  | Ordinary shares<br>Number held | % of total<br>shares<br>issued |
|--|--------------------------------|--------------------------------|
| ST Corso Pty Ltd   | 26,750,297                     | 23.40                          |
| EM Australia 2021 Pty Ltd (TWA A/C)                        | 10,617,107                     | 9.29                           |
| Sandhurst Trustees Ltd (Collins St Value Fund A/C)         | 7,811,167                      | 6.83                           |
| J P Morgan Nominees Australia Pty Limited                  | 5,863,289                      | 5.13                           |
| Roshan Charles Chelvaratnam                                | 3,732,787                      | 3.27                           |
| BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP) | 3,676,335                      | 3.22                           |
| National Nominees Limited                                  | 3,239,544                      | 2.83                           |
| Mr John Peter Ludemann                                     | 2,589,928                      | 2.27                           |
| S.N. Tyre Wholesalers Pty Ltd                              | 2,487,440                      | 2.18                           |
| Strategic Value Pty Ltd (Tal Super A/C)                    | 2,099,100                      | 1.84                           |
| HSBC Custody Nominees (Australia) Limited                  | 1,616,036                      | 1.41                           |
| Citicorp Nominees Pty Limited                              | 1,161,038                      | 1.02                           |
| Mrs Christine Lorraine Hummer                              | 1,048,929                      | 0.92                           |
| Mrs Christine Lorraine Hummer                              | 1,048,928                      | 0.92                           |
| Mr Christopher John Hummer                                 | 1,048,928                      | 0.92                           |
| Mr Christopher John Hummer                                 | 1,011,337                      | 0.88                           |
| Hidiv Pty Ltd  | 1,000,000                      | 0.87                           |
| Exldata Pty Ltd  | 882,001                        | 0.77                           |
| Tyre & Tube Australia (Services) Pty Ltd                   | 698,796                        | 0.61                           |
| Trevor John Wren   | 655,737                        | 0.57                           |
|  | <u>79,038,724</u>              | <u>69.15</u>                   |

##### *Unquoted equity securities*

There are 3,455,000 unquoted unissued ordinary shares of National Tyre & Wheel Limited under option at the date of this report.

**Substantial holders**

Substantial holders in the Company are set out below:

|  | <b>Ordinary shares</b> |                                 |
|--|------------------------|---------------------------------|
|  | <b>Number held</b>     | <b>% of total shares issued</b> |
| ST Corso Pty Ltd atf the Smith Trading Trust, Terence Smith & Susanne Smith (together Smith Group) | 38,571,200             | 33.75                           |
| National Tyre & Wheel Limited  | 11,315,903             | 9.90                            |
| EM Australia 2021 Pty Ltd (TWA A/C)  | 10,617,107             | 9.29                            |
| Sandhurst Trustees Ltd (Collins St Value Fund A/C)   | 7,811,167              | 6.83                            |

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

By way of a poll each share shall have one vote at a meeting.

There are no other classes of equity securities on issue at the date of this report.

**Securities subject to voluntary escrow**

| <b>Class</b>    | <b>Expiry date</b> | <b>Number of shares</b>  |
|-----------------|--------------------|--------------------------|
| Ordinary shares | 4 February 2022    | <u>11,315,903</u>        |
|                 |                    | <u><u>11,315,903</u></u> |



|   |   |
|---|---|
| Directors   | Murray Boyte - Chairman<br>Peter Ludemann - Chief Executive Officer and Managing Director<br>Terry Smith<br>Bill Cook<br>Robert Kent  |
| Company secretaries                               | Jason Lamb<br>Hugh McMurchy   |
| Registered office and principal place of business | 30 Gow Street<br>Moorooka QLD 4105<br>Telephone: (07) 3212 0950<br>Facsimile: (07) 3212 0951  |
| Share register                                    | Computershare Investor Services Pty Limited<br>Level 4<br>60 Carrington Street<br>Sydney NSW 2000<br>Telephone: 1300 787 272  |
| Auditor   | Pitcher Partners<br>Level 38<br>345 Queen Street<br>Brisbane QLD 4000   |
| Solicitors  | Bentleys Legal (NSW)<br>Level 14<br>60 Margaret Street<br>Sydney NSW 2000   |
| Bankers   | Commonwealth Bank of Australia<br>Ground Floor<br>Tower 1<br>201 Sussex Street<br>Sydney NSW 2000   |
| Stock exchange listing                            | National Tyre & Wheel Limited shares are listed on the Australian Securities Exchange (ASX code: NTD)   |
| Website   | <a href="http://www.ntaw.com.au">www.ntaw.com.au</a>  |
| Corporate Governance Statement                    | <p>The Company's directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (4th Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.</p> <p>The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation since listing, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.</p> <p>The Company's Corporate Governance Statement and policies, which is approved at the same time as the Annual Report, can be found on its website:<br/><a href="https://www.ntaw.com.au/investors/corporate-governance/">https://www.ntaw.com.au/investors/corporate-governance/</a></p> |

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