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**National Tyre & Wheel Pty  
Limited and controlled  
entities**

**ABN 97 095 843 020**

Consolidated Financial report  
For the year ended 30 June 2016

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**DIRECTORS' REPORT**

The directors present their report together with the financial report of the group, being the company and its controlled entities, for the year ended 30 June 2016 and auditor's report thereon.

**Directors names**

The names of the directors in office at any time during or since the end of the year are:

Terence Smith

Susanne Smith

Peter Ludemann

William Cook

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

**Results**

The profit of the group for the year after providing for income tax and eliminating non-controlling interests amounted to \$3,668,926.

**Review of operations**

The group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

**Significant changes in state of affairs**

There were no other significant changes in the group's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

**Principal activities**

The principal activity of the group during the year was the distribution and marketing of motor vehicle tyres, wheels, tubes and related products.

No significant change in the nature of these activities occurred during the year.

**After balance date events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

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**DIRECTORS' REPORT**

**Likely developments**

The group expects to continue growing the principle activities of its operations.

The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to one or more entities in the consolidated group.

**Environmental regulation**

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**Dividends paid, recommended and declared**

No dividends were paid or declared since the start of the year.

**Indemnification of officers**

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company and the group, the company secretary and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer 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.

**Indemnification of auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the group.

**Proceedings on behalf of the group**

No person has applied for leave of Court to bring proceedings on behalf of the group or intervene in any proceedings to which the group is a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings.

NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES  
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DIRECTORS' REPORT

**Options**

Options over unissued ordinary shares granted by National Tyre & Wheel Pty Limited during or since the financial year to the directors and any of the most highly remunerated officers of the group (other than the directors) were as follows:

Directors	Options granted
Peter Ludemann	3,000,000

Executives	Options granted
Jason Lamb	161,690

**Shares under option**

Unissued ordinary shares of National Tyre & Wheel Pty Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Exercise price of shares	Expiry date of the options
01/07/2012	1,877,305	-	01/07/2022
01/07/2013	1,000,000	1.00	01/07/2022
01/07/2014	2,060,000	0.76	01/07/2022
01/07/2015	90,000	0.62	01/07/2022

No option holder has any right under the options to participate in any other share issue of the group.

**Auditor's independence declaration**

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Signed on behalf of the board of directors.

Director:  \_\_\_\_\_

Dated this 26th day of October 2016

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# PITCHER PARTNERS

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National Tyre & Wheel Pty Limited  
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## Auditor's Independence Declaration

As lead auditor for the audit of National Tyre & Wheel Pty Limited and controlled entities for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PITCHER PARTNERS

NIGEL BATTERS  
Partner

Brisbane, Queensland  
26 October 2016

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 Restated* \$
<b>Revenue and other income</b>			
Sales revenue	4	111,297,109	108,835,432
Other revenue	4	<u>934,291</u>	<u>1,739,783</u>
		<u>112,231,400</u>	<u>110,575,215</u>
<b>Less: expenses</b>			
Cost of sales		(75,342,809)	(71,114,945)
Transport expense		(4,720,721)	(4,016,236)
Depreciation and amortisation expense	5	(1,649,725)	(1,580,842)
Employee benefits expense		(11,951,640)	(11,589,601)
Occupancy expense		(3,293,954)	(3,029,809)
Marketing expense		(3,721,903)	(5,632,103)
Finance costs	5	(605,415)	(556,563)
Insurance costs		(365,314)	(486,722)
Legal and professional fees		(105,118)	(140,453)
Other expenses		<u>(5,143,376)</u>	<u>(6,728,336)</u>
		<u>(106,899,975)</u>	<u>(104,875,610)</u>
<b>Profit before income tax expense</b>		5,331,425	5,699,605
Income tax expense	7	<u>(1,382,512)</u>	<u>(2,312,755)</u>
<b>Profit for the year</b>		<u>3,948,913</u>	<u>3,386,850</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		<u>249,766</u>	<u>(148,083)</u>
<b>Total comprehensive income</b>		<u>4,198,679</u>	<u>3,238,767</u>
<b>Profit is attributable to:</b>			
- Owners of National Tyre & Wheel Pty Limited		3,668,926	3,072,070
- Non-controlling interests		<u>279,987</u>	<u>314,780</u>
		<u>3,948,913</u>	<u>3,386,850</u>
<b>Total comprehensive income is attributable to:</b>			
- Owners of National Tyre & Wheel Pty Limited		3,918,692	2,923,987
- Non-controlling interests		<u>279,987</u>	<u>314,780</u>
		<u>4,198,679</u>	<u>3,238,767</u>

\* See note 28 for details regarding the correction of an error in the prior period.

The accompanying notes form part of these financial statements.

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Note	2016 \$	2015 Restated* \$
<b>Current assets</b>			
Cash and cash equivalents	8	15,381,455	12,412,254
Receivables	9	18,739,510	17,827,879
Inventories	10	26,476,564	26,775,099
Other financial assets	11	-	407,463
Other assets	14	<u>305,383</u>	<u>303,502</u>
<b>Total current assets</b>		<u>60,902,912</u>	<u>57,726,197</u>
<b>Non-current assets</b>			
Other financial assets	11	309,632	281,647
Property, plant and equipment	12	3,151,423	3,307,563
Intangible assets	13	7,885,833	8,817,991
Deferred tax assets	7	<u>903,898</u>	<u>847,075</u>
<b>Total non-current assets</b>		<u>12,250,786</u>	<u>13,254,276</u>
<b>Total assets</b>		<u>73,153,698</u>	<u>70,980,473</u>
<b>Current liabilities</b>			
Payables	15	25,550,458	23,965,883
Borrowings	16	3,264,796	3,626,517
Provisions	17	1,665,301	1,497,031
Current tax liabilities		137,066	703,979
Other financial liabilities	18	124,826	-
Other liabilities	19	<u>147,102</u>	<u>136,954</u>
<b>Total current liabilities</b>		<u>30,889,549</u>	<u>29,930,364</u>
<b>Non-current liabilities</b>			
Borrowings	16	3,588,923	6,515,585
Provisions	17	1,156,877	1,069,678
Other liabilities	19	<u>47,072</u>	<u>192,248</u>
<b>Total non-current liabilities</b>		<u>4,792,872</u>	<u>7,777,511</u>
<b>Total liabilities</b>		<u>35,682,421</u>	<u>37,707,875</u>
<b>Net assets</b>		<u>37,471,277</u>	<u>33,272,598</u>

The accompanying notes form part of these financial statements.



NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES  
ABN 97 095 843 020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016

	Note	2016 \$	2015 Restated* \$
<b>Equity</b>			
Share capital	20	18,941,673	18,941,673
Reserves	21	1,824,507	1,931,484
Retained earnings		<u>14,144,166</u>	<u>10,475,240</u>
<b>Equity attributable to owners of National Tyre &amp; Wheel Pty Limited</b>		34,910,346	31,348,397
Non-controlling interests		<u>2,560,931</u>	<u>1,924,201</u>
<b>Total equity</b>		<u><u>37,471,277</u></u>	<u><u>33,272,598</u></u>

\* See note 28 for details regarding the correction of an error in the prior period.

The accompanying notes form part of these financial statements.

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Contributed equity \$	Reserves \$	Retained earnings \$	Non- controlling interests \$	Total equity \$
<b>Balance as at 1 July 2014</b>	18,941,673	2,031,314	11,408,370	1,609,421	33,990,778
Profit for the year	-	-	3,072,070	314,780	3,386,850
Exchange differences on translation of foreign operations	-	(148,083)	-	-	(148,083)
<b>Total comprehensive income for the year</b>	-	(148,083)	3,072,070	314,780	3,238,767
<b>Transactions with owners in their capacity as owners:</b>					
Dividends	-	-	(4,005,200)	-	(4,005,200)
Share based payments expensed	-	700,000	-	-	700,000
Cash settled awards	-	(651,747)	-	-	(651,747)
<b>Balance as at 30 June 2015 (restated)*</b>	<u>18,941,673</u>	<u>1,931,484</u>	<u>10,475,240</u>	<u>1,924,201</u>	<u>33,272,598</u>
<b>Balance as at 1 July 2015</b>	18,941,673	1,931,484	10,475,240	1,924,201	33,272,598
Profit for the year	-	-	3,668,926	279,987	3,948,913
Exchange differences on translation of foreign operations	-	249,766	-	-	249,766
<b>Total comprehensive income for the year</b>	-	249,766	3,668,926	279,987	4,198,679
Transfers	-	(356,743)	-	356,743	-
<b>Balance as at 30 June 2016</b>	<u>18,941,673</u>	<u>1,824,507</u>	<u>14,144,166</u>	<u>2,560,931</u>	<u>37,471,277</u>

\* See note 28 for details regarding the correction of an error in the prior period.

The accompanying notes form part of these financial statements.

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 Restated* \$
<b>Cash flow from operating activities</b>			
Receipts from customers		122,449,852	115,574,444
Payments to suppliers and employees		(113,020,043)	(106,696,716)
Interest received		151,535	159,635
Finance costs		(534,351)	(455,543)
Income tax paid		<u>(2,006,248)</u>	<u>(2,491,133)</u>
<b>Net cash provided by operating activities</b>	<b>22</b>	<u><b>7,040,745</b></u>	<u><b>6,090,687</b></u>
<b>Cash flow from investing activities</b>			
Payment for acquisition of business, net of cash acquired		-	(4,886,954)
Proceeds from sale of property, plant and equipment		132,308	124,297
Payment for property, plant and equipment		(605,499)	(278,801)
Transfers to term deposits		<u>(27,535)</u>	<u>-</u>
<b>Net cash provided by / (used in) investing activities</b>		<u><b>(500,726)</b></u>	<u><b>(5,041,458)</b></u>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		-	5,000,000
Repayment of borrowings		(3,464,545)	(2,620,683)
Dividends paid		<u>-</u>	<u>(4,005,200)</u>
<b>Net cash provided by / (used in) financing activities</b>		<u><b>(3,464,545)</b></u>	<u><b>(1,625,883)</b></u>
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		12,412,254	12,919,787
Net increase / (decrease) in cash held		3,075,474	(576,654)
Foreign exchange differences on cash holdings		<u>(106,273)</u>	<u>69,121</u>
<b>Cash at end of financial year</b>	<b>8</b>	<u><b>15,381,455</b></u>	<u><b>12,412,254</b></u>

\* See note 28 for details regarding the correction of an error in the prior period.

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was approved by the directors as at the date of the directors' report.

The financial report is for National Tyre & Wheel Pty Limited and its consolidated entities. National Tyre & Wheel Pty Limited is a company limited by shares, incorporated and domiciled in Australia. National Tyre & Wheel Pty Limited is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Basis of preparation of the financial report**

*Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

*Significant accounting estimates*

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

**(b) Foreign currency translations and balances**

*Functional and presentation currency*

The financial statements of each entity within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

*Transactions and Balances*

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Foreign currency translations and balances (Continued)**

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Subsidiaries that have a functional currency different from the presentation currency of the group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

**(c) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests in the result of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group with the exception of business combinations under common control (refer note 1 (n)).

The Group was formed as part of a reconstruction of the Smith Trading Trust pursuant to which the shareholders of the company remained the underlying beneficial owners of the assets of the Smith Trading Trust. The restructure of the Group on 1 July 2012 was determined to be a business combination under common control. The pooling of interest method has been adopted. The assets and liabilities for all the entities have been maintained at their book values. The income statement reflects the income of the combined entities as if they have always been combined.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Revenue**

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is measured net of the amount of goods and services tax (GST).

**(e) Income tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

*Tax Consolidation*

The parent entity and its subsidiary Exclusive Tyre Distributors Pty Ltd have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2012. This means that:

- each entity recognises their own current and deferred tax amounts in respect of the transactions, events and balances of the entity; and
- the parent entity assumes the current tax liability and any deferred tax assets relating to tax losses, arising in the subsidiary, and recognises a contribution to (or distribution from) the subsidiaries.

**(f) Inventories**

Inventories are measured at the lower of cost and net realisable value.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Financial instruments**

*Classification*

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and the group intends to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

*Available-for-sale*

Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

Non-listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

*Financial liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

*Derivative financial instruments*

The group holds derivative financial instruments to mitigate its risk exposures from foreign currency and interest rate movements.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Financial instruments (Continued)**

Derivatives that are not designated in a qualifying hedge relationship are subsequently measured at fair value through profit or loss. Derivatives designated as hedging instruments are accounted for as described below.

Some financial instruments have embedded derivatives within them. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

**(h) Property, plant and equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

*Plant and equipment*

Plant and equipment is measured on a cost basis.

*Depreciation*

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

<b>Class of fixed asset</b>	<b>Depreciation rates</b>	<b>Depreciation basis</b>
Leasehold improvements at cost	15%	Diminishing value
Plant and equipment at cost	5-50%	Diminishing value
Improvements at cost	2.5%	Diminishing value
Motor vehicles at cost	13.5-21%	Diminishing value

**(i) Intangibles**

*Goodwill*

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note (n) for a description of how goodwill arising from a business combination is initially measured.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less any accumulated impairment losses.



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Intangibles (Continued)**

*Importation rights*

Other intangibles acquired in a business combination are initially recognised at fair value at the acquisition date. Such intangibles are amortised over their estimated useful lives and are carried at cost less accumulated amortisation and any impairment losses.

Importation rights are initially recorded at cost. Importation rights are amortised on a straight line basis over the term of the distribution agreement. The balance is reviewed annually and amounts are written off to the extent the realisable future benefits are considered to be no longer probable.

**(j) Impairment of non-financial assets**

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

**(k) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(l) Leases**

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

*Finance leases*

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

*Operating leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(m) Employee benefits**

*(i) Short-term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

*(ii) Long-term employee benefit obligations*

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Employee benefits (Continued)**

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

*(iii) Share-based payments*

The group operates share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is based on a Director valuation of the group undertaken at the date of grant of the options. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(n) Business combinations**

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method with the exception of business combinations involving entities or businesses under common control (refer note 1 (c)).

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issues or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the identifiable net asset value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in the profit or loss.

Acquisition related costs are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Goods and services tax (GST)**

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(p) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

*(a) Impairment of goodwill*

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 4% for cash flows in years two to five, which is based on the historical average and a discount rate of 14% to determine value-in-use.

*(b) Recognition of a warranty provision*

The warranty provision at the year end is based on Management's best estimate of future expenditure required to settle the groups' warranty liability. Possible changes in assumptions used and estimates based on historical evidence may result in revisions to the provision for warranties.

*(c) Share based payments*

Share based payments expense under the employee share option plan has been recognised over the expected vesting period of the options. The options granted to employees on 1 July 2012 vest if certain events occur. Management previously estimated that these events would occur in three years of grant date, and therefore recognised the share option expense over a 3 year period. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. No expense has been recognised on the options granted on 1 July 2013, 1 July 2014 and 1 July 2015 as management have assessed these options to have a fair value of NIL.

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: FAIR VALUE MEASUREMENT**

*Fair Value Hierarchy*

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2:** Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3:** Inputs for the asset or liability that are not based on observable market data

The following table provides the fair value classification of those assets and liabilities held by the group that are measured either on a recurring or non-recurring basis at fair value.

	Level 2	Level 3	Total
	\$	\$	\$
<b>2016</b>			
<b>Recurring fair value measurements</b>			
<i>Financial assets</i>			
<i>Available-for-sale financial assets at fair value</i>			
Other investments	-	2,826	2,826
<i>Financial liabilities</i>			
<i>Derivative instruments at fair value through profit or loss</i>			
Foreign currency hedging instruments	124,826	-	124,826
<b>2015</b>			
<b>Recurring fair value measurements</b>			
<i>Financial assets</i>			
<i>Available-for-sale financial assets at fair value</i>			
Other investments	-	2,376	2,376
<i>Derivative instruments at fair value through profit or loss</i>			
Foreign currency hedging instruments	407,463	-	407,463
<b>Total financial assets</b>	<u>407,463</u>	<u>2,376</u>	<u>409,839</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 4: REVENUE AND OTHER INCOME</b>		
Sales revenue		
Sale of goods	111,297,109	108,835,432
Other revenue		
Interest income	151,535	159,635
Other revenue	<u>21,218</u>	<u>21,583</u>
	<u>172,753</u>	<u>181,218</u>
Other Income		
Gain on fair value adjustments - financial instruments	-	8,142
Other income	<u>761,538</u>	<u>1,550,423</u>
	<u>761,538</u>	<u>1,558,565</u>
	<u>112,231,400</u>	<u>110,575,215</u>
<b>NOTE 5: OPERATING PROFIT</b>		
Profit / (losses) before income tax has been determined after:		
Finance costs		
Interest	505,522	446,471
Amortisation of of borrowing costs	71,064	71,064
Finance lease charges	<u>28,829</u>	<u>39,028</u>
	605,415	556,563
Depreciation	717,567	651,231
Amortisation	932,158	929,611
Bad and doubtful debts	8,261	48,156
Foreign currency translation losses / (gains) recorded in cost of sales	732,803	1,713,720
Employee benefits:		
- Short term benefits	11,081,277	10,169,150
- Share based payments	-	700,000
- Other employee benefits	<u>870,363</u>	<u>720,451</u>
	11,951,640	11,589,601
Net loss on disposal of non-current assets		
- Loss on sale of property, plant and equipment	32,474	55,361

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION</b>		
Compensation received by key management personnel of the group	<u>1,205,208</u>	<u>1,121,221</u>
 <b>NOTE 7: INCOME TAX</b>		
<b>Components of tax expense</b>		
Current tax	1,436,741	2,561,189
Deferred tax	431,869	(248,434)
Under/(over) provision in prior years	<u>(486,098)</u>	<u>-</u>
	<u>1,382,512</u>	<u>2,312,755</u>
 <b>Prima facie tax payable</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0% (2015: 30.0%)	1,599,428	1,709,882
Add tax effect of:		
- intangible assets	279,647	278,883
- non deductible expenses	4,118	213,102
- under provision for income tax in prior year	(486,098)	114,326
- differences in overseas tax rate	<u>(14,583)</u>	<u>(3,438)</u>
	<u>(216,916)</u>	<u>602,873</u>
Income tax expense attributable to profit	<u>1,382,512</u>	<u>2,312,755</u>
 <b>Deferred tax</b>		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Employee benefits	384,510	331,546
Foreign currency exchange	-	27,766
Property, plant and equipment	39,592	67,244
Accruals and provisions	463,604	442,766
Other	111,568	10,650
Finance lease liability	<u>92,979</u>	<u>-</u>
	<u>1,092,253</u>	<u>879,972</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 7: INCOME TAX (CONTINUED)</b>		
<i>Deferred tax liabilities</i>		
The balance comprises:		
Property, plant and equipment	136,904	-
Finance lease liability	-	32,897
Foreign currency exchange	<u>51,451</u>	<u>-</u>
	<u>188,355</u>	<u>32,897</u>
Net deferred tax assets / (liabilities)	<u>903,898</u>	<u>847,075</u>
<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>		
Cash on hand	1,974	2,726
Cash at bank	<u>15,379,481</u>	<u>12,409,528</u>
	<u>15,381,455</u>	<u>12,412,254</u>
<b>NOTE 9: RECEIVABLES</b>		
CURRENT		
Trade debtors	18,559,510	17,727,879
Amounts receivables from:		
- employees	<u>180,000</u>	<u>100,000</u>
	<u>18,739,510</u>	<u>17,827,879</u>
<b>NOTE 10: INVENTORIES</b>		
CURRENT		
<i>At cost</i>		
Finished goods	<u>26,476,564</u>	<u>26,775,099</u>

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 11: OTHER FINANCIAL ASSETS</b>		
<b>CURRENT</b>		
<i>Derivative instruments at fair value through profit or loss</i>		
Foreign currency hedging instruments	<u>-</u>	<u>407,463</u>
<b>NON CURRENT</b>		
<i>Available-for-sale financial assets</i>		
At fair value		
Other investments	2,826	2,376
<i>Held to maturity financial assets</i>		
Term deposits	<u>306,806</u>	<u>279,271</u>
	<u>309,632</u>	<u>281,647</u>

The group purchases inventory from the United States. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase US dollars. These contracts do not satisfy the requirements for hedge accounting.

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

Leasehold improvements at cost	274,998	266,601
Accumulated depreciation	<u>(200,192)</u>	<u>(153,088)</u>
	<u>74,806</u>	<u>113,513</u>
Plant and equipment at cost	3,291,779	3,034,794
Accumulated depreciation	<u>(1,684,777)</u>	<u>(1,389,250)</u>
	1,607,002	1,645,544
Improvements at cost	40,100	40,100
Accumulated depreciation	<u>(6,929)</u>	<u>(6,078)</u>
	33,171	34,022
Motor vehicles at cost	2,403,082	2,318,123
Accumulated depreciation	<u>(966,638)</u>	<u>(803,639)</u>
	<u>1,436,444</u>	<u>1,514,484</u>
Total property, plant and equipment	<u>3,151,423</u>	<u>3,307,563</u>

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
<b>Reconciliations</b>		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year		
<i>Leasehold improvements</i>		
Opening carrying amount	113,513	129,536
Additions	21,175	31,081
Depreciation expense	<u>(59,882)</u>	<u>(47,104)</u>
Closing carrying amount	<u>74,806</u>	<u>113,513</u>
<i>Plant and equipment</i>		
Opening carrying amount	1,645,544	1,408,985
Additions	352,933	599,691
Disposals	(22,680)	(70,162)
Depreciation expense	<u>(368,795)</u>	<u>(292,970)</u>
Closing carrying amount	<u>1,607,002</u>	<u>1,645,544</u>
<i>Improvements</i>		
Opening carrying amount	34,022	43,971
Disposals	-	(8,714)
Depreciation expense	<u>(851)</u>	<u>(1,235)</u>
Closing carrying amount	<u>33,171</u>	<u>34,022</u>
<i>Motor vehicles</i>		
Opening carrying amount	1,514,484	1,174,096
Additions	358,491	693,032
Disposals	(141,604)	(42,547)
Depreciation expense	<u>(294,927)</u>	<u>(310,097)</u>
Closing carrying amount	<u>1,436,444</u>	<u>1,514,484</u>

**Property, plant and equipment pledged as security**

Refer to note 16 for information on non-current assets pledged as security by the group.

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NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
<b>NOTE 13: INTANGIBLE ASSETS</b>		
Goodwill at cost	754,573	754,573
Importation rights	10,730,000	10,730,000
Accumulated amortisation and impairment	<u>(3,598,740)</u>	<u>(2,666,582)</u>
	<u>7,131,260</u>	<u>8,063,418</u>
Total intangible assets	<u>7,885,833</u>	<u>8,817,991</u>

**Reconciliations**

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

*Goodwill at cost*

Opening balance	<u>754,573</u>	<u>754,573</u>
Closing balance	<u>754,573</u>	<u>754,573</u>

*Importation rights*

Opening balance	8,063,418	8,993,029
Amortisation expense	<u>(932,158)</u>	<u>(929,611)</u>
Closing balance	<u>7,131,260</u>	<u>8,063,418</u>

Importation rights are depreciated on a straight line basis over the term of the distribution agreement with the supplier.

Amortisation expense in relation to intangible assets has been recognised in depreciation and amortisation expenses within profit or loss.

**NOTE 14: OTHER ASSETS**

**CURRENT**

Prepayments	124,853	165,428
Other current assets	<u>180,530</u>	<u>138,074</u>
	<u>305,383</u>	<u>303,502</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 15: PAYABLES</b>		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	24,750,232	22,071,183
Sundry creditors and accruals	<u>800,226</u>	<u>1,894,700</u>
	<u>25,550,458</u>	<u>23,965,883</u>
<b>NOTE 16: BORROWINGS</b>		
CURRENT		
<i>Secured liabilities</i>		
Bank loans	3,038,936	3,332,192
Finance lease liability	<u>225,860</u>	<u>294,325</u>
	<u>3,264,796</u>	<u>3,626,517</u>
NON CURRENT		
<i>Secured liabilities</i>		
Bank loans	3,268,156	6,063,836
Finance lease liability	<u>320,767</u>	<u>451,749</u>
	<u>3,588,923</u>	<u>6,515,585</u>

**Terms and conditions and assets pledging as security relating to the above financial instruments**

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

**Bank loan security**

The bank loan is secured over the assets of National Tyre & Wheel Pty Limited and Exclusive Tyre Distributors Pty Ltd.

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 17: PROVISIONS</b>		
CURRENT		
Employee benefits	1,040,626	917,509
Warranties	<u>624,675</u>	<u>579,522</u>
	<u>1,665,301</u>	<u>1,497,031</u>
NON CURRENT		
Employee benefits	244,212	190,438
Warranties	<u>912,665</u>	<u>879,240</u>
	<u>1,156,877</u>	<u>1,069,678</u>

**NOTE 18: OTHER FINANCIAL LIABILITIES**

CURRENT

*Derivative financial instruments at fair value through profit or loss*

Foreign currency hedging instruments	<u>124,826</u>	<u>                  </u>
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The group purchases inventory from the United States. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase US dollars. These contracts do not satisfy the requirements for hedge accounting.

**NOTE 19: OTHER LIABILITIES**

CURRENT

Straight line lease liability	<u>147,102</u>	<u>136,954</u>
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NON CURRENT

Straight line lease liability	<u>47,072</u>	<u>192,248</u>
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NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
<b>NOTE 20: SHARE CAPITAL</b>		
Issued and paid-up capital		
Ordinary share capital	<u>18,941,673</u>	<u>18,941,673</u>

**Rights of each type of share**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Share options**

Information relating to the employee share option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in note 24.

**NOTE 21: RESERVES**

Foreign currency translation reserve	232,997	(16,769)
Share based payments reserve	1,948,253	1,948,253
Other reserves	<u>(356,743)</u>	<u>-</u>
	<u>1,824,507</u>	<u>1,931,484</u>

The foreign currency translation reserve is used to record the exchange differences arising on translation of a foreign entity.

The share based payments reserve is used to record the fair value of shares or options issued to employees.

The other reserve is used to record transactions with owners in their capacity as owners and transfers to the non-controlling interest.

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 22: CASH FLOW INFORMATION</b>		
<b>Reconciliation of cash flow from operations with profit after income tax</b>		
Profit from ordinary activities after income tax	3,948,913	3,386,850
<b>Adjustments and non-cash items</b>		
Amortisation	932,158	929,611
Depreciation	717,567	651,406
Amortisation of capitalised borrowing costs	71,064	71,064
Gain on bargain purchase	-	(393,830)
Net loss / (gain) on disposal of property, plant and equipment	32,474	(2,875)
Non-cash employee benefits expense - share-based payments	-	48,253
Bad debts	4,170	48,156
Net foreign exchange differences	872,266	(766,356)
<b>Changes in assets and liabilities net of effects from purchase of controlled entity</b>		
(Increase) / decrease in receivables	(915,801)	(5,013,167)
(Increase) / decrease in other assets	(1,881)	58,391
(Increase) / decrease in inventories	298,535	916,901
Increase / (decrease) in payables	1,584,575	5,807,613
Increase / (decrease) in other liabilities	(135,028)	97,380
Increase / (decrease) in income tax payable	(566,913)	69,938
(Increase) / decrease in deferred taxes	(56,823)	(248,316)
Increase / (decrease) in provisions	255,469	429,668
Cash flows from operating activities	<u>7,040,745</u>	<u>6,090,687</u>

**Non-cash financing and investing activities**

**Finance leases**

Acquisition of plant and equipment by means of finance leases \$120,710 (2015: \$170,409).

**Deferred settlement on acquisition of business**

At 30 June 2015, \$1,072,478 (excl GST) was still payable for the acquisition of National Tyre Wholesalers (Canberra) Pty Ltd. This was paid during the 2016 financial year as such, no outstanding payable as at 30 June 2016.

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 23: BUSINESS COMBINATION</b>		
On 30 September 2014, the group acquired 100% of the assets and liabilities of National Tyre Wholesalers (Canberra) Pty Ltd.		
Details of the purchase consideration		
	\$	
Consideration paid	5,857,004	
Equipment leases paid out on behalf of seller	<u>102,428</u>	
Total purchase consideration	<u>5,959,432</u>	
<b>Assets and liabilities acquired</b>		
Assets and liabilities acquired as a result of the business combination were:		
	<b>Recognised on</b>	
	<b>acquisition at</b>	
	<b>fair value</b>	
	\$	
Assets and liabilities held at acquisition date:		
- Inventories	6,072,478	
- Property, plant and equipment	874,593	
- Provisions	(182,401)	
- Finance lease liabilities	<u>(468,212)</u>	
Net identifiable assets acquired	6,296,458	
Less: Gain on bargain purchase	<u>(337,026)</u>	
Total purchase consideration	<u>5,959,432</u>	

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

**NOTE 24: SHARE BASED PAYMENTS**

**Equity-settled share-based payments**

*Employee option plan*

NT&W Senior Executive Option Plan

The NT&W Senior Executive Option Plan is designed to recognise senior executives contribution to the group and to allow them to share in the growth in value of the group.

Under the terms of the share option plan, participants are granted options over ordinary shares of the group which vest only if certain events occur.

Options

2,950,000 options were granted under the scheme on 1 July 2012. The share options have no exercise price and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date. The market value of the ordinary shares of National Tyre & Wheel Pty Limited was determined to be \$1 at this date. 2,700,000 of the options have no expiry date but lapse on 1 July 2022 and 250,000 options expired on 31 December 2014.

The share options have been expensed over the expected vesting period.

An additional 77,305 options were issued on 1 July 2014, with no exercise price and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date. No expense has been incurred as the exercise price is considered to be less than fair value of ordinary shares of National Tyre & Wheel Pty Limited.

Series A Options

1,000,000 options were granted under the scheme on 1 July 2013. The share options have an exercise price of \$0.76 and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date.

No expense has been incurred as the exercise price is considered to be less than fair value of ordinary shares of National Tyre & Wheel Pty Limited.

Series B Options

2,080,000 options were granted on 1 July 2014. The share options have an exercise price of \$0.76 and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date.

No expense has been incurred as the exercise price is considered to be less than fair value of ordinary shares of National Tyre & Wheel Pty Limited.

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 24: SHARE BASED PAYMENTS (CONTINUED)**

**Equity-settled share-based payments (Continued)**

*Employee option plan (Continued)*

Series C Options

100,000 options were granted on 1 July 2015. The share options have an exercise price of \$0.62 and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date.

No expense has been incurred as the exercise price is considered to be less than fair value of ordinary shares of National Tyre & Wheel Pty Limited.

Details of the options granted are provided below:

**2016**

Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Forfeited during the year	Balance at the end of the year
1/07/2012	1/07/2022	\$ -	1,877,305	-	-	1,877,305
1/07/2013	1/07/2022	\$ 1.00	1,000,000	-	-	1,000,000
1/07/2014	1/07/2022	\$ 0.76	2,080,000	-	(20,000)	2,060,000
1/07/2015	1/07/2022	\$ 0.62	-	100,000	(10,000)	90,000
			<u>4,957,305</u>	<u>100,000</u>	<u>(30,000)</u>	<u>5,027,305</u>

**2015**

1/07/2012	1/07/2022	\$ -	2,600,000	77,305	(800,000)	1,877,305
1/07/2012	31/12/2014	\$ -	250,000	-	(250,000)	-
1/07/2013	1/07/2022	\$ 1.00	1,000,000	-	-	1,000,000
1/07/2014	1/07/2022	\$ 0.76	-	2,080,000	-	2,080,000
			<u>3,850,000</u>	<u>2,157,305</u>	<u>(1,050,000)</u>	<u>4,957,305</u>

Fair value of options granted:

The assessed fair value of the options at grant date was \$NIL. Fair value was determined using the fair value of the shares in the company at grant date.

*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 were as follows:

	2016	2015
	\$	\$
Options issued under the NT&W Senior Executive Option plan	-	866,667
Options forfeited during the year	-	<u>(166,667)</u>
Total expenses recognised from share-based payment transactions	<u>-</u>	<u>700,000</u>

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 25: CAPITAL AND LEASING COMMITMENTS</b>		
Finance leasing commitments		
Payable		
- not later than one year	247,350	330,241
- later than one year and not later than five years	<u>336,804</u>	<u>480,618</u>
Minimum lease payments	584,154	810,859
Less future finance charges	<u>(37,527)</u>	<u>(64,785)</u>
Total finance lease liability	<u>546,627</u>	<u>746,074</u>
Represented by:		
Current liability	225,860	294,325
Non-current liability	<u>320,767</u>	<u>451,749</u>
	<u>546,627</u>	<u>746,074</u>

The Group leases various motor vehicles under finance lease expiring within 4 years.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable		
- not later than one year	2,922,437	2,820,392
- later than one year and not later than five years	<u>3,070,440</u>	<u>5,185,713</u>
	<u>5,992,877</u>	<u>8,006,105</u>

The Group leases various office and warehouse locations under non-cancellable leases with a 1-3 year term, with rent payable monthly in advance. Three properties have contingent rental provisions requiring that the minimum lease payments shall be increased by 3% & 4%. Contingent rental provisions within the lease agreements of remaining properties require that the minimum lease payments shall be increased by CPI.

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 26: PARENT ENTITY DETAILS</b>		
Summarised presentation of the parent entity, National Tyre & Wheel Pty Limited financial statements:		
<b>(a) Summarised consolidated statement of financial position</b>		
<b>Assets</b>		
Current assets	3,712,386	3,147,663
Non-current assets	<u>70,014,593</u>	<u>71,904,192</u>
Total assets	<u>73,726,979</u>	<u>75,051,855</u>
<b>Liabilities</b>		
Current liabilities	1,300,181	2,179,153
Non-current liabilities	<u>2,785,220</u>	<u>3,523,208</u>
Total liabilities	<u>4,085,401</u>	<u>5,702,361</u>
Net assets	<u>69,641,578</u>	<u>69,349,494</u>
<b>Equity</b>		
Share capital	67,001,030	67,001,030
Retained earnings	692,295	400,211
Reserves		
Share based payments reserve	<u>1,948,253</u>	<u>1,948,253</u>
Total equity	<u>69,641,578</u>	<u>69,349,494</u>
<b>(b) Summarised consolidated statement of profit or loss and other comprehensive income</b>		
Profit for the year	292,084	3,326,949
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>292,084</u>	<u>3,326,949</u>

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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 27: DEED OF CROSS GUARANTEE</b>		
The following companies are parties to a deed of cross guarantee under which each company guarantees the debts of the others:		
<ul style="list-style-type: none"> <li>• National Tyre &amp; Wheel Pty Limited</li> <li>• Exclusive Tyres Distributors Pty Ltd</li> <li>• Exclusive Tyre Distributors (NZ) Limited</li> </ul>		
Pursuant to ASIC Class Order 98/1418 (as amended), the wholly-owned subsidiaries listed above are relieved from the Corporations Act requirements to prepare a financial report and director's report.		
A consolidated statement of comprehensive income and a consolidated statement of financial position for the year ended 30 June 2016, comprising the above listed parties to the deed which represent the "closed group" and the "extended closed group", are set out below:		
<b>(a) Consolidated Statement of Profit or Loss and Other Comprehensive Income of the closed group</b>		
<b>Revenue and other income</b>		
Sales revenue	100,108,650	100,344,197
Other revenue	870,081	1,754,316
	<u>100,978,731</u>	<u>102,098,513</u>
<b>Less: expenses</b>		
Cost of sales	(68,691,609)	(66,146,712)
Transport expense	(4,141,360)	(3,669,911)
Depreciation expense	(1,592,790)	(1,514,120)
Employee benefits expense	(10,194,212)	(10,287,057)
Occupancy expenses	(3,120,951)	(2,852,286)
Marketing expense	(3,564,773)	(5,542,419)
Finance costs	(597,620)	(547,215)
Insurance expense	(359,425)	(473,868)
Legal and professional fees	(101,878)	(138,091)
Other expenses	<u>(4,182,883)</u>	<u>(6,124,111)</u>
	<u>(96,547,501)</u>	<u>(97,295,790)</u>
<b>Profit before income tax expense</b>	4,431,230	4,802,723
Income tax expense	<u>1,412,961</u>	<u>2,037,437</u>
<b>Profit for the year</b>	<u>3,018,269</u>	<u>2,765,286</u>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	<u>249,766</u>	<u>(148,083)</u>
<b>Other comprehensive income for the year</b>	<u>249,766</u>	<u>(148,083)</u>
<b>Total comprehensive income for the year</b>	<u>3,268,035</u>	<u>2,617,203</u>

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NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
<b>NOTE 27: DEED OF CROSS GUARANTEE (CONTINUED)</b>		
<b>(b) Summary of movements in consolidated retained earnings of the closed group</b>		
Retained earnings at the beginning of the year	(9,826,545)	(11,066,459)
Profit for the year	(3,018,269)	(2,765,286)
Dividend paid	<u>-</u>	<u>4,005,200</u>
<b>Retained earnings at the end of the year</b>	<b><u>(12,844,814)</u></b>	<b><u>(9,826,545)</u></b>
<b>(c) Consolidated Statement of Financial Position of the closed group</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,613,442	12,050,149
Receivables	16,965,865	16,834,515
Inventories	23,234,300	23,951,329
Other financial assets	-	405,655
Other current assets	<u>291,117</u>	<u>284,011</u>
<b>Total current assets</b>	<b><u>54,104,724</u></b>	<b><u>53,525,659</u></b>
<b>Non-current assets</b>		
Other financial assets	3,138,978	2,418,186
Property, plant and equipment	2,752,972	2,912,257
Intangible assets	7,131,260	8,063,418
Deferred tax assets	<u>843,192</u>	<u>816,818</u>
<b>Total non-current assets</b>	<b><u>13,866,402</u></b>	<b><u>14,210,679</u></b>
<b>Total assets</b>	<b><u>67,971,126</u></b>	<b><u>67,736,338</u></b>
<b>Current liabilities</b>		
Payables	24,704,850	23,584,992
Borrowings	3,210,632	3,595,565
Provisions	1,544,155	1,427,059
Current tax liabilities	57,916	661,427
Other financial liabilities	124,326	-
Other liabilities	<u>147,102</u>	<u>136,954</u>
<b>Total current liabilities</b>	<b><u>29,788,981</u></b>	<b><u>29,405,997</u></b>
<b>Non-current liabilities</b>		
Borrowings	3,406,389	6,399,596
Provisions	1,117,690	1,038,795
Other liabilities	<u>47,072</u>	<u>192,248</u>
<b>Total non-current liabilities</b>	<b><u>4,571,151</u></b>	<b><u>7,630,639</u></b>
<b>Total liabilities</b>	<b><u>34,360,132</u></b>	<b><u>37,036,636</u></b>

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<b>NOTE 27: DEED OF CROSS GUARANTEE (CONTINUED)</b>		
<b>(c) Consolidated Statement of Financial Position of the closed group (Continued)</b>		
<b>Net assets</b>	<u>33,610,994</u>	<u>30,699,702</u>
<b>Equity</b>		
Share capital	18,941,673	18,941,673
Reserves	1,824,507	1,931,484
Retained earnings	<u>12,844,814</u>	<u>9,826,545</u>
<b>Total equity</b>	<u>33,610,994</u>	<u>30,699,702</u>

**NOTE 28: CORRECTION OF ERRORS**

Comparative balances have been restated for the effects of an error identified in the results reported for previous periods, as follows:

Understatement of expenses and overstatement of inventories due to the accounting treatment of rebates received.

The above error has been corrected by restating each of the affected financial statement line items for the prior period as well as adjusting the classification of expenses to be consistent with the current year disclosures, as follows:

Financial Statement Line Item	Previously Reported (\$)	Revised (\$)
Other revenue	582,667	1,739,783
Cost of sales	(70,940,037)	(71,114,945)
Other expenses	(5,299,422)	(6,728,336)
Inventories	28,437,691	26,775,099
Retained earnings	12,150,442	10,475,240

**NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2016, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2016, of the group.

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NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES  
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 - 38, are in accordance with the *Corporations Act 2001*: and
  - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: \_\_\_\_\_  
*n. chen*

Dated this 26th day of October 2016



**PITCHER PARTNERS**

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IAN JONES  
KYLIE LAMPRECHT  
NORMAN THURECHT  
BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON  
SIMON CHUN

## **Independent Auditor's Report to the Members of National Tyre & Wheel Pty Limited and controlled entities**

We have audited the accompanying financial report of National Tyre & Wheel Pty Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities in controlled at the year's end.

### *Directors' Responsibility 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 - Reduced Disclosure Requirements 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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*Opinion*

In our opinion, the financial report of National Tyre & Wheel Pty Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

  
PITCHER PARTNERS

  
NIGEL BATTERS  
Partner

Brisbane, Queensland  
26 October 2016

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