



ANNUAL REPORT 2022

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**NTAW's vision is to be the tyre
and wheel industry leader in
digital transformation**

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Chairman's letter



Dear Shareholder

Your Company enjoyed unusually favourable trading conditions throughout the 2021 financial year and, as expected, these did not prevail in 2022. In a less favourable market, the Group delivered an operating net profit after tax but before amortisation of \$15.6 million in 2022 (2021: \$21.9 million).

Enhancing customer experiences through value-adding services remains the focus of NTAW's business units. We entered 2022 executing various projects that are expected to provide competitive advantages and growth well into the future. During the year, two significant but largely unexpected opportunities were secured – the acquisition of Black Rubber in Australia and Carter's in New Zealand.

These new businesses have a proven track record of profitability based on delivering value-adding services to commercial customers. These services are centred on truck and bus tyre performance management, enabling customers to predict the cost of their tyre consumption and understanding the value of tyre choices. In some cases, this translates to arrangements where customers pay a cents per kilometre fee for the use of a tyre instead of buying it. These capabilities fit well with our Group wide strategic objectives.

Projects driving towards organic growth include our vision to lead the industry in digital transformation – a major investment in a new enterprise resource planning platform that will help our B2B customers grow from useful information that makes sense to them; support for the virtual interactions they have with their customers; and participation in a digital environment that will save costs and improve cash flows.

We understand that most things do not happen at a distance in the tyre industry and we are maintaining our personal interactions with all our customers. We continue to focus on building the brands of our exclusive suppliers and enabling consumers to make the right choice of tyre, at the right place and time. After a period of detailed review, and following the acquisitions this year, we see great opportunity to grow the Group's commercial retail business.


Directors were pleased to declare an interim dividend of 3.00 cents per share and a final dividend of 1.50 cents per share (both fully franked) which were paid to shareholders on 8 April 2022 and 7 October 2022, respectively. The full year dividend represents a payout ratio of 54% of net profit after tax but before amortisation, which is in line with Company policy of paying out 40% - 60% of NPATA.

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

Your Company is expected to benefit from the recent acquisitions and various projects launched over the past 18 months, including digital transformation, warehouse consolidations, cross-selling between business units and other integration initiatives.

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

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Enhancing customer experiences through value adding services remains the focus of NTAW

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Introduction

During the 2022 financial year, your Company achieved significant milestones, cementing its position as the largest independent tyre and wheel wholesaler in Australia and New Zealand and making advances towards its goal of leading the industry in digital transformation.

NTAW¹ remains committed to constantly improving customer experiences by supplying a complete assortment of goods and services through multiple distribution channels, meeting the needs of B2B and B2C customers.

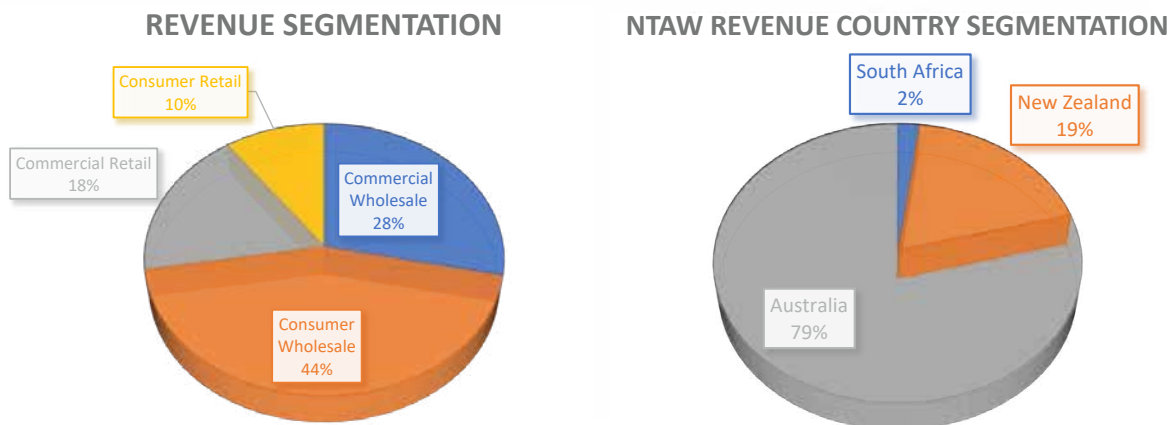
During the year, progress towards these goals was achieved as NTAW:

- continued to grow and diversify via the acquisition of Black Rubber and Access Alloys in Australia, as well as Carter's in New Zealand;
- embarked on the first phase of an important digital transformation project, building the foundations of a Group-wide enterprise resource planning platform;
- restructured the Tyres4U and Tyreright businesses with a new management team focused on improving the profitability of both wholesale and retail operations, while recognising the mutually beneficial dependencies that exist between them;
- continued to grow the Tyreright retail platform to 60 with 7 new Licensees, while reducing the number of company owned Tyreright stores from 31 to 20, improving profits in that business; and
- consolidated warehouses in Sydney and Melbourne and signed agreements to lease new premises to consolidate warehouses in Perth and Brisbane.

Operations - Overview

NTAW operates 12 business units specialising in wholesale and retail sales of commercial and consumer tyres and wheels. The commercial category includes heavy and light truck and bus tyres, agricultural and off-the-road tyres, industrial tyres (e.g. forklifts) and tyre and wheel original equipment packages. The consumer category includes passenger, SUV and 4WD tyres and wheels.

NTAW business unit revenue segmentation amongst these categories, and amongst Australia, New Zealand and South Africa, can be summarised as follows:



¹ National Tyre & Wheel Limited and its controlled entities, the "Company" or the "Group"

Managing Director's report (cont)

Each business unit focusses on a winnable segment of the tyre and wheel industry, operating as a separate legal entity.



Commercial and consumer wholesale (Australia and New Zealand)



Consumer wheel wholesale in Australia and New Zealand



Black Rubber



B2B product expertise, operational support, value adding services, values assurance to end users - Black Rubber in Australia, Solid Plus in ANZ and Carter's in New Zealand



Consumer wholesale with a focus on 4WD products in Australia, New Zealand and South Africa



Consumer and commercial retail



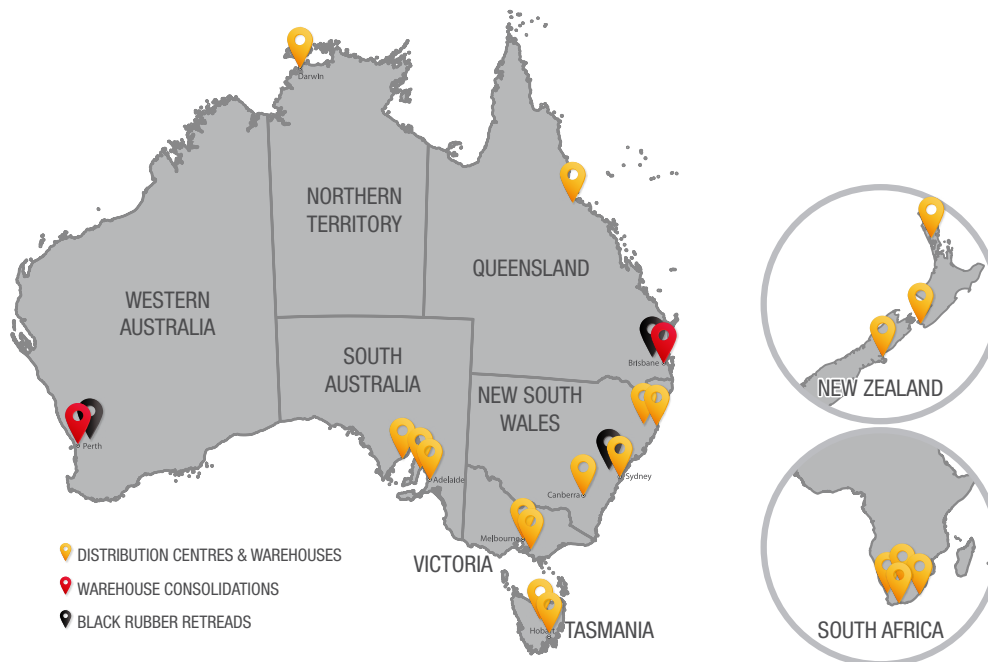
Original equipment solutions for caravan and trailer manufacturers in Australia



Cost leadership, operational excellence in budget tyres (South Australia and Western Australia)

The business units are supported by shared service units, comprising of marketing, people and culture, supply chain and logistics, innovation and IT and finance and administration.

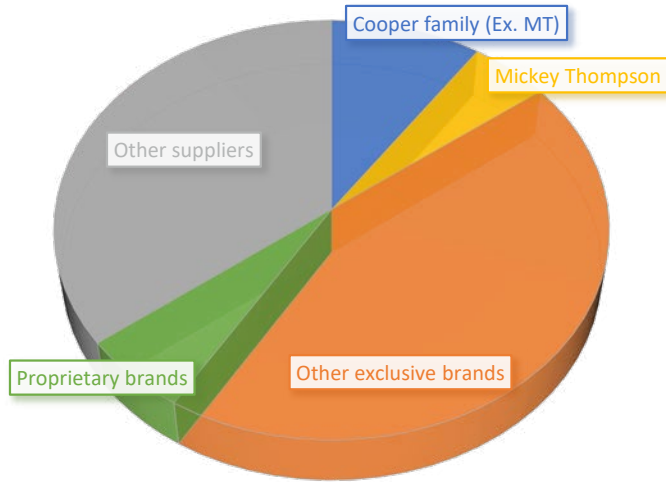
A new logistics unit is being established to manage the Group's distribution platform of 26 distribution centres (with 5 integrated retreading factories) in three countries.



NTAW imports over 2.7 million tyres and wheels per annum, with activities supported by a workforce of 890 people.

Products are sold through a number of B2B and B2C channels, reflecting the mix of consumer and commercial customers. NTAW sells over 100 brands with about 50,000 separate stock keeping units. Many exclusive supplier relationships have existed for more than 25 years, some underpinned by formal agreements and others by a lengthy tenure. In all cases, NTAW strives to create and meet reasonable supplier expectations. Customer concentration is also low, with the largest customer representing 3% of revenue and no other customer accounting for more than 2% of revenue.


FY22 Supplier Mix by Revenue



Sample of suppliers



NTAW Sale Channels

 <p>B2B - End User</p> <p>Customer Mix</p> <ul style="list-style-type: none"> • Caravan, truck trailer and farm equipment manufacturers • Commercial truck and bus fleet operators • Hire car fleet operators • Forklift and industrial equipment operators • Large scale farmers 	 <p>B2B - Reseller</p> <p>Customer Mix</p> <ul style="list-style-type: none"> • Tyre speciality retail stores (chains and independents) • Mechanical service businesses • Car dealers • Online re-sellers 	 <p>B2C - Retail</p> <p>Customer Mix</p> <ul style="list-style-type: none"> • Consumers • Commercial customers
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Operations - 2022 Financial Year



During the 2022 financial year, NTAW substantially enhanced its capacity to grow commercial tyre sales by acquiring Black Rubber in Australia (November 2021) and Carter's in New Zealand (January 2022)².

Black Rubber operates retail fleet tyre management centres and retread factories in Perth and Sydney, along with another retread factory in Brisbane. More than 60% of Black Rubber's revenue comes from selling truck, bus and agricultural tyres to commercial fleets and other B2B customers.

Carter's is the largest independent commercial tyre re-seller in New Zealand. It has a nationwide network of tyre retail stores spanning 40 locations, including 23 company owned stores, 11 licensed stores and 6 agents, as well as 2 retreading factories.

Carter's supplies a range of commercial products and tyre management solutions for truck and bus fleets as well as off-the-road and agribusiness vehicles. It has achieved a leading market position by remaining focused on these segments of the tyre market.

Commercial customers include truck fleet operators who prefer to deal with suppliers capable of an expansive product and service offering covering, amongst other things: pricing based on a cents per kilometre solution; tyre performance monitoring; fitting at customer depots; and retreading capabilities. Black Rubber and Carter's specialise in offering these value-adding services.

Black Rubber and Carter's also give NTAW access to tyre recycling via 3 retread factories in Australia and 2 in New Zealand, delivering a boost to NTAW's sustainability credentials. This is a strategically important extension of NTAW's capabilities, with this market segment expected to grow as demand for recycled products increase.

These acquisitions introduced Michelin and Goodyear as substantial suppliers to NTAW of new tyres and retread materials.

² "FY22 acquisitions" refers to the acquisitions of Black Rubber, Carter's and Access Alloys (in November 2021).

Managing Director's report (cont)

NTAW also acquired the assets of Access Alloys in November 2021, increasing alloy wheel sales via the exclusive distribution of the American Outlaw and ELITE Off Road brands in Australia. These brands have load ratings and design elements not available from NTAW's existing alloy wheel portfolio.

NTAW spent \$54 million on the FY22 acquisitions after working capital and other adjustments. Funding came from cash reserves, increased debt facilities, share issues to vendors, an underwritten share placement to substantial shareholders and shares issued under a share purchase plan.

Other projects and the FY22 acquisitions curtailed initiatives to increase cross-selling between business units during the year.

Promotional activity remained subdued during the year as business units responded to supply chain disruption and pandemic lockdowns that continued into 2H22. While demand for agricultural tyres was strong and commercial demand remained stable, consumer demand fell from FY21 levels.

NTAW has had a long-standing supply agreement with Cooper Tire, a manufacturer acquired by Goodyear in June 2021. NTAW and Cooper have continued to trade on a business-as-usual basis since then, with targets and support programs agreed for the 2022 and 2023 calendar years. Unless otherwise agreed, targets increase at 3.5% per annum until renewal of the agreement, which is to be tabled in 2027.

Service level enhancements appeared from the warehouse consolidations in Melbourne and Sydney, with further scope for improvement following the establishment of a logistics management team dedicated to efficiency and cost effectiveness across all distribution centres. A tightening of the labour market and COVID-related absenteeism resulted in the Group missing some of its service level improvement targets in FY22.

The restructure of Tyres4U and Tyreright (Tyres4U's retail arm), continued during the year with 7 company owned stores transferred to new licensees. This process is designed to improve the performance of the licensed stores under the stewardship of owner-managers. It also paves the way for Tyreright Operations, established as a separate business unit from Tyres4U in April 2021, to grow the market share of the Tyreright network, which now comprises 20 company owned and 40 licensed stores.

NTAW intends to lead the tyre and wheel industry in digital transformation, with non-recurring expenditure of \$2.5 million on this project in FY22. A substantial internal team of IT people is supporting this effort. The first phase, to be completed in FY23, involves putting all NTAW business units on the same financial and operating platform, facilitating enhanced CRM and logistics capabilities. The second phase, to commence in FY23 and be completed in FY24, involves an array of value-adding services, culminating in NTAW being the industry's preferred supplier with an "always on" portal to the NTAW range.

Outcomes for NTAW and customers from digital transformation

Focus on Phase 2 Value Adding Platforms to increase sales, win new business and improve customer loyalty.

- Low code programming
- Application program interfaces
- Data security
- Virtual reality tools
- Data management
- Robotic process automation
- Artificial intelligence
- Single source of truth
- Virtual ecosystems
- Marketplaces

Creating a new industry ecosystem that will deliver outstanding customer experiences, drive customer loyalty, enhance cross-selling between business units, targeting improved returns for all stakeholders and driving down costs to service



FY22 Financial Results

Your Company delivered operating net profit after tax and before amortisation of \$15.6 million in FY22 (FY21: \$21.9 million). Revenue amounted to \$558 million (FY21: \$462 million), with recent acquisitions taking NTAW's annualised revenue to approximately \$590 million.

Operating EBITDA³ was \$44.9 million (FY21: \$46.7 million). Earnings per share was 12.7 cents per share based on Operating NPATA (FY21: 19.4 cents per share). NTAW's statutory NPATA mounted to \$11.1 million (FY21: \$21.1 million).

Depreciation increased by \$5.5 million in FY22, reflecting an increase in property leases that are classified as right-of-use assets in accordance with AASB 16 *Leases*. Following the FY22 acquisitions, NTAW now occupies 72 leased premises and only those with a term of less than 12 months are treated as occupancy costs.

The FY22 result was mixed with contributions from newly acquired businesses and strong performances from agricultural tyres, original equipment supplies, wheels and budget tyres offset by supply chain disruption and lower gross profit margins in some other business units, particularly in 2H22.

The following table summarises key financial metrics for the Group:

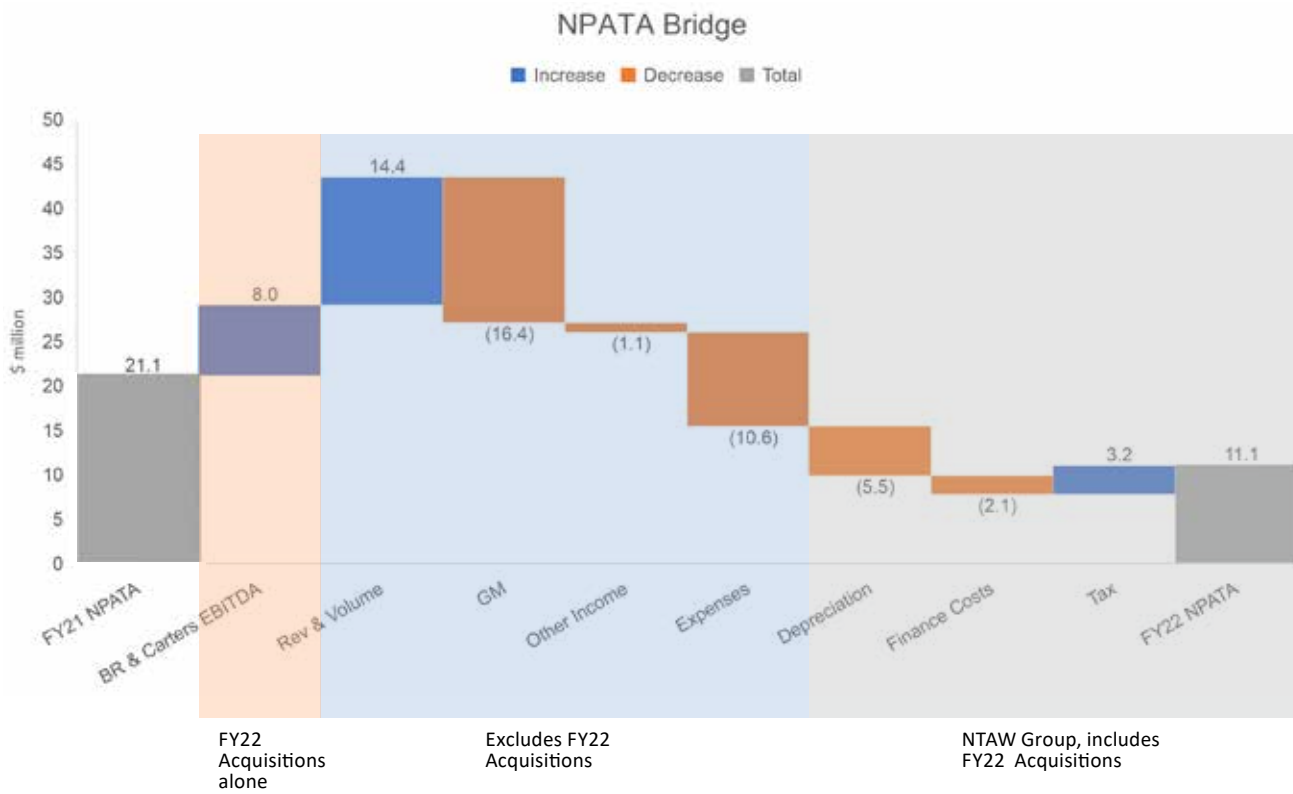
Financial Highlights	FY22	FY21
Gross profit margin	28.7%	29.8%
Operating costs as a % of revenue	21.4%	19.8%
EBITDA (\$ million)	40.5	46.1
EBITDA margin	7.3%	10.0%
NPATA (\$ million)	11.1	21.1
Basic EPS (cents)	7.7	17.9
Dividend per share (cents)	4.5	8.0
Net debt (\$ million)	60.0	16.0
Net debt:debt+equity	28.8%	11.7%
NTA per share (cents)	48.8	64.8
Operating cash flow (\$ million)	11.8	22.7
Interest cover (times)	8.1x	15.6x

The following table reconciles Statutory EBITDA to Operating EBITDA. The one-off costs include \$2.5 million related to IT projects and \$1.2 million related to warehouse consolidation and relocations.

Reconciliation of Reported EBITDA to Operating EBITDA		
\$'000	FY22	FY21
Net profit after tax	9,569	20,540
Depreciation and amortisation	20,904	14,278
Finance costs (net)	5,010	2,949
Income tax expense	4,995	8,378
Reported EBITDA	40,478	46,145
Gain on bargain purchase	-	(596)
Acquisition costs	736	1,449
One-off warehouse consolidation and IT project implementation costs	3,729	-
Unrealised FX loss/(gain)	(85)	(321)
Operating EBITDA	44,858	46,677

The following chart presents a bridge from FY21 Statutory NPATA to FY22 Statutory NPATA, highlighting the impact of the FY22 acquisitions on EBITDA, noting that FY22 included a full year of results attributable to Tyres4U and Tyreright (11 months in FY21).

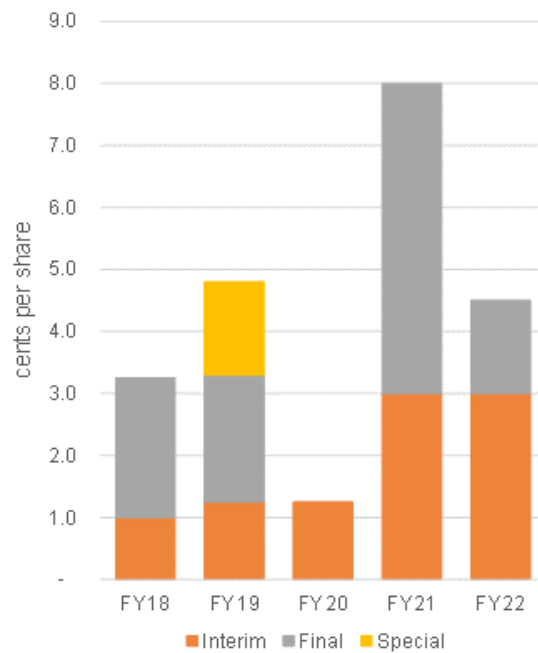
³ Refer to table on following page



NTAW has a strong balance sheet with total assets of \$405 million and net assets of \$112 million at 30 June 2022 (Jun-21: \$92 million). The net debt position at 30 June 2022 was \$60 million (Jun-21: \$16 million, prior to the FY22 acquisitions) and a net debt to EBITDA ratio of 1.5 times.

During the 2022 financial year, 2.47 million shares were issued to the vendors of Black Rubber and Carter's. 14.74 million shares were issued via a share placement and share purchase plan completed in December 2021 and January 2022, respectively, to raise \$19.3 million.

Fully franked dividends of 4.5 cents per share were declared from FY22 earnings. The Company has \$19.4m of available franking credits. NTAW's dividend history is summarised in the flowing chart:



Outlook

NTAW continues to re-align sell out prices to reflect increases in COGS encountered throughout FY22.

Improvements in gross profit margins will naturally occur from the introduction of additional retail revenue from Black Rubber and Carter's for a full year in FY23. Further gross margin improvement is expected from more stable import prices as raw material and freight costs plateau and from increased support from suppliers.

Adverse supply chain issues are showing signs of abating.

NTAW remains focused on executing the following strategic initiatives to deliver earnings growth:

- cross-selling between business units;
- selling value-adding services supplied by Carter's and Black Rubber to other NTAW commercial customers;
- additional support from Cooper Tire to improve market share following constrained promotional activity and supply chain disruption in FY22;
- improved service levels flowing from warehouse consolidations and a separate logistics business unit;
- sales growth and lower costs from the digital transformation project;
- removing duplication of activity and unnecessary costs, with increased integration based on commercial/consumer and wholesale/retail functions; and
- capturing other synergies from the Tyres4U, Black Rubber and Carter's acquisitions.

These initiatives are expected to underpin earnings growth over the next two financial years.

Acknowledgements

It has been another busy year for your Company defending market share in difficult trading conditions while also completing significant acquisitions and undertaking substantial internal projects that will deliver competitive advantages well into the future.

The demands on our people to operate in this environment while also embracing change have been challenging. Their enthusiastic and diligent response has been crucial, providing an excellent platform for further business improvements to come. This effort is both acknowledged and greatly appreciated.

The Group enjoys continuing support from suppliers and customers, reciprocated by our Group-wide commitment to building up our product brands and enhancing customer experiences.

The Company also received welcome assistance from shareholders subscribing for new shares to help fund the FY22 acquisitions.

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

Yours faithfully



Peter Ludemann

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NTAW remains focused on executing strategic initiatives expected to underpin earnings growth over the next two financial years

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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", or "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2022.

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	Managing Director and Chief Executive Officer
Terry Smith	Non-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 2022 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");
- Statewide Tyre Distribution Pty Ltd ("Statewide");
- Top Draw Tyres Proprietary Limited t/a Tyrelife Solutions ("TLS");
- NTAW Logistics Pty Ltd;
- Tyres4U Pty Ltd ("T4UAU");
- Tyres4U (NZ) Ltd ("T4UNZ");
- Tyreright Operations Pty Ltd ("TRT");
- Black Rubber Pty Ltd & Black Rubber Sydney Pty Ltd (collectively "Black Rubber"); and
- Carters Tyre Service Limited, C.O. Tire & Retreading Co Limited & Tyre Distributors New Zealand Limited (collectively "Carter's").

Apart from the acquisitions, detailed below, which increased the Group's retail operations, 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:

	2022 \$'000	2021 \$'000
Final dividend	5,715	-
Interim dividend	3,950	3,425
	9,665	3,425

At the date of signing these financial statements, the Company has declared a fully franked final dividend of 1.50 cents per share with a record date of 12 September 2022 and a payment date of 7 October 2022. The total dividend payable is \$1,979,000. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

Operating and financial review

Review of operations

On 2 November 2021, NTAW acquired all the issued capital of Black Rubber Pty Ltd and Black Rubber Sydney Pty Limited (collectively, "Black Rubber"). The consideration for this purchase was \$27.9m, including deferred consideration of \$5.3m and 1,071,430 fully paid ordinary shares in NTAW at an issue price of \$1.12 per share.

Black Rubber focusses on selling truck, bus and surface mining tyres to B2B customers, particularly commercial fleets. Black Rubber also gives NTAW access to tyre recycling via three retread factories in WA, QLD and NSW, delivering a boost to NTAW's sustainability credentials.

On 30 November 2021, Dynamic Wheel Co. Pty Limited ("Dynamic"), a wholly owned subsidiary of NTAW, acquired certain assets from the Brisbane based Alacad Pty Ltd trading as Access Alloys ("Access Alloys"). Dynamic paid \$1.1m for these assets, which include the exclusive distribution of American Outlaw and ELITE Off Road brands in Australia.

On 7 January 2022, NTAW acquired all the issued capital of Carters Tyre Service Limited, C.O. Tire & Retreading Co Limited and Tyre Distributors New Zealand Limited (collectively, "Carter's"). The consideration for this purchase was \$30.6m including 1,394,222 fully paid ordinary shares in NTAW at an issue price of \$1.35 per share (equivalent to \$2,000,000 NZD on the completion date).

Carter's is the largest independent commercial tyre re-seller in New Zealand. It has a nationwide network of tyre resale stores throughout the North and South Islands, spanning 40 locations, including 23 company owned stores, 11 licensed stores and 6 agents, as well as 2 retreading factories.

Carter's supplies a range of commercial products and tyre management solutions for truck and bus fleets as well as off-the-road ("OTR") and agribusiness vehicles. It has achieved a leading market position by remaining focused on these segments of the tyre market.

The cash component of these acquisitions was funded by NTAW's cash reserves, an increased debt facility from Commonwealth Bank of Australia and the issue of 14.74m shares to raise \$19.3m via a Share Placement and Share Purchase Plan in December 2021 and January 2022, respectively.

The acquisitions of Black Rubber, Access Alloys and Carter's in FY2022 delivered:

- a new B2B retail sales channel for commercial tyres in Australia and New Zealand (elevating NTAW to be the largest independent distributor in NZ);
- retread tyre manufacturing plants and customers in Australia and New Zealand; and
- new supplier relationships for new markets (premium commercial tyres, retreads and alloy wheels).

In FY2022, the Group:

- operated 12 different business units, functioning as separate entities, focused on winnable market segments with diversity and scale mitigating market risk.

This effort was supported by shared services business units in Finance and Administration, Supply Chain and Logistics, People and Culture, Marketing and Innovation and IT;

- reached a share of the wholesale market in both Australia and New Zealand of approximately 10%, with wholesale and retail sales represent 77% and 23% respectively of NTAW turnover (annualising FY2022);
- sold over 100 brands and 50,000 SKUs from 26 warehouses in Australia and New Zealand, relying on a fleet of 38 vehicles and over 150 logistics contractors; and
- had 890 employees entering FY2023.

Based on annualised FY2022 results, Australian and New Zealand businesses accounted for 75% and 23% of Group revenue respectively with 2% of revenue derived from TLS, NTAW's 50% owned subsidiary in South Africa.

In FY2022, gains made in original equipment, agricultural, industrial and commercial retail tyres were, to an extent, offset by lower volume and margins from premium 4WD tyres and lower margins from general wholesale activities. While rural economies and commercial activity remained buoyant, changing market conditions in FY2022 included supply chain disruption, pandemic lockdowns, higher COGS (including freight) and lower consumer confidence.

As retailers, Black Rubber and Carter's generally earn higher gross margins than NTAW's wholesale businesses. Despite this higher contribution during the year, NTAW achieved a gross profit margin of 28.7% compared to 29.8% in FY2021. The size and cadence of higher import prices and freight costs, unusually high demurrage costs and a fall in the AUD:USD exchange rate adversely affected gross margins in FY2022 as sell out prices, influenced by competitor behaviour and customer expectations, could not keep pace with higher COGS.

The Group's cost base increased significantly in FY2022 compared to FY2021 due to:

- additional costs from operating Black Rubber, Carter's and Access Alloys, as well as associated transaction costs;
- a full year of the Tyres4U operations (compared to 11 months in FY2021);
- costs incurred in connection with the relocation of warehouses in Sydney and Melbourne;
- continuing investment in NTAW's digital transformation project; and
- higher people costs and the full year effect of hiring new people in FY2021 to operate shared services business units (in response to the substantial increase in scale coming from the Tyres4U acquisition).

NTAW continued the separation of Tyres4U and Tyreright, with the number of Company owned Tyreright stores falling from 31 to 20 at 30 June 2022. Other synergies from recent acquisitions remain a significant opportunity for NTAW, with few being realised in FY2022 as the management team was fully occupied with the acquisitions during the year, restructuring Tyres4U and supply chain constraints.

Results highlights

NTAW has reported total revenue of \$557.9m (2021: \$461.5m) for the financial year, an increase of \$96.4m (20.9%) on the prior year.

NTAW's statutory profit for the Group after providing for income tax and non-controlling interests amounted to \$9.6m (2021: \$20.5m).

NTAW has a strong balance sheet with net assets of \$112.5m (Jun-21: \$91.8m). The net debt position was \$60.0m (Jun-21: \$16.0m) and a 'net debt to equity + debt' ratio of 28.8% (Jun-21: 11.7%).

Key operating metrics

	FY2022	FY2021
Gross profit margin	28.7%	29.8%
Operating costs as % of total revenue	21.4%	19.8%
Reported EBITDA ¹ margin	7.3%	10.0%
Operating EBITDA ² margin	8.0%	10.1%

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 28.7% and an Operating EBITDA margin of 8.0%, with gross profit margin and Operating EBITDA margin decreasing from that achieved in the prior year resulting from significant price rises from suppliers and unfavourable exchange rates between the AUD and USD. The Group's operating costs as a percentage of sales of 21.4% was greater than prior year due to the change in the business structure (acquisition of retail operations in Black Rubber and Carter's) and the investment made to pursue the Group's goal of being the tyre and wheel industry leader in digital transformation.

Key financial results

\$'000	FY2022	FY2021
Sales revenue	557,909	461,533
Gross profit	160,107	137,510
Reported EBITDA	40,478	46,145
Operating EBITDA	44,858	46,677
NPATA attributable to NTAW ¹	11,076	21,142

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

Operating EBITDA

The Group has reported an EBITDA of \$40.5m (2021: \$46.1m). The result for FY2022 includes \$0.7m of acquisition costs incurred in the year and \$3.7m in non-recurring costs associated with the installation of a new ERP platform and consolidation of warehouses. Unrealised foreign exchange gain on foreign exchange contracts and foreign currency denominated suppliers of \$0.1m (2021: \$0.3m) was recognised during the year.

After taking into account the above items, an Operating EBITDA of \$44.9m was earned in the reporting period (FY2021: \$46.7m) as shown in the following table:

\$'000	FY2022	FY2021
Net profit after tax	9,569	20,540
Depreciation and amortisation	20,904	14,278
Finance costs (net)	5,010	2,949
Income tax expense	4,995	8,378
Reported EBITDA	40,478	46,145
Gain on bargain purchase	-	(596)
Acquisition costs	736	1,449
One-off warehouse consolidation and IT project implementation costs	3,729	-
Unrealised foreign exchange (gains)/losses	(85)	(321)
Operating EBITDA	44,858	46,677

Financial Position

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

	30 June 2022	30 June 2021
Total assets (\$'000)	405,494	268,438
Net assets (\$'000)	112,466	91,813
Net debt (\$'000)	59,968	15,989
Shares on issue ('000)	131,936	114,295
Dividends per security (cents)	4.50	8.00

Significant balance sheet movements during the financial year were as follows:

- Net debt has increased by \$44.0m;
- 14.7m shares were issued as part of the Share Placement and Share Purchase Plan and 2.5m shares were issued as part of the Black Rubber and Carter's acquisitions;
- Total assets have significantly increased due to the expanded operations of the Group; and
- A final dividend of 1.50 cents has been declared in respect of the year (FY2021: 5.00 cents), with an interim dividend of 3.00 cents being declared during FY2022 (FY2021: 3.00 cents).

Outlook

NTAW's 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.

NTAW's operating environment changed significantly in FY2022 when compared to FY2021 – consumer confidence and demand appears to have diminished, supplier prices and freight costs rose faster than the general rate of inflation, shipping delays resulted in more missed opportunities and people related issues including high Covid-related absenteeism, labour scarcity and increased costs.

Given this environment, NTAW has resolved to manage its capital to ensure it can meet changing supply chain requirements and fund projects to deliver synergies and earnings growth, as such no final dividend has been declared for FY2022.

NTAW remains focused on executing the following strategic initiatives:

- the digital transformation project (sales growth and lower costs);
- cross-selling between business units;
- selling value-adding services supplied by Carter's and Black Rubber to other NTAW commercial customers;
- improved service levels flowing from warehouse consolidations and a separate logistics business unit; and
- capturing other synergies from the Tyres4U, Black Rubber and Carter's acquisitions.

Significant changes in the state of affairs

Other than the acquisition of Black Rubber and Carter's, 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 2022 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 FY2023 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 FY2021 and there is some risk that the change in ownership will impact the Group’s long-term relationship with Cooper Tires. The recent acquisitions of Tyres4U, Black Rubber and Carter’s 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 10% of revenue and 12% of gross profit for FY2022. The Group exclusively imports 45 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 recent acquisitions, 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.

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:	240,206 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 many tyre and wheel segments. He has managed the acquisition and integration of all the subsidiaries in that time and was 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 and rights:	350,000 options and 228,590 rights

Name:	Terry Smith
Title:	Independent, Non-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 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:	27,321,966 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: 451,032 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. Rob 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: 324,734 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.

Hugh McMurchy

Mr McMurchy is the Group Financial Controller and joint Company Secretary. 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 2022, and the number of meetings attended by each director were:

	<i>Board</i>		<i>Remuneration and Nominations Committee</i>		<i>Audit and Risk Committee</i>	
	Attended	Held	Attended	Held	Attended	Held
Murray Boyte	20	20	5	5	2	2
Peter Ludemann	20	20	5*	5*	2*	2*
Terry Smith	20	20	4	5	2*	2*
Bill Cook	17	20	5	5	2	2
Robert Kent	20	20	5	5	2	2

*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 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.

Remuneration report (audited) (continued)

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 Company's listing on the Australian Securities Exchange ("ASX"), in accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

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 \$125,000 per annum (2021: \$90,000) for the chairman and \$80,000 per annum (2021: \$70,000) for other non-executive directors. An additional fee of \$12,000 per annum (2021: \$10,000) 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 FY2022 is \$413,369 (FY2021: \$250,000). Terry Smith was classified as an Executive Director in FY2021.

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.

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

Remuneration report (audited) (continued)

- Long-term incentive (“LTI”) program – an ‘at risk’ component of remuneration where senior executives are awarded rights which are subject to a total shareholder return (“TSR”) performance condition and a service condition. The number of rights 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 rights 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.

2022 STI Program

During FY2022, 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.

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. 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.
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.

2022 LTI Program

Rights may be granted under the Employee Equity Plan (“EEP”) which was adopted on 3 November 2021. Each right entitles the participant to receive one ordinary share in the Company on exercising. 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 FY2022, 1,125,802 rights were granted to senior executives, including 457,180 issued to certain key management personnel, pursuant to the EEP on the specific key terms:

- The Vesting Date of the options is 30 September 2024, 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).

Remuneration report (audited) (continued)

- The performance conditions were as follows:

1) Total Shareholder Return ("TSR") condition – the Compound Annual Growth Rate ("CAGR") in the Company's Total Shareholder Return will be tested on the Vesting Date and the Rights will vest in accordance with the following TSR CAGR hurdles:

TSR CAGR	% of Rights to vest
Less than 7%	0%
At least 7% but less than 10% p.a.	50%
At least 10% but less than 15% p.a.	70% to 100% on a straight-line basis
At least 15% p.a.	100%

- TSR CAGR means the TSR compound annual growth rate as against the Base VWAP.
- TSR means the total shareholder return to a shareholder of the Company, inclusive of Share Price Appreciation, capital returns and dividends.
- Share Price Appreciation means the difference between the Base VWAP and Vesting VWAP.
- Base VWAP means the volume weighted average price of Shares over the 10 Trading Days (as that term is defined in the Listing Rules) immediately before and 10 Trading Days immediately after the release of the Company's 2021 financial report. The 2021 financial report was released on 31 August 2021 and the Base VWAP has been calculated at \$1.25.
- Vesting VWAP means the volume weighted average price of Shares over the 10 Trading Days (as that term is defined in the Listing Rules) immediately before and 10 Trading Days immediately after the release of the Company's 2024 financial report, expected to be on or about 30 August 2024.

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 2026, 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.

(b) Details of remuneration

The Board acknowledge that the Company was out of step with comparable ASX listed entities with 8 Executive KMP in FY2021. Historically, NTAW disclosed the MD/CEO of all operating subsidiaries and Group CFO (the direct reports to the Group MD/CEO) as KMP. To provide more focused disclosure in the Remuneration Report, the Board has reviewed the definition of KMP and has reduced the number of Executive KMP effective from 1 July 2021.

The key management personnel of the Group in FY2022 consisted of the following directors of National Tyre & Wheel Limited:

- Murray Boyte – Chairman
- Peter Ludemann – Managing Director and Chief Executive Officer
- Terry Smith – Non-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, T4UUAU (Jan-22 to present) (NTAW Chief Operating Officer, Jul-21 – Dec-21)

Remuneration report (audited) (continued)

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 ¹	Cash Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
2022							
<i>Non-Executive Directors:</i>							
M Boyte	113,637	-	-	11,363	-	-	125,000
T Smith	95,027	-	-	9,503	-	-	104,530
W Cook	83,636	-	-	8,364	-	-	92,000
R Kent	83,636	-	-	8,203	-	-	91,839
<i>Executive Director:</i>							
P Ludemann	581,321	-	-	27,500	32,318	90,310	731,449
<i>Other Key Management Personnel:</i>							
J Lamb	343,804	-	-	26,935	25,510	60,906	457,155
C Skead	337,175	-	-	25,913	3,846	59,015	425,949
	1,638,236	-	-	117,781	61,674	210,231	2,027,922

1 Including movement in annual leave provisions.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees ¹	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	484,069
C Hummer ²	335,666	133,844	-	24,215	15,557	15,964	525,246
G Schramm ²	316,543	-	-	-	-	8,470	325,013
T Wren ²	197,573	87,302	11,575	24,548	5,506	15,964	342,468
L Decelis ²	525,901	-	-	23,215	15,424	-	564,540
	2,786,453	726,117	11,575	168,024	58,245	91,434	3,841,848

1 Including movement in annual leave provisions.

2 No longer classified as key management personnel effective 1 July 2021.

Remuneration report (audited) (continued)

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	
	2022	2021	2022	2021	2022	2021
Non-Executive Directors:						
M Boyte	100%	100%	-	-	-	-
T Smith ¹	100%	100%	-	-	-	-
W Cook	100%	100%	-	-	-	-
R Kent	100%	100%	-	-	-	-
Executive Directors:						
P Ludemann	61%	67%	30%	31%	9%	2%
Other Key Management Personnel:						
J Lamb	62%	66%	28%	30%	10%	4%
C Skead	62%	67%	28%	30%	10%	3%

¹ Executive Director in FY2021.

Name	Cash bonus paid/payable		Cash bonus forfeited ¹	
	2022	2021	2022	2021
Executive Director:				
P Ludemann	-	100%	100%	-
Other Key Management Personnel:				
J Lamb	-	100%	100%	-
C Skead	-	100%	100%	-

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	FY2022	FY2021	FY2020	FY2019	FY2018
Sales revenue (\$'000)	557,909	461,533	158,857	168,365	153,402
NPAT attributable to shareholders (\$'000) ¹	9,398	20,255	4,551	6,391	9,314
Operating EBITDA (\$'000)	44,858	46,677	11,786	12,728	12,016
Share price at end of year (\$)	0.97	1.06	0.38	0.37	1.23
Basic earnings per share (cents)	7.65	17.90	4.12	6.22	5.25
Dividends paid (cents per share)	4.50	8.00	1.25	4.80	3.30
KMP remuneration ² (\$)	2,027,922	3,841,848	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.

² The number of executive KMP reduced in FY2022 as detailed above.

Remuneration report (audited) (continued)**(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 FY2022 were as follows:

Name: Peter Ludemann
Title: Managing Director and Chief Executive Officer
Details: Mr Ludemann has an annual total fixed remuneration (TFR) of \$604,400 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 50% 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 Equity 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.

Name: Jason Lamb
Title: Chief Financial Officer and joint Company Secretary
Details: Mr Lamb has an annual total fixed remuneration (TFR) of \$375,000 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 Equity 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, T4UUAU
Details: Mr Skead has an annual total fixed remuneration (TFR) of \$375,000 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 Equity 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.

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.

Remuneration report (audited) (continued)**(e) Share-based compensation**

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 (2021: nil).

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

Name	Number of options granted	Grant date	Vesting date and exercise date	Expiry date	Exercise price	Fair value per Right at grant date
P Ludemann ¹	228,590	17 Dec 21	30 Sep 24	30 Sep 26	\$0.00	\$1.22
J Lamb	114,295	17 Dec 21	30 Sep 24	30 Sep 26	\$0.00	\$1.22
C Skead	114,295	17 Dec 21	30 Sep 24	30 Sep 26	\$0.00	\$1.22

¹ 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:

	Balance at the start of the year	Ceased to be KMP	Additions - Share Purchase Plan	Additions - DRP	Additions/ (Disposals) - On-market	Balance at the end of the year
Ordinary shares						
M Boyte	203,163	-	22,223	14,820	-	240,206
T Smith	27,255,297	-	66,669	-	-	27,321,966
B Cook	403,132	-	22,223	5,677	20,000	451,032
R Kent	282,133	-	22,223	20,378	-	324,734
P Ludemann	2,759,928	-	-	-	-	2,759,928
J Lamb	363,722	-	-	-	(288,304)	75,418
C Skead	3,500	-	-	-	-	3,500
C Hummer ¹	4,652,522	(4,652,522)	-	-	-	-
T Wren ¹	655,737	(655,737)	-	-	-	-
L DeCelis ¹	209,595	(209,595)	-	-	-	-
	36,788,729	(5,517,854)	133,338	40,875	(268,304)	31,176,784

¹ No longer classified as key management personnel effective 1 July 2021.

Remuneration report (audited) (continued)*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:

	Balance at the start of the year	Ceased to be KMP	Granted / Lapsed	Exercised	Balance at the end of the year
Options					
M Boyte	-	-	-	-	-
T Smith	-	-	-	-	-
B Cook	-	-	-	-	-
R Kent	-	-	-	-	-
P Ludemann	350,000	-	-	-	350,000
J Lamb	320,000	-	-	-	320,000
C Skead	305,000	-	-	-	305,000
C Hummer ¹	305,000	(305,000)	-	-	-
G Schramm ¹	150,000	(150,000)	-	-	-
T Wren ¹	305,000	(305,000)	-	-	-
	1,735,000	(760,000)	-	-	975,000

¹ No longer classified as key management personnel effective 1 July 2021.

All options on issue remain unvested as at 30 June 2022.

Rights

The number of Rights to 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

	Balance at the start of the year	Granted as part of remuneration	Exercised	Lapsed	Balance at the end of the year
Rights					
M Boyte	-	-	-	-	-
T Smith	-	-	-	-	-
B Cook	-	-	-	-	-
R Kent	-	-	-	-	-
P Ludemann	-	228,590	-	-	228,590
J Lamb	-	114,295	-	-	114,295
C Skead	-	114,295	-	-	114,295
	-	457,180	-	-	457,180

All Rights on issue remain unvested as at 30 June 2022.

Remuneration report (audited) (continued)**(g) Other transactions with key management personnel***Related party leases*

During the reporting period, the Group leased business premises owned by a closely related party of an employee previously classified as a KMP member. The lease expires on 30 May 2023 and has two 5-year renewal options. Rent payments for FY2022 totalled \$179,335 (2021: \$176,694), with \$nil outstanding at 30 June 2022 (2021: \$nil).

Loans to key management personnel

At 30 June 2022, there was an unsecured loan receivable from an employee previously classified as a member of KMP of \$82,032 (2021: \$82,032). No interest was paid on or payable during FY2022 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 3,695,000 unissued ordinary shares of National Tyre & Wheel Limited under option outstanding at the date of this report. These options were issued in three tranches with 1,775,000, 1,680,000 & 240,000 options outstanding, respectively; have an exercise price of \$0.3735, \$0.5745 & \$0.5745, respectively; and expire on 07/11/2024, 30/09/2025 & 30/09/2025, respectively. The option holders have no right to participate in any share issue prior to exercising the options.

There were 1,125,802 unquoted rights to unissued ordinary shares of National Tyre & Wheel Limited outstanding at the date of this report. These rights have a nil exercise price and expire on 30/09/2026. Further details of these rights and the KMP they were granted to during FY2022 are included in the Remuneration Report.

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 2022 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

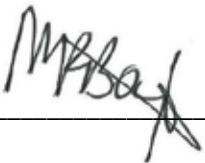
The Company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

30 August 2022
Brisbane

The Directors
National Tyre & Wheel Limited
Level 2, 385 MacArthur Avenue
HAMILTON QLD 4007

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2022, 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
30 August 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Statement of profit or loss and other comprehensive income for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Revenue from contracts with customers	5	557,909	461,533
Other income	6	805	1,357
Gain on bargain purchase	30	-	596
Expenses			
Cost of goods sold		(397,802)	(324,023)
Employee benefits and other related costs		(77,856)	(58,612)
Depreciation and amortisation	7	(20,904)	(14,278)
Occupancy		(9,139)	(7,984)
Computer and software costs		(6,956)	(3,733)
Motor vehicle costs		(5,584)	(3,715)
Marketing		(4,316)	(6,178)
Insurance		(3,824)	(3,070)
Professional fees and acquisition costs		(2,904)	(3,530)
Other		(9,774)	(6,439)
Finance costs	7	(5,091)	(3,006)
Profit before income tax expense		14,564	28,918
Income tax expense	8	(4,995)	(8,378)
Profit after income tax expense		9,569	20,540
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(2,853)	740
Other comprehensive income for the year, net of tax		(2,853)	740
Total comprehensive income for the year		6,716	21,280
Profit for the year is attributable to:			
Non-controlling interest		171	285
Owners of National Tyre & Wheel Limited		9,398	20,255
		9,569	20,540
Total comprehensive income for the year is attributable to:			
Non-controlling interest		171	285
Owners of National Tyre & Wheel Limited		6,545	20,995
		6,716	21,280
		Cents	Cents
Basic earnings per share	25	7.65	17.90
Diluted earnings per share	25	7.41	17.56

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

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	35,826	28,905
Trade and other receivables	10	98,425	71,807
Inventories	11	127,133	101,025
Other financial assets	12	1,455	835
Prepayments		5,154	4,265
Current tax asset		1,216	-
Total current assets		269,209	206,837
Non-current assets			
Property, plant and equipment	13	16,817	10,167
Right-of-use assets	14	65,081	33,544
Intangible assets	15	53,764	15,698
Other financial assets	12	623	116
Deferred tax	8	-	2,076
Total non-current assets		136,285	61,601
Total assets		405,494	268,438
Liabilities			
Current liabilities			
Trade and other payables	16	106,066	82,335
Borrowings	17	7,550	2,954
Lease liabilities	18	16,016	9,496
Provisions	19	13,238	11,904
Current tax liability		-	1,138
Total current liabilities		142,870	107,827
Non-current liabilities			
Payables	16	2,600	-
Borrowings	17	88,244	41,940
Lease liabilities	18	51,581	24,472
Provisions	19	2,047	2,386
Deferred tax	8	5,686	-
Total non-current liabilities		150,158	68,798
Total liabilities		293,028	176,625
Net assets		112,466	91,813
Equity			
Issued capital	20	93,122	70,204
Reserves	21	(2,107)	62
Retained earnings		17,941	18,208
Equity attributable to the owners of National Tyre & Wheel Limited		108,956	88,474
Non-controlling interest		3,510	3,339
Total equity		112,466	91,813

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

Statement of changes in equity

for the year ended 30 June 2022

	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
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	21,280
Transactions with owners in their capacity as owners:						
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)	-	(3,351)
Balance at 30 June 2021	70,204	(174)	236	18,208	3,339	91,813
Balance at 1 July 2021	70,204	(174)	236	18,208	3,339	91,813
Profit after income tax expense for the year	-	-	-	9,398	171	9,569
Other comprehensive income for the year, net of tax	-	(2,853)	-	-	-	(2,853)
Total comprehensive income for the year	-	(2,853)	-	9,398	171	6,716
Transactions with owners in their capacity as owners:						
Shares issued (note 20)	22,401	-	-	-	-	22,401
Share-based payments (note 24)	-	-	684	-	-	684
Dividends paid (note 22)	517	-	-	(9,665)	-	(9,148)
Balance at 30 June 2022	93,122	(3,027)	920	17,941	3,510	112,466

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

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		614,601	486,769
Payments to suppliers and employees		(591,005)	(454,286)
		<u>23,596</u>	<u>32,483</u>
Interest received		81	57
Interest and other finance costs paid		(4,855)	(2,859)
Income taxes paid		(6,985)	(7,015)
		<u>(6,985)</u>	<u>(7,015)</u>
Net cash from operating activities	23	<u>11,837</u>	<u>22,666</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	30	(48,496)	(36,496)
Payments for property, plant and equipment		(5,132)	(2,554)
Proceeds from disposal of property, plant and equipment		1,548	31
Transfers to term deposits		(483)	(140)
		<u>(483)</u>	<u>(140)</u>
Net cash used in investing activities		<u>(52,563)</u>	<u>(39,159)</u>
Cash flows from financing activities			
Proceeds from share issue		19,904	-
Payment of capital raising costs		(585)	-
Proceeds from borrowings		48,068	38,164
Repayment of borrowings		-	(6,095)
Repayment of lease liabilities		(13,376)	(9,664)
Dividends paid		(9,148)	(3,352)
		<u>(9,148)</u>	<u>(3,352)</u>
Net cash from financing activities		<u>44,863</u>	<u>19,053</u>
Net increase in cash and cash equivalents		4,137	2,560
Cash and cash equivalents at the beginning of the financial year		28,451	25,859
Effects of exchange rate changes on cash and cash equivalents		188	32
		<u>188</u>	<u>32</u>
Cash and cash equivalents at the end of the financial year	9	<u>32,776</u>	<u>28,451</u>

The above statement of profit or loss and other comprehensive income 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:

Level 2, 385 MacArthur Avenue
Hamilton QLD 4007

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 30 August 2022. 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 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 2022 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, Tyreright Operation Pty Ltd, NTAW Logistics Pty Ltd, Black Rubber Pty Ltd and Black Rubber Sydney 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 include 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%

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**

Lease liabilities are 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 names

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 acquired are amortised on a straight-line basis over the term of the distribution agreement, being 9 years. Importation rights are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the rights might be impaired (e.g. compliance with the terms of the rights agreement including achieving minimum annual purchase volume levels).

Accreditations

Accreditations acquired in a business combination are assessed as having an indefinite useful life on the basis the accreditation is maintained. Accreditations 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.

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

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.

Note 2. Significant accounting policies (continued)

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.

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.

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

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 2022. These Standards and Interpretations are not expected to have a material impact on the Group in the current of 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, customer relationships and accreditations have been recognised on the acquisition of subsidiaries in the reporting period and prior period. 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 (2021: 5 to 12 years). These cash flows have been calculated using annual growth rates of between 2.0%-6.3% (2021: 3.0%-6.3%), a terminal growth rate of 2.0%-2.5% (2021: 2.5%) and a pre-tax discount rate between 13.0%-20.0% (2021: 17.0%-20.0%).

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 was present in the 2021 and 2022 financial years.

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 2022, \$116,524,000 (2021: \$49,614,000) of the Group's non-current assets (excluding deferred taxes) were held in Australia, with \$19,650,000 held in New Zealand (2021: \$9,605,000) and \$343,000 (2021: \$306,000) held in South Africa, respectively.

Major customers

During FY2022, none of the Group's external revenue was derived from sales of greater than 10% to any customer (2021: none).

Note 5. Revenue from contracts with customers

	2022	2021
	\$'000	\$'000
Sale of goods and services revenue	557,909	461,533
	557,909	461,533

Disaggregation of revenue

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

Australia	441,699	378,593
New Zealand	104,771	70,968
South Africa	11,439	11,972
	557,909	461,533

During the 2022 and 2021 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

	2022	2021
	\$'000	\$'000
Government grants	-	974
Recovery of bad debts	217	33
Interest income	81	57
Other income	507	293
	805	1,357

Note 7. Expenses

	2022	2021
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	180	70
Plant and equipment	1,600	1,331
Motor vehicles	1,460	966
Right-of-use assets	15,494	10,870
	<hr/>	<hr/>
Total depreciation	18,734	13,237
Amortisation		
Customer relationships	1,641	512
Importation rights	529	529
	<hr/>	<hr/>
Total amortisation	2,170	1,041
	<hr/>	<hr/>
Total depreciation and amortisation	20,904	14,278
Finance costs		
Interest and finance charges paid/payable for financial liabilities	3,288	1,877
Interest and finance charges paid/payable for lease liabilities	1,784	1,099
Other interest and finance charges paid/payable	19	30
	<hr/>	<hr/>
Finance costs expensed	5,091	3,006
Net foreign exchange loss/(gain)	1,445	(848)
Expense relating to leases		
Expense relating to short-term leases	1,382	3,486
Expense relating to leases of low value assets	-	8
	<hr/>	<hr/>
	1,382	3,494
Superannuation expense		
Defined contribution superannuation expense	4,928	3,709
	<hr/>	<hr/>

Note 8. Income tax

	2022	2021
	\$'000	\$'000
Income tax expense		
Current tax	4,714	8,088
Deferred tax	168	534
Under/(over) provision in prior years	113	(244)
	<hr/>	<hr/>
Income tax expense	4,995	8,378
Deferred tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	168	534
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	14,556	28,918
	<hr/>	<hr/>
Tax at the statutory tax rate of 30%	4,367	8,675
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	623	55
	<hr/>	<hr/>
	4,927	8,730
Adjustment recognised for prior periods	113	(244)
Difference in overseas tax rates	(108)	(108)
	<hr/>	<hr/>
Income tax expense	4,995	8,378
Deferred tax		
Net deferred tax comprises temporary differences attributable to:		
Capital raising costs	10	354
Acquisition costs	19	128
Provisions	4,613	3,662
Property, plant and equipment	(3,940)	(485)
Intangibles	(6,603)	(1,454)
Right-of-use assets	(18,949)	(9,541)
Other	(377)	(184)
Lease liabilities	19,822	9,678
Foreign currency exchange	(281)	(82)
	<hr/>	<hr/>
Deferred tax (liabilities)/asset	(5,686)	2,076
Movements:		
Opening balance	2,076	900
Recognition of deferred taxes on acquisition (note 30)	(5,697)	2,302
Credited/(charged) to profit or loss	(168)	(534)
(Under)/over provision in prior year	(1,881)	(595)
Foreign exchange differences	(16)	3
	<hr/>	<hr/>
Closing balance	(5,686)	2,076

Note 9. Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash at bank	35,826	28,905
	35,826	28,905

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	35,826	28,905
Bank overdraft (note 17)	(3,050)	(454)
Balance as per statement of cash flows	32,776	28,451

Note 10. Trade and other receivables

Trade receivables	98,426	71,818
Less: Allowance for expected credit losses	(1,197)	(448)
	97,229	71,370
Other receivables	1,196	437
	98,425	71,807

Allowance for expected credit losses

The Group has recognised a net loss of \$487,000 (2021: \$156,000) in profit or loss in respect of the expected credit losses. Trade receivables past due but not impaired amount to \$11,408,000 (2021: \$7,169,000).

At 30 June 2022 an ageing analysis of those trade receivables are as follows:

Not overdue	85,821	64,201
1 to 30 days overdue	8,237	4,209
31 to 60 days overdue	1,675	1,499
61 plus days overdue	1,496	1,461
	97,229	71,370

Refer to note 28 for further information on financial instruments.

Note 11. Inventories

Finished goods - at cost	115,628	88,745
Less: Provision for impairment	(737)	(433)
	114,891	88,312
Stock in transit - at cost	12,242	12,713
	127,133	101,025

Note 12. Other financial assets

	2022 \$'000	2021 \$'000
Current		
Forward foreign exchange contracts	1,340	587
Lease receivables	115	108
Term deposits	-	140
	1,455	835
Non-Current		
Term deposits	623	-
Lease receivables	-	116
	623	116

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	1,786	1,568
Less: Accumulated depreciation	(429)	(1,136)
	1,357	432
Plant and equipment - at cost	22,177	21,220
Less: Accumulated depreciation	(12,283)	(15,204)
	9,894	6,016
Motor vehicles - at cost	19,675	19,127
Less: Accumulated depreciation	(14,109)	(15,408)
	5,566	3,719
	16,817	10,167

Reconciliations

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

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 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)
Foreign exchange differences	12	47	19	78
Balance at 30 June 2021	432	6,016	3,719	10,167
Additions as part of acquisition (note 30)	371	3,661	2,193	6,225
Additions	794	2,766	1,572	5,132
Disposals	(189)	(722)	(339)	(1,250)
Depreciation expense	(180)	(1,600)	(1,460)	(3,240)
Foreign exchange differences	129	(227)	(119)	(217)
Balance at 30 June 2022	1,357	9,894	5,566	16,817

Note 14. Right-of-use assets

	2022	2021
	\$'000	\$'000
Land and buildings - right-of-use	90,148	47,826
Less: Accumulated depreciation	(29,881)	(15,993)
	<u>60,267</u>	<u>31,833</u>
Plant and equipment - right-of-use	1,128	553
Less: Accumulated depreciation	(332)	(146)
	<u>796</u>	<u>407</u>
Motor vehicles - right-of-use	5,258	1,757
Less: Accumulated depreciation	(1,240)	(453)
	<u>4,018</u>	<u>1,304</u>
	<u>65,081</u>	<u>33,544</u>

Reconciliations

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

	Land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2020	11,486	115	199	11,800
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>31,833</u>	<u>407</u>	<u>1,304</u>	<u>33,544</u>
Balance at 30 June 2021	31,833	407	1,304	33,544
Additions as part of acquisition (note 30)	12,808	89	2,949	15,846
Additions	25,543	613	694	26,850
Lease modifications	5,018	-	-	5,018
Depreciation expense	(14,500)	(188)	(806)	(15,494)
Foreign exchange differences	(435)	(125)	(123)	(683)
	<u>60,267</u>	<u>796</u>	<u>4,018</u>	<u>65,081</u>
Balance at 30 June 2022	60,267	796	4,018	65,081

Note 15. Intangible assets

	2022	2021
	\$'000	\$'000
Goodwill	30,311	8,878
Less: Accumulated impairment loss	(1,311)	(1,311)
	<u>29,000</u>	<u>7,567</u>
Customer relationships	17,484	4,798
Less: Accumulated amortisation and impairment loss	(3,984)	(2,343)
	<u>13,500</u>	<u>2,455</u>
Importation rights	12,106	12,106
Less: Accumulated amortisation and impairment loss	(9,352)	(8,823)
	<u>2,754</u>	<u>3,283</u>
Brand names	8,310	2,393
Accreditations	200	-
	<u>53,764</u>	<u>15,698</u>

Reconciliations

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

	Goodwill	Customer	Importation	Brand	Accreditations	Total
	\$'000	relationships	rights	Names	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	7,567	2,967	3,812	2,393	-	16,739
Amortisation expense	-	(512)	(529)	-	-	(1,041)
Balance at 30 June 2021	7,567	2,455	3,283	2,393	-	15,698
Additions (note 30)	22,023	12,817	-	6,077	200	41,117
Amortisation expense	-	(1,641)	(529)	-	-	(2,170)
Foreign exchange differences	(590)	(131)	-	(160)	-	(881)
Balance at 30 June 2022	29,000	13,500	2,754	8,310	200	53,764

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	6,002	5,228
- OE	2,339	2,339
- Black Rubber	7,680	-
- Carter's	12,979	-
	<u>29,000</u>	<u>7,567</u>

Brand names

CGU:		
- OE	2,393	2,393
- Black Rubber	2,400	-
- Carter's	3,517	-
	<u>8,310</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 2023 financial year. The FY2023 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 2022 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:

	2022				2021	
	Tyres and wheels %	OE %	Black Rubber %	Carter's %	Tyres and wheels %	OE %
Average annual growth rate (%)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Terminal growth rate (%)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pre-tax discount rate (%)	13.3%	15.3%	14.1%	15.8%	16.1%	16.0%

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

Assumption	Approach used to determine values
Annual growth rate	Average annual growth rate over the five-year forecast period beyond the 2023 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 2023 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 in the 2022 and 2021 financial years, as follows:

- Average annual growth rates – reduction by 1%
- Terminal growth rate – reduction by 1%
- Discount rate – increase by 1%
- No impairment in any CGU.
- No impairment in any CGU.
- No impairment in any CGU.

Note 16. Trade and other payables

	2022 \$'000	2021 \$'000
Current		
Trade payables	74,793	60,140
Accruals and other payables	28,673	22,195
Deferred consideration	2,600	-
	106,066	82,335
Non-current		
Deferred consideration	2,600	-
	2,600	

Refer to note 28 for further information on financial instruments.

Note 17. Borrowings

	2022	2021
	\$'000	\$'000
Current		
Bank overdraft	3,050	454
Bank facility	4,500	2,500
	7,550	2,954
Non-current		
Bank facility	88,244	41,940
	88,244	41,940
<i>Total secured liabilities</i>		
The total secured liabilities are as follows:		
Bank overdraft	3,050	454
Bank facility	92,744	44,440
	95,794	44,894

The bank facility has an expiry date of 28 October 2024.

Refer to note 28 for further information on financial instruments.

Assets pledged as security

The bank facility is secured over the assets of National Tyre & Wheel Limited and all subsidiaries except Top Draw Tyres Proprietary Limited.

Financing arrangements

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

<i>Total facilities</i>		
Bank overdraft	3,514	5,454
Bank facility	104,000	56,500
Bank guarantee	10,000	7,692
	117,514	69,646
<i>Used at the reporting date</i>		
Bank overdraft	3,050	454
Bank facility ¹	94,718	45,445
Bank guarantee	8,305	7,692
	106,073	53,591

¹ Includes lease liabilities which were funded by the bank facility.

Unused at the reporting date

Bank overdraft	464	5,000
Bank facility	9,282	11,055
Bank guarantee	1,695	-
	11,441	16,055

Note 18. Lease liabilities

	2022	2021
	\$'000	\$'000
Current		
Property leases	14,655	8,889
Equipment leases	301	129
Motor vehicle leases	1,060	478
	16,016	9,496
Non-current		
Property leases	48,355	23,353
Equipment leases	272	262
Motor vehicle leases	2,954	857
	51,581	24,472

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	74	0.1 – 10.0	3.1	52	-	45	-
Plant and equipment	13	1.4 – 4.1	3.0	-	2	-	-
Motor vehicles	76	0.1 – 6.4	2.9	-	34	-	-

The total cash outflow for leases in the 2022 financial year was \$15,160,000 (2021: \$10,763,000).

Note 19. Provisions

	2022	2021
	\$'000	\$'000
Current		
Employee benefits	12,089	10,139
Warranties	754	964
Make-good	395	801
	13,238	11,904
Non-current		
Employee benefits	836	617
Warranties	861	1,105
Make-good	350	664
	2,047	2,386

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

Make-good

The provision represents the present value of the estimated expenditure required to restore leased premises to their original condition at the end of the lease term. These costs have been capitalised as part of the cost right-of-use assets once a reliable estimate of the cost can be made and are amortised over the term of the lease.

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:

	2022
	\$'000
Warranties	
Carrying amount at the start of the year	2,069
Additional provisions recognised	201
Amounts used	(655)
Carrying amount at the end of the year	1,615
Make-good	
Carrying amount at the start of the year	1,465
Additional provisions recognised	19
Amounts used	(739)
Carrying amount at the end of the year	745

Note 20. Issued capital

	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	131,936,002	114,294,863	93,122	70,204

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 Jul 2020	102,891,313		65,272
Shares issued as consideration in acquisition (note 30)	4 Aug 2020	11,315,903	\$0.4293	4,858
Shares issued per Dividend Reinvestment Plan	9 Apr 2021	87,647	\$0.8500	74
Balance	30 June 2021	114,294,863		70,204
Shares issued per Dividend Reinvestment Plan	15 Oct 2021	188,447	\$1.0900	205
Shares issued as consideration in Black Rubber acquisition (note 30)	2 Nov 2021	1,071,430	\$1.1200	1,200
Shares issued per Placement, net of capital raising costs	21 Dec 2021	6,666,666	\$1.3500	8,507
Shares issued as consideration in Carter's acquisition (note 30)	7 Jan 2022	1,394,222	\$1.4300	1,882
Shares issued per Share Purchase Plan, net of capital raising costs	28 Jan 2022	8,077,023	\$1.3500	10,812
Shares issued per Dividend Reinvestment Plan	8 Apr 2022	243,351	\$1.2805	312
Balance	30 June 2022	131,936,002		93,122

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 2021 Annual Report.

Note 21. Reserves

	2022	2021
	\$'000	\$'000
Foreign currency translation reserve	(3,027)	(174)
Share-based payments reserve	920	236
	(2,107)	62

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	5,715	-
Interim dividend	3,950	3,425
	9,665	3,425

Refer to note 20 for details of shares issued pursuant to the Company's Dividend Reinvestment Plan during the 2022 financial year.

At the date of signing these financial statements, the Company has declared a fully franked final dividend of 1.50 cents per share with a record date of 12 September 2022 and a payment date of 7 October 2022. The total dividend payable is \$1,979,000. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30%	19,364	20,651
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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:

	2022	2021
	\$'000	\$'000
Profit after income tax expense for the year	9,569	20,540
Adjustments for:		
Depreciation and amortisation	20,904	14,278
Share-based payments	684	181
Impairment of receivables	487	156
Net loss/(gain) on disposal of property, plant and equipment	(299)	(70)
Gain on bargain purchase	-	(596)
Foreign exchange differences	(2,041)	(1,225)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(12,100)	(15,755)
Decrease/(increase) in inventories	(12,448)	(11,009)
Decrease/(increase) in other assets	(424)	(1,005)
Increase/(decrease) in trade and other payables	10,332	15,304
Increase/(decrease) in provisions	(837)	504
Increase/(decrease) in current tax liability	(4,139)	237
Decrease/(increase) in deferred tax liabilities/assets	2,149	1,126
Net cash from operating activities	11,837	22,666
<i>Liabilities from financing activities: Borrowings and Lease liabilities</i>		
Balance at the start of the year	78,408	24,693
Net cash flows	34,692	22,405
New lease liabilities	32,109	3,139
Lease liabilities assumed as part of acquisition (note 30)	15,829	28,625
Foreign exchange differences	(697)	(454)
Balance at the end of the year	160,341	78,408

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

- Acquisition of right-of-use assets (note 14)
- Shares issued as consideration in acquisitions (note 30)
- Dividends satisfied by the issue of shares under the DRP (note 20)

Note 24. Share-based payments*Employee Equity Plan ("EEP")*

The Company adopted an employee equity plan on 3 November 2021. The details of the EEP are summarised as follows:

Under the Plan, eligible employees or contractors of a group company, directors (including non-executive directors) and other persons who are declared by the Board to be eligible to receive awards and who otherwise meet the criteria of an eligible participant under ASIC Class Order 14/1000 may be offered rights, options, exempt share awards, salary sacrifice share awards and performance share awards.

Participation in the EEP is at the Board's discretion and no individual has a contractual right to participate in it or to receive any guaranteed benefits.

Rights, options and performance share awards are non-transferable.

Rights and/or options may only be exercised if:

- the rights and/or options vest in accordance with the applicable performance conditions; and
- the exercise conditions (if any) have been met.

Any right or option that has not vested may not be exercised, unless (subject to applicable laws) the Board exercises its absolute discretion, in circumstances where the Board considers it to be in the best interests of the Company to:

- vary or waive the relevant performance conditions and/or exercise conditions, and declare the rights and/or options to have vested; or
- bring forward the date upon which rights and/or options may be exercised.

Performance share awards may only vest in accordance with the applicable performance conditions (if any), unless (subject to applicable laws) the Board exercises its absolute discretion, in circumstances where it considers it to be in the best interests of the Company, to:

- vary or waive the relevant performance conditions, and declare the performance share awards to have vested; or
- bring forward the date upon which the performance share awards may vest.

If instructed to do so in writing by the Board, each participant will take all necessary actions and enter into all necessary documentation to give effect to the re designation of a performance share award that has vested to be a share.

An invitation may only be made under the EEP if the number of shares that may be acquired on exercise of the awards to which the invitation relates, when aggregated with:

- the number of shares which could be issued if each outstanding invitation or award under the EEP or any other employee equity incentive scheme of the Company (covered by the Class Order or an individual instrument made by ASIC in terms similar to the Class Order) was accepted or exercised; and
- the number of shares issued during the previous three years pursuant to the EEP or any other employee equity incentive scheme of the Company (covered by the Class Order or an individual instrument made by ASIC in terms similar to the Class Order),

but disregarding any invitation given, award acquired or share issued by way of or as a result of:

- an offer to a person situated outside of Australia at the time of receipt of the offer;
- an offer which did not require disclosure to investors under the Corporations Act; or
- an offer made under a disclosure document (within the meaning of the Corporations Act),

does not exceed 5% of the total number of issued shares at the time the invitation was made.

A right or an option may only be exercised if at the time of exercise:

- The right or option has become vested under the EEP;
- The right or option has not lapsed or been forfeited under the EEP; and
- The exercise price (if any) has been paid to the Company in such manner approved by the Board

Note 24. Share-based payments (continued)

Any right, option or performance share held by a participant will not give any right to the participant:

- to receive any dividends declared by the Company; or
- to receive notice of, or to vote or attend at, a meeting of the shareholders of the Company,

until the participant's shares are issued or transferred (as the case requires) to, and registered in the name of, the participant before the record date for determining entitlements to the dividend or the date of the meeting of shareholders (as the case may be).

The Company may grant share awards for no consideration or at a purchase price that is a discount to the then market value of shares, with the intention that up to \$1,000 (or such other amount that is exempted from tax under the *Income Tax Assessment Act 1997 (Cth)* as applicable and amended from time-to-time) of the total value or discount received by each participant will be exempt from tax. The Company must offer the share awards on a non-discriminatory basis in accordance with Division 83A of the *Income Tax Assessment Act 1997 (Cth)* as amended from time-to-time.

Share awards may be offered under a salary sacrifice arrangement in accordance with the terms of the invitation.

Any participant's share may be subject to a holding lock of up to a maximum of 10 years from the grant date at the Board's absolute discretion. The Board may remove the holding lock applying to a participant's shares at its discretion.

Rights and options will lapse, and performance share awards will be forfeited, if those awards have not vested (and have not otherwise been forfeited) by the last date on which awards are able to vest as specified under the invitation to a participant.

The Board may waive any vesting conditions where a participant ceases to be employed by the Company or its related bodies corporate as the result of a qualifying event, being either death, serious injury or illness that prohibits continued employment, retirement, retrenchment, or such other circumstances that result in a participant leaving the employment of the Company or its related bodies corporate and that the Board determines (in its absolute discretion) is a qualifying event.

Rights, options and performance share awards will be forfeited where:

- the Board determines in its absolute discretion that a participant has acted fraudulently or dishonestly, or is in material breach of his or her obligations to the Company or its related bodies corporate; or
- a participant ceases to be employed by the Company or its related bodies corporate other than as a result of a qualifying event, whether or not those awards have vested.

Rights and options that have vested and that have not been exercised will lapse on the date specified on the invitation to a participant as the last date on which awards are able to be exercised unless those awards have otherwise been forfeited or unless that date has been extended.

Each participant's shares issued under an award granted pursuant to the EEP will rank equally in all respects with all existing shares from the date of issue. A participant will have a vested and indefeasible entitlement to any dividends declared and distributed by the Company on participant's shares that, at the books closing date for determining entitlement to those dividends, are standing to the account of the participant. A participant may exercise any voting rights attaching to a participant's shares registered in the participant's name or, in the case of exempt share awards or salary sacrifice share awards, registered in the name of a trustee, once those share awards are allocated to the participant.

A participant has the right to participate in rights issues and bonus issues by the Company:

- in relation to a participant's shares that are registered in the participant's name; or
- in the case of exempt share awards or salary sacrifice share awards, that are registered in the name of a trustee, once those share awards are allocated.

The EEP may be suspended or terminated at any time by resolution of the Board. Suspension or termination of the EEP will not prejudice the accrued rights of participants.

The Board will:

- reduce the exercise price of rights and/or options (if any) in the event of a new issue; and/or
- change the number of underlying shares to which awards relate in the event of a bonus issue, in accordance with the ASX Listing Rules.

Note 24. Share-based payments (continued)

In the event of a reorganisation of the Company's share capital, the Board will review and modify the terms of the awards if required by, and in accordance with, the ASX Listing Rules.

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 EEP. However, no amendment to the rules may be made which materially reduces the rights of participants in respect of Awards which they have accepted prior to the amendment (except for certain changes, including changes for the purpose of complying with laws or the ASX Listing Rules).

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.

Note 24. Share-based payments (continued)

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.

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 and rights granted:

2022

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Lapsed	Exercised	Balance at end of year
17/12/2021	30/09/2026	\$0.0000	-	1,125,802	-	-	1,125,802
24/09/2021	30/09/2025	\$0.5745	-	320,000	(80,000)	-	240,000
25/02/2021	30/09/2025	\$0.5745	1,680,000	-	-	-	1,680,000
08/11/2019	07/11/2024	\$0.3735	1,775,000	-	-	-	1,775,000
			3,455,000	1,445,802	(80,000)	-	4,820,802

Note 24. Share-based payments (continued)**2021**

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Lapsed	Exercised	Balance at end 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
			1,845,000	1,680,000	(70,000)	-	3,455,000

At 30 June 2022, nil rights and options were exercisable (2021: nil).

The weighted average remaining contractual life of rights and options outstanding at the end of the financial year was 3.12 years (2021: 3.74 years). Options lapsed during the reporting period as the performance conditions were not met.

The performance conditions for the rights granted on 17 December 2021 were as follows:

1. Total shareholder return ("TSR") condition – the Compound Annual Growth Rate ("CAGR") in the Company's Total Shareholder Return will be tested on the Vesting Date and the Rights will vest in accordance with the following TSR CAGR hurdles:

TSR CAGR	% of Rights to vest
Less than 7%	0%
At least 7% but less than 10% p.a.	50%
At least 10% but less than 15% p.a.	70% to 100% on a straight-line basis
At least 15% p.a.	100%

- TSR CAGR means the TSR compound annual growth rate as against the Base VWAP.
 - TSR means the total shareholder return to a shareholder of the Company, inclusive of Share Price Appreciation, capital returns and dividends.
 - Share Price Appreciation means the difference between the Base VWAP and Vesting VWAP.
 - Base VWAP means the volume weighted average price of Shares over the 10 Trading Days (as that term is defined in the Listing Rules) immediately before and 10 Trading Days immediately after the release of the Company's 2021 financial report. The 2021 financial report was released on 31 August 2021 and the Base VWAP has been calculated at \$1.25.
 - Vesting VWAP means the volume weighted average price of Shares over the 10 Trading Days (as that term is defined in the Listing Rules) immediately before and 10 Trading Days immediately after the release of the Company's 2024 financial report, expected to be on or about 30 August 2024.
2. Service condition – continuous employment of the employee with NTAW or one of its subsidiaries from the Grant Date until the Vesting Date.

Note 24. Share-based payments (continued)

The performance conditions for the options granted on 25 February 2021 and 24 September 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 rights and options granted during FY2022 and FY2021, 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 ¹	Dividend yield	Risk-free interest rate	Fair value at grant date
17/12/2021	30/09/2026	\$1.4300	\$0.0000	56.90%	5.59%	1.00%	\$1.2236
24/09/2021	30/09/2025	\$1.1200	\$0.5745	58.10%	7.14%	0.02%	\$0.5635
25/02/2021	30/09/2025	\$0.8900	\$0.5745	61.60%	5.67%	0.12%	\$0.4280

¹ The expected volatility is based on the historic volatility (based on the period from the date the Company listed on the ASX to the relevant grant date), adjusted for any expected changes to future volatility due to publicly available information.

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:

	2022	2021
	\$'000	\$'000
Rights issued under the Employee Equity Plan and Options issued under the Employee Share Option Plan	684	181
	<hr/>	<hr/>
Total expense recognised from share-based payment transactions	684	181

Note 25. Earnings per share

Profit after income tax	9,569	20,540
Non-controlling interest	(171)	(285)
	<hr/>	<hr/>

Profit after income tax attributable to the owners of National Tyre & Wheel Limited	9,398	20,255
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	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	122,775,176	113,173,063
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	4,071,326	2,185,780
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	126,846,502	115,358,843

	Cents	Cents
Basic earnings per share	7.65	17.90
Diluted earnings per share	7.41	17.56

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:

	2022	2021
	\$	\$
Short-term employee benefits	1,638,236	3,524,145
Post-employment benefits	117,781	168,024
Long-term benefits	61,674	58,245
Share-based payments	210,231	91,434
	<hr/>	<hr/>
	2,027,922	3,841,848

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 reporting period, the Group leased business premises owned by a closely related party of an employee previously classified as a KMP member. The lease expires on 30 May 2023 and has two 5-year renewal options. Rent payments for FY2022 totalled \$179,335 (2021: \$176,694), with \$nil outstanding at 30 June 2022 (2021: \$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 2022, there was an unsecured loan receivable from an employee classified as a member of KMP of \$82,032 (2021: \$82,032).

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. 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 2022, the Group had forward foreign exchange contracts to acquire USD \$19,141,000 (2021: USD \$19,698,000). These are due to mature within 5 months of balance date. The fixed exchange rates on these contracts ranged from 0.6891 to 0.7718 (2021: 0.7463 to 0.7854).

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

	2022	2021
	\$'000	\$'000
Cash	237	374
Trade payables	(25,324)	(31,440)
Buy foreign currency (held for trading)	1,336	587
	(23,751)	(30,479)

2022	% 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>
USD	10%	2,159	1,511	10%	(2,639)	(1,847)

2021	% 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>
USD	10%	2,771	1,940	10%	(3,387)	(2,371)

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 loss for the year ended 30 June 2022 was \$1,455,000 (2021: gain of \$848,000).

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:

	2022	2021
	\$'000	\$'000
Bank overdraft	3,050	454
Bank facility	93,325	44,440
	<hr/>	<hr/>
Net exposure to cash flow interest rate risk	96,375	44,894

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

The outstanding bank facility at 30 June 2022, totalling \$93,325,000, is comprised of a trade finance facility (\$64,075,000) and a loan (\$29,250,000) (2021: \$44,440,000 bank facility). An official increase/decrease in interest rates of 100 (2021: 50) basis points would have an adverse/favourable effect on profit before tax of \$933,000 (2021: \$222,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts. Minimum principal repayments of \$4,500,000 (2021: \$2,500,000) 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 (New Zealand) 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	464	5,000
Bank facility	9,282	11,056
Bank guarantee	1,695	-
	<hr/>	<hr/>
	11,441	16,056

Note 28. Financial instruments (continued)

The bank overdraft facility trade finance facility may be drawn at any time and terminates on 28 October 2024. The bank guarantee facilities may be drawn at any time and have a weighted average maturity of 4.26 years (2021: 2.62 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
2022	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Non-interest bearing					
Trade and other payables	103,466	-	-	-	103,466
Deferred consideration	2,600	2,600	-	-	5,200
Interest-bearing - variable					
Bank overdraft	3,050	-	-	-	3,050
Bank facility	4,500	4,500	84,325	-	93,325
Interest-bearing - fixed rate					
Lease liability	18,819	15,999	28,793	11,273	74,884
Total non-derivatives	132,435	23,099	113,118	11,273	279,925
Derivatives					
Forward foreign exchange contracts net settled	1,336	-	-	-	1,336
Total derivatives	1,336	-	-	-	1,336
	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
2021	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Non-interest bearing					
Trade and other payables	82,335	-	-	-	82,335
Interest-bearing - variable					
Bank overdraft	454	-	-	-	454
Bank facility	2,500	2,500	39,777	-	44,777
Interest-bearing - fixed rate					
Lease liability	10,386	8,502	14,369	2,956	36,213
Total non-derivatives	95,675	11,002	54,146	2,956	163,779
Derivatives					
Forward foreign exchange contracts net settled	587	-	-	-	587
Total derivatives	587	-	-	-	587

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

2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Forward foreign exchange contracts - derivatives	-	1,336	-	1,336
Total assets	-	1,336	-	1,336

2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Forward foreign exchange contracts - derivatives	-	587	-	587
Total assets	-	587	-	587

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**2022****Black Rubber**

On 2 November 2021, the Group acquired 100% of the issued capital of Black Rubber Pty Ltd and Black Rubber Sydney Pty Ltd (collectively, "Black Rubber"). Total consideration for the acquisition was \$27,928,000, including \$21,377,000 in cash consideration, \$5,351,000 in deferred consideration and \$1,200,000 in Company shares, issued at time of the acquisition. The acquired business has contributed revenue of \$32,491,000 and profit before tax of \$3,099,000 to the Group from the date of acquisition to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contribution would have been revenue of \$46,445,000 and profit before tax of \$4,454,000. Transaction costs of \$263,000 were incurred during the year in relation to the acquisition. These costs are included in Professional fees expenditure in the Statement of profit or loss and other comprehensive income. To assist with this acquisition and the acquisition of Carter's (refer below), the Company renegotiated its debt facilities with Commonwealth Bank of Australia increasing the total debt facility to \$116,500,000. The assets and liabilities assumed in the above business combination have been accounted for on a provisional basis at year end.

Note 30. Business combinations (continued)**Carter's**

On 7 January 2022, the Group acquired 100% of the issued capital of Carters Tyre Service Limited, C.O. Tire & Retreading Co Limited and Tyre Distributor New Zealand Limited (collectively, "Carter's"). Total consideration for the acquisition was \$30,602,000, including \$28,717,000 in cash consideration and \$1,886,000 in Company shares, issued at time of the acquisition. The acquired business has contributed revenue of \$34,405,000 and profit before tax of \$1,939,000 to the Group from the date of acquisition to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contribution would have been revenue of \$72,413,000 and profit before tax of \$3,755,000. Transaction costs of \$416,000 were incurred during the year in relation to the acquisition. These costs are included in Professional fees expenditure in the Statement of profit or loss and other comprehensive income. To assist with this acquisition and the acquisition of Black Rubber (refer above), the Company renegotiated its debt facilities with Commonwealth Bank of Australia increasing the total debt facility to \$116,500,000. The assets and liabilities assumed in the above business combination have been accounted for on a provisional basis at year end.

Details of the acquisition are as follows:

	Black Rubber Fair value \$'000	Carter's Fair value \$'000
Cash and cash equivalents	1,847	872
Trade and other receivables	6,329	9,103
Inventories	5,921	7,438
Other assets	442	16
Property, plant & equipment	3,216	2,969
Right-of-use assets	4,759	11,087
Customer relationships	9,800	3,017
Brand names	2,400	3,677
Accreditations	200	-
Trade and other payables	(3,993)	(6,659)
Current tax liabilities	(1,341)	(463)
Lease liabilities	(4,592)	(11,237)
Provisions	(600)	(1,229)
Deferred tax liability	(4,140)	(1,557)
Net assets acquired	20,248	17,034
Goodwill	7,680	13,569
Acquisition-date fair value of total consideration	27,928	30,603
Representing:		
Cash paid	21,377	28,720
Deferred consideration	5,351	-
Shares issued (note 20)	1,200	1,882
Total consideration	27,928	30,602
Cash used to acquire business; net of cash acquired:		
Total consideration	27,928	30,602
Less: cash and cash equivalents acquired	(1,847)	(872)
Less: deferred consideration	(5,351)	-
Less: shares issued	(1,200)	(1,882)
Net cash used	19,530	27,848

Note 30. Business combinations (continued)

On 30 November 2021, the Group acquired certain assets (inventories of \$307,000 and plant and equipment of \$40,000) and the workforce from Alacad Pty Ltd t/a Access Alloys. Total consideration for the acquisition was \$1,121,000, paid in cash. The acquired assets have been incorporated in Dynamic Wheel Co. Goodwill of \$774,000 has been recognised in relation to the acquisition.

2021

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 FY2021 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 at the time of the acquisition.

Details of the acquisition are as follows:

	Fair value \$'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	(42,103)
Lease liabilities	(28,625)
Provisions	(7,470)
Net assets acquired	49,274
Gain on bargain purchase	(596)
Acquisition-date fair value of total consideration	48,678
Representing:	
Cash paid	43,820
Shares issued (note 20)	4,858
Total consideration	48,678
Cash used to acquire business; net of cash acquired:	
Total consideration	48,678
Less: cash and cash equivalents acquired	(7,324)
Less: shares issued	(4,858)
Net cash used	36,496

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:

	2022	2021
	\$	\$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	369,035	335,000
<i>Other services - Pitcher Partners</i>		
Transaction services	100,250	270,668
Tax compliance services	58,785	71,540
IT consulting services	-	3,600
	<u>159,035</u>	<u>345,808</u>
	528,070	680,808
<i>Audit services - network firms</i>		
Audit or review of the financial statements	16,323	12,284
<i>Other services - network firms</i>		
Transaction services	116,723	-
Tax compliance services	50,436	32,499
	<u>167,159</u>	<u>32,499</u>
	183,482	44,783

Note 32. Contingent liabilities

The Group has given bank guarantees as at 30 June 2022 of \$9,269,000 (2021: \$7,692,000) 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 / Country of incorporation	Ownership interest	
		2022 %	2021 %
Exclusive Tyres Distributors Pty Ltd	Australia	100%	100%
Dynamic Wheel Co. Pty Limited	Australia	100%	100%
Integrated OE Pty Ltd	Australia	100%	100%
Statewide Tyre Distribution Pty Ltd	Australia	100%	100%
Tyres4U Pty Ltd	Australia	100%	100%
Tyreright Operations Pty Ltd	Australia	100%	100%
NTAW Logistics Pty Ltd	Australia	100%	-
Black Rubber Pty Ltd	Australia	100%	-
Black Rubber Sydney Pty Ltd	Australia	100%	-
NTAW Holdings (NZ) Ltd	New Zealand	100%	100%
Exclusive Tyres Distributors (NZ) Limited	New Zealand	100%	100%
Tyres4U (NZ) Ltd	New Zealand	100%	100%
Carters Tyre Service Limited	New Zealand	100%	-
C.O. Tire & Retreading Co Limited	New Zealand	100%	-
Tyre Distributors New Zealand Limited	New Zealand	100%	-
Top Draw Tyres Proprietary Limited	South Africa	50%	50%

Note 34. Parent entity information

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

	Parent Entity	
	2022 \$'000	2021 \$'000
Statement of profit or loss and other comprehensive income		
Profit after income tax	8,372	40,962
Total comprehensive income	8,372	40,962
<i>Statement of financial position</i>		
Total current assets	5,372	2,223
Total assets	199,527	126,697
Total current liabilities	11,116	3,156
Total liabilities	92,443	47,665
Equity		
Issued capital	93,122	70,204
Reserves	920	236
Retained earnings	7,298	8,592
Total equity	101,340	79,032

Note 34. Parent entity information (continued)*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 2022 and 30 June 2021. Refer to note 35.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

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;
- Integrated OE Pty Ltd;
- Statewide Tyre Distribution Pty Ltd;
- Tyres4U Pty Ltd;
- Tyreright Operations Pty Ltd (*not party to the deed in the prior year*);
- NTAW Logistics Pty Ltd (*not party to the deed in the prior year*);
- Black Rubber Pty Ltd (*not party to the deed in the prior year*); and
- Black Rubber Sydney 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'.

Note 35. Deed of cross guarantee (continued)

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

	Closed Group	
	2022	2021
	\$'000	\$'000
Statement of profit or loss and other comprehensive income		
Revenue	458,911	404,035
Other income	714	3,911
Gain on bargain purchase	-	596
Cost of goods sold	(329,890)	(284,942)
Employee benefits and other related costs	(65,045)	(49,372)
Depreciation and amortisation	(16,966)	(11,743)
Occupancy	(8,245)	(6,477)
Computer and software costs	(6,500)	(3,428)
Motor vehicle costs	(4,132)	(2,971)
Marketing	(3,194)	(4,980)
Insurance	(3,161)	(2,535)
Professional fees and acquisition costs	(2,742)	(3,353)
Other	(9,957)	(5,638)
Finance costs	(3,769)	(2,446)
	<hr/>	<hr/>
Profit before income tax expense	6,024	30,657
Income tax expense	(2,634)	(8,564)
	<hr/>	<hr/>
Profit after income tax expense	3,390	22,093
Other comprehensive income		
Foreign currency translation	(194)	(49)
	<hr/>	<hr/>
Other comprehensive income for the year, net of tax	(194)	(49)
	<hr/>	<hr/>
Total comprehensive income for the year	3,196	22,044
	<hr/>	<hr/>
Equity – retained earnings		
Retained earnings at the beginning of the financial year	21,405	78
Profit after income tax expense	3,390	22,093
Dividends paid	(9,665)	(3,425)
Opening retained earnings of entities joining the Closed Group	(1,565)	2,659
	<hr/>	<hr/>
Retained earnings at the end of the financial year	13,565	21,405
	<hr/>	<hr/>

Note 35. Deed of cross guarantee (continued)

Statement of financial position	Closed Group	
	2022 \$'000	2021 \$'000
Current assets		
Cash and cash equivalents	26,071	19,143
Trade and other receivables	83,492	60,660
Inventories	100,268	76,243
Other financial assets	1,287	694
Prepayments	3,373	2,940
Current tax asset	1,731	-
	<u>216,222</u>	<u>159,680</u>
Non-current assets		
Property, plant and equipment	11,477	4,919
Right-of-use assets	52,227	28,365
Intangible assets	34,587	15,698
Other financial assets	54,633	32,166
Deferred tax	-	2,526
	<u>152,924</u>	<u>83,764</u>
Total assets	<u>369,146</u>	<u>243,354</u>
Current liabilities		
Trade and other payables	93,634	65,966
Borrowings	6,537	2,500
Lease liabilities	11,963	7,981
Provisions	11,471	10,109
Current tax liability	-	835
	<u>123,605</u>	<u>87,391</u>
Non-current liabilities		
Trade and other payables	2,600	-
Borrowings	88,244	41,940
Lease liabilities	42,481	20,735
Provisions	2,047	1,475
Deferred tax	2,893	-
	<u>138,265</u>	<u>64,150</u>
Total liabilities	<u>261,870</u>	<u>151,541</u>
Net assets	<u>107,276</u>	<u>91,813</u>
Equity		
Issued capital	93,122	70,204
Reserves	589	204
Retained earnings	13,565	21,405
	<u>107,276</u>	<u>91,813</u>
Total equity	<u>107,276</u>	<u>91,813</u>

Note 36. Events after the reporting period

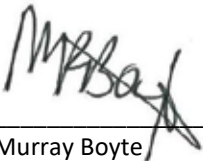
Apart from the dividend declared as disclosed in note 22, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 2022 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*.

On behalf of the directors



Murray Boyte
Chairman

30 August 2022
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 2022, 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 2022 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.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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WARWICK FACE
COLE WILKINSONSIMON CHUN
JEREMY JONES
TOM SPLATTJAMES FIELD
DANIEL COLWELL
ROBYN COOPERFELICITY CRIMSTON
CHERYL MASON
KIERAN WALLISMURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Key Audit Matter	How our audit addressed the key audit matter
Acquisition of Black Rubber	
Refer to Note 30: Business combinations	
<p>During the year the Group acquired 100% of the issued capital of Black Rubber Pty Ltd and Black Rubber Sydney Pty Ltd in Australia for gross purchase consideration of \$27.928 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 purchase consideration exceeded the acquisition date fair value of net assets acquired, goodwill of \$7.680 million was recorded.</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"> • Understanding and evaluating management’s processes and controls; • Reading the sale and purchase agreement to understand key terms and conditions; • Evaluating the assumptions and methodology used by management in determining the fair values of net assets acquired; • Comparing the Group’s final fair value adjustments at 30 June 2022 to the previously reported values at 31 December 2021, 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 • Assessing the adequacy of the Group’s disclosures in respect of business combinations.
Acquisition of Carters	
Refer to Note 30: Business combinations	
<p>During the year the Group acquired 100% of the issued capital of Carters Tyre Service Limited and C.O. Tire & Retreading Co Limited in New Zealand for gross purchase consideration of \$30.603 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 purchase consideration exceeded the acquisition date fair value of net assets acquired, goodwill of \$13.569 million was recorded.</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"> • Understanding and evaluating management’s processes and controls; • Reading the sale and purchase agreement to understand key terms and conditions; • Evaluating the assumptions and methodology used by management in determining the fair values of net assets acquired; • Assessing the adequacy of the Group’s disclosures in respect of business combinations.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of goodwill and separately identifiable intangible assets Refer to Note 15: Intangibles	
<p>As part of business combinations completed during the current and prior years, the Group recognised goodwill and other intangible assets valued at \$29.000 million and \$24.764 million respectively.</p> <p>These intangible assets relate to the acquisition of various subsidiaries of National Tyre & 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"> • Understanding and evaluating management’s processes and controls; • 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; • Comparing the cash flow forecasts used in the value-in-use calculations to Board approved budgets for the 2023 financial year and the Group’s historic actual performance; • 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; • Checking the mathematical accuracy of the impairment testing model and agreeing relevant data to the latest budgets; • 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 • Assessing the adequacy of the Group’s disclosures in respect of impairment testing of goodwill and indefinite useful life intangible assets.

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 2022, 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 – 19 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of National Tyre & Wheel Limited, for the year ended 30 June 2022, 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
30 August 2022

The shareholder information set out below was applicable as at 15 August 2022.

Distribution of equitable securities

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

	Number of holders of ordinary shares	% of total shares issued
1 to 1,000	315	0.1
1,001 to 5,000	602	1.2
5,001 to 10,000	337	2.0
10,001 to 100,000	648	16.5
100,001 and over	102	80.2
	2,004	100.0
Holding less than a marketable parcel	152	0.0

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	Ordinary shares % of total shares issued
ST Corso Pty Ltd	26,750,297	20.28
EM Australia 2021 Pty Ltd (The TWA A/C)	10,587,107	8.02
Sandhurst Trustees Ltd (Collins St Value Fund A/C)	9,685,856	7.34
J P Morgan Nominees Australia Pty Limited	5,357,462	4.06
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP)	3,208,967	2.43
Roshan Charles Chelvaratnam	3,201,034	2.43
Strategic Value Pty Ltd (Tal Super A/C)	3,148,632	2.39
Mr John Peter Ludemann	2,589,928	1.96
National Nominees Limited	2,343,100	1.78
Citicorp Nominees Pty Limited	2,066,624	1.57
SCJ Pty Limited (Jermyn Family A/C)	2,000,000	1.52
HSBC Custody Nominees (Australia) Limited	1,996,127	1.51
Exldata Pty Ltd	1,895,900	1.44
Narlack Pty Ltd (Piperoglou Pension A/C)	1,603,704	1.22
Exldata Pty Ltd	1,561,752	1.18
G R Hari Trustee Limited & Garry Paul Carter & Robynn Janet Carter	1,394,222	1.06
Micpip Nominees Pty Ltd (Micpip Super Fund A/C)	1,196,297	0.91
Mrs Christine Lorraine Hummer	1,071,152	0.81
Mrs Christine Lorraine Hummer	1,048,928	0.80
Mr Christopher John Hummer	1,048,928	0.80
	83,756,017	63.48

Unquoted equity securities

There are 3,695,000 unquoted unissued ordinary shares of National Tyre & Wheel Limited under option at the date of this report.

There are 1,125,802 unquoted rights to unissued ordinary shares of National Tyre & Wheel Limited at the date of this report.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
ST Corso Pty Ltd atf the Smith Trading Trust, Terence Smith & Susanne Smith (together Smith Group)	26,750,297	20.28
EM Australia 2021 Pty Ltd (TWA A/C)	10,587,107	8.02
Sandhurst Trustees Ltd (Collins St Value Fund A/C)	9,685,856	7.34
Anthony Young	8,264,652	6.26
Ryan Young	6,727,152	5.10

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

Class	Expiry date	Number of shares
Ordinary shares	1 November 2022	<u>1,071,430</u>
		<u>1,071,430</u>

Directors	Murray Boyte - Chairman Peter Ludemann - Managing Director and Chief Executive Officer Terry Smith Bill Cook Robert Kent
Company secretaries	Jason Lamb Hugh McMurchy
Registered office and principal place of business	Level 2 385 MacArthur Avenue Hamilton QLD 4007 Telephone: (07) 3212 0950 Facsimile: (07) 3212 0951
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272
Auditor	Pitcher Partners Level 38 345 Queen Street Brisbane QLD 4000
Solicitors	Bentleys Legal (NSW) Level 14 60 Margaret Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia Ground Floor, Tower 1 201 Sussex Street Sydney NSW 2000
Stock exchange listing	National Tyre & Wheel Limited shares are listed on the Australian Securities Exchange (ASX code: NTD)
Website	https://www.ntaw.com.au
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: https://www.ntaw.com.au/investors-asx-announcements/corporate-governance</p>

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