

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

**ABN 97 095 843 020**

Consolidated Financial report  
For the year ended 30 June 2017

## TABLE OF CONTENTS

Directors' report .....	<b>1 - 3</b>
Auditor's independence declaration .....	<b>4</b>
Financial report	
Consolidated statement of profit or loss and other comprehensive income .....	<b>5</b>
Consolidated statement of financial position .....	<b>6 - 7</b>
Consolidated statement of changes in equity .....	<b>8</b>
Consolidated statement of cash flows .....	<b>9</b>
Notes to financial statements .....	<b>10 - 41</b>
Directors' declaration .....	<b>42</b>
Independent auditor's report .....	<b>43 - 44</b>

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**

**ABN 97 095 843 020**

**DIRECTORS' REPORT**

The directors present their report together with the financial report of the group, being the company and its controlled entities, for the year ended 30 June 2017 and auditor's report thereon.

**Directors names**

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

Terence Smith

Susanne Smith

Peter Ludemann

William Cook

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

**Results**

The profit of the group for the year after providing for income tax and eliminating non-controlling interests amounted to \$5,530,388 (2016: \$3,668,926).

**Review of operations**

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

**Significant changes in state of affairs**

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

**Principal activities**

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

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

**After balance date events**

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

## **NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**

**ABN 97 095 843 020**

### **DIRECTORS' REPORT**

#### **Likely developments**

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

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

#### **Environmental regulation**

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

#### **Dividends paid, recommended and declared**

Dividends paid since the start of the financial year are as follows:

- Dividends paid at \$0.56 per share (2016: \$NIL) fully franked at 30% \$3,804,056 (2016: \$NIL)

No recommendation has been made for the payment of a dividend since the end of the financial year.

#### **Indemnification of officers**

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company and the group, the company secretary and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnification of auditors**

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

#### **Proceedings on behalf of the group**

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

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**

ABN 97 095 843 020

**DIRECTORS' REPORT****Options**

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

<b>Directors</b>	<b>Options granted</b>
Peter Ludemann	3,750,000

<b>Executives</b>	<b>Options granted</b>
Jason Lamb	368,665

**Shares under option**

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

<b>Date options granted</b>	<b>Number of unissued ordinary shares under option</b>	<b>Exercise price of shares</b>	<b>Expiry date of the options</b>
01/07/2012	1,800,000	-	01/07/2022
01/07/2014	77,305	-	01/07/2022
01/07/2016	220,000	0.51	01/07/2022
01/07/2016	2,150,000	0.51	01/07/2022
01/07/2016	1,324,339	-	01/07/2022
30/06/2017	1,000,000	-	01/07/2022

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

**Auditor's independence declaration**

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

Signed on behalf of the board of directors.

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



Susanne Smith

Dated this 25th day of October 2017



**PITCHER PARTNERS**

ACCOUNTANTS • AUDITORS • ADVISORS

Level 38  
345 Queen Street  
Brisbane  
Queensland 4000

Postal Address:  
GPO Box 1144  
Brisbane  
Queensland 4001

Tel: 07 3222 8444  
Fax: 07 3221 7779

www.pitcher.com.au  
info@pitcherpartners.com.au

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BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON  
SIMON CHUN  
JEREMY JONES

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

### **Auditor's Independence Declaration**

As lead auditor for the audit of National Tyre & Wheel Pty Limited and controlled entities for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants* in relation to the audit.

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

PITCHER PARTNERS

NIGEL BATTERS  
Partner

Brisbane, Queensland  
25 October 2017

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>Revenue and other income</b>			
Sales revenue	4	119,399,197	111,285,902
Other revenue	4	<u>1,053,135</u>	<u>848,115</u>
		<u>120,452,332</u>	<u>112,134,017</u>
<b>Less: expenses</b>			
Cost of sales		(81,379,619)	(79,966,147)
Employee benefits expense		(13,841,495)	(11,949,171)
Marketing expense		(4,918,545)	(3,721,903)
Occupancy expense		(3,292,036)	(3,293,954)
Depreciation and amortisation expense	5	(1,650,769)	(1,649,725)
Finance costs	5	(470,327)	(605,415)
Insurance costs		(335,422)	(365,314)
Legal and professional fees		(236,927)	(105,118)
Other expenses		<u>(4,825,231)</u>	<u>(5,145,845)</u>
		<u>(110,950,371)</u>	<u>(106,802,592)</u>
<b>Profit before income tax expense</b>		9,501,961	5,331,425
Income tax expense	6	<u>(3,297,482)</u>	<u>(1,382,512)</u>
<b>Profit for the year</b>		<u>6,204,479</u>	<u>3,948,913</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		<u>(1,573)</u>	<u>249,766</u>
<b>Total comprehensive income</b>		<u>6,202,906</u>	<u>4,198,679</u>
<b>Profit is attributable to:</b>			
- Owners of National Tyre & Wheel Pty Limited		5,530,388	3,668,926
- Non-controlling interests		<u>674,091</u>	<u>279,987</u>
		<u>6,204,479</u>	<u>3,948,913</u>
<b>Total comprehensive income is attributable to:</b>			
- Owners of National Tyre & Wheel Pty Limited		5,528,815	3,918,692
- Non-controlling interests		<u>674,091</u>	<u>279,987</u>
		<u>6,202,906</u>	<u>4,198,679</u>

The accompanying notes form part of these financial statements.

NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES

ABN 97 095 843 020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	9	14,764,991	15,381,455
Receivables	10	19,839,679	18,375,718
Inventories	11	31,348,019	26,617,666
Other assets	12	<u>269,527</u>	<u>164,281</u>
<b>Total current assets</b>		<u>66,222,216</u>	<u>60,539,120</u>
<b>Non-current assets</b>			
Receivables	10	80,000	180,000
Other financial assets	13	559	309,632
Property, plant and equipment	14	3,244,755	3,151,423
Intangible assets	15	12,689,585	7,885,833
Deferred tax assets	6	<u>968,106</u>	<u>903,898</u>
<b>Total non-current assets</b>		<u>16,983,005</u>	<u>12,430,786</u>
<b>Total assets</b>		<u>83,205,221</u>	<u>72,969,906</u>
<b>Current liabilities</b>			
Payables	16	25,361,492	25,366,666
Borrowings	17	1,354,530	3,264,796
Provisions	18	1,975,866	1,665,301
Current tax liabilities		521,732	137,066
Other financial liabilities	19	398,915	124,826
Other liabilities	20	<u>48,085</u>	<u>147,102</u>
<b>Total current liabilities</b>		<u>29,660,620</u>	<u>30,705,757</u>
<b>Non-current liabilities</b>			
Payables	16	2,150,548	-
Borrowings	17	6,812,261	3,588,923
Provisions	18	1,295,062	1,156,877
Other liabilities	20	<u>85</u>	<u>47,072</u>
<b>Total non-current liabilities</b>		<u>10,257,956</u>	<u>4,792,872</u>
<b>Total liabilities</b>		<u>39,918,576</u>	<u>35,498,629</u>
<b>Net assets</b>		<u>43,286,645</u>	<u>37,471,277</u>

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Equity</b>			
Share capital	21	18,941,673	18,941,673
Reserves	22	1,966,620	1,824,507
Retained earnings		<u>16,025,332</u>	<u>14,144,166</u>
<b>Equity attributable to owners of National Tyre &amp; Wheel Pty Limited</b>		36,933,625	34,910,346
Non-controlling interests		<u>6,353,020</u>	<u>2,560,931</u>
<b>Total equity</b>		<u><u>43,286,645</u></u>	<u><u>37,471,277</u></u>

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Contributed equity \$	Reserves \$	Retained earnings \$	Non- controlling interests \$	Total equity \$
<b>Balance as at 1 July 2015</b>	18,941,673	1,931,484	10,475,240	1,924,201	33,272,598
Profit for the year	-	-	3,668,926	279,987	3,948,913
Exchange differences on translation of foreign operations	-	249,766	-	-	249,766
<b>Total comprehensive income for the year</b>	-	249,766	3,668,926	279,987	4,198,679
Transfers	-	(356,743)	-	356,743	-
<b>Balance as at 30 June 2016</b>	18,941,673	1,824,507	14,144,166	2,560,931	37,471,277
Profit for the year	-	-	5,530,388	674,091	6,204,479
Exchange differences on translation of foreign operations	-	(1,573)	-	-	(1,573)
<b>Total comprehensive income for the year</b>	-	(1,573)	5,530,388	674,091	6,202,906
Non-controlling interest on acquisition of subsidiary	-	-	-	3,574,630	3,574,630
Dividends	-	-	(3,804,056)	(456,632)	(4,260,688)
Transfer from share based payment reserve to retained earnings	-	-	154,834	-	154,834
	-	(154,834)	-	-	(154,834)
Options issued during the year	-	1,043,793	-	-	1,043,793
Options forfeited during the year	-	(745,273)	-	-	(745,273)
<b>Balance as at 30 June 2017</b>	<u>18,941,673</u>	<u>1,966,620</u>	<u>16,025,332</u>	<u>6,353,020</u>	<u>43,286,645</u>

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		\$	\$
<b>Cash flow from operating activities</b>			
Receipts from customers		132,543,084	122,449,852
Payments to suppliers and employees		(122,853,011)	(113,020,043)
Interest received		131,387	151,535
Finance costs		(327,419)	(534,351)
Income tax paid		<u>(2,977,024)</u>	<u>(2,006,248)</u>
<b>Net cash provided by operating activities</b>	<b>23</b>	<u><b>6,517,017</b></u>	<u><b>7,040,745</b></u>
<b>Cash flow from investing activities</b>			
Payment for acquisition of business, net of cash acquired		(3,917,407)	-
Proceeds from sale of property, plant and equipment		223,306	132,308
Payment for property, plant and equipment		(583,947)	(605,499)
Transfers from / (to) term deposits		<u>306,806</u>	<u>(27,535)</u>
<b>Net cash provided by / (used in) investing activities</b>		<u><b>(3,971,242)</b></u>	<u><b>(500,726)</b></u>
<b>Cash flow from financing activities</b>			
Dividends paid		(4,260,688)	-
Proceeds from borrowings		4,000,000	-
Repayment of borrowings		<u>(2,911,107)</u>	<u>(3,464,545)</u>
<b>Net cash provided by / (used in) financing activities</b>		<u><b>(3,171,795)</b></u>	<u><b>(3,464,545)</b></u>
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		15,381,455	12,412,254
Net increase / (decrease) in cash held		(626,020)	3,075,474
Foreign exchange differences on cash holdings		<u>9,556</u>	<u>(106,273)</u>
<b>Cash at end of financial year</b>	<b>9</b>	<u><u><b>14,764,991</b></u></u>	<u><u><b>15,381,455</b></u></u>

The accompanying notes form part of these financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

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

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

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

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

*Historical Cost Convention*

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

*Significant accounting estimates*

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

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

*Functional and presentation currency*

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

*Transactions and Balances*

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

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

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

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

**(c) Principles of consolidation**

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

**(d) Revenue**

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

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

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

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

**(e) Income tax**

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

*Tax Consolidation*

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

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

**(f) Inventories**

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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

**(g) Financial instruments**

*Classification*

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

*Held-to-maturity investments*

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

*Loans and receivables*

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

*Available-for-sale*

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

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

*Financial liabilities*

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

*Derivative financial instruments*

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

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

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

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

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

*Plant and equipment*

Plant and equipment is measured on a cost basis.

*Depreciation*

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

<b>Class of fixed asset</b>	<b>Depreciation rates</b>	<b>Depreciation basis</b>
Leasehold improvements at cost	15%	Diminishing value
Plant and equipment at cost	5% - 60%	Diminishing value
Building improvements at cost	2.5%	Diminishing value
Motor vehicles at cost	13.5% - 25%	Diminishing value

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

**(i) Intangibles**

*Goodwill*

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(n) for a description of how goodwill arising from a business combination is initially measured.

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

*Brand name*

Brand names are recorded at cost less accumulated amortisation and impairment losses. When acquired in a business combination, cost represents the fair value at date of acquisition. 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 tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

*Importation rights*

Importation rights are initially recorded at cost less accumulated amortisation and impairment losses. Importation rights are amortised on a straight line basis over the term of the distribution agreement. Importation rights are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

*Customer relationships*

Customer relationship assets are recorded at cost less accumulated amortisation and impairment losses. When acquired in a business combination, cost represents the fair value at date of acquisition. Fair value is based on an assessment of future cash flows from this customer base. Amortisation is calculated using the straight-line method over the estimated useful lives of the respective assets, which at the time of acquisition is expected to be ten years. Customer relationship assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

*Patents, trademarks and other intangibles*

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

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

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

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

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

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

**(k) Provisions**

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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

**(l) Leases**

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

*Finance leases*

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

*Operating leases*

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

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

**(m) Employee benefits**

*(i) Short-term employee benefit obligations*

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

*(ii) Long-term employee benefit obligations*

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

**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**

**ABN 97 095 843 020**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

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

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

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

*(iii) Share-based payments*

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

**(n) Business combinations**

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

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

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

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

Acquisition related costs are expensed as incurred.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

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

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

**(p) Comparatives**

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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

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

*(a) Impairment of goodwill*

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

*(b) Recognition of a warranty provision*

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

*(c) Share based payments*

Share based payments expense under the employee share option plan has been recognised over the expected vesting period of the options. The 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 an estimated enterprise value of the company, risk-free rate of 1.5%, volatility of share price of 60% and assumed vesting period from grant date.

*(d) Recognition of identifiable intangible assets on acquisition*

Brand names and customer relationships have been recognised on the acquisition of M.P.C Mags and Tyres Pty Ltd. These valuation of these assets is based on the present value of expected future cash flows associated with the brand and the recurring current customers covering a period fo 10 years. These cashflows have been calculated using an average growth rate of 5% and a discount rate of 17%.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 3: FAIR VALUE MEASUREMENT**

*Fair Value Hierarchy*

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

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

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

	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Recurring fair value measurements</b>			
<i>Financial assets</i>			
<i>Available-for-sale financial assets at fair value</i>			
Other investments	-	559	559
<i>Financial liabilities</i>			
<i>Derivative instruments at fair value through profit or loss</i>			
Foreign currency hedging instruments	398,915	-	398,915
<b>2016</b>			
<b>Recurring fair value measurements</b>			
<i>Financial assets</i>			
<i>Available-for-sale financial assets at fair value</i>			
Other investments	-	2,826	2,826
<i>Financial liabilities</i>			
<i>Derivative instruments at fair value through profit or loss</i>			
Foreign currency hedging instruments	124,826	-	124,826

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 4: REVENUE AND OTHER INCOME</b>		
Sales revenue		
Sale of goods	119,399,197	111,285,902
Other revenue		
Interest income	131,387	151,535
Other income	<u>921,748</u>	<u>696,580</u>
	<u><u>120,452,332</u></u>	<u><u>112,134,017</u></u>
<b>NOTE 5: OPERATING PROFIT</b>		
Profit before income tax has been determined after:		
Finance costs		
Interest	299,075	505,522
Amortisation of of borrowing costs	142,908	71,064
Finance lease charges	<u>28,344</u>	<u>28,829</u>
	470,327	605,415
Depreciation	661,482	717,567
Amortisation	989,287	932,158
Bad and doubtful debts	63,905	4,170
Foreign currency translation losses / (gains) recorded in other expenses	160,052	732,803
Employee benefits:		
- Short term benefits	12,219,355	11,078,808
- Share based payments	698,520	-
- Other employee benefits	<u>923,620</u>	<u>870,363</u>
	13,841,495	11,949,171
Disposal of non-current assets		
- (Gain) / loss on sale of property, plant and equipment	(36,021)	32,474

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 6: INCOME TAX</b>		
<b>Components of tax expense</b>		
Current tax	3,361,022	1,436,741
Deferred tax	(63,540)	431,869
Under/(over) provision in prior years	-	(486,098)
	<u>3,297,482</u>	<u>1,382,512</u>
<b>Prima facie tax payable</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0% (2016: 30.0%)	2,850,588	1,599,428
Add tax effect of:		
- intangible assets	295,968	279,647
- non deductible expenses	217,397	4,118
- deferred tax arising from provisions assumed as part of acquisition	(39,772)	-
- differences in overseas tax rate	(26,699)	(14,583)
- under provision for income tax in prior year	-	(486,098)
Income tax expense attributable to profit	<u>3,297,482</u>	<u>1,382,512</u>
<b>Deferred tax</b>		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
Employee benefits	470,166	384,510
Property, plant and equipment	33,471	39,592
Accruals and provisions	535,982	463,604
Other	31,824	111,568
Finance lease liability	<u>42,819</u>	<u>92,979</u>
	<u>1,114,262</u>	<u>1,092,253</u>
<i>Deferred tax liabilities</i>		
Property, plant and equipment	116,556	136,904
Foreign currency exchange	<u>29,600</u>	<u>51,451</u>
	<u>146,156</u>	<u>188,355</u>
Net deferred tax assets / (liabilities)	<u>968,106</u>	<u>903,898</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION</b>		
Compensation received by key management personnel of the group	<u>1,339,871</u>	<u>1,205,208</u>
<b>NOTE 8: DIVIDENDS</b>		
Dividends paid at \$0.56 per share (2016: \$NIL) fully franked at 30%	<u>3,804,056</u>	<u>-</u>
<b>NOTE 9: CASH AND CASH EQUIVALENTS</b>		
Cash on hand	2,379	1,974
Cash at bank	<u>14,762,612</u>	<u>15,379,481</u>
	<u>14,764,991</u>	<u>15,381,455</u>
<b>NOTE 10: RECEIVABLES</b>		
<b>CURRENT</b>		
Trade debtors	19,739,679	18,375,718
Amounts receivables from:		
- employees	<u>100,000</u>	<u>-</u>
	<u>19,839,679</u>	<u>18,375,718</u>
<b>NON CURRENT</b>		
Amounts receivable from:		
- employees	<u>80,000</u>	<u>180,000</u>
<b>NOTE 11: INVENTORIES</b>		
<b>CURRENT</b>		
<i>At cost</i>		
Finished goods	<u>31,348,019</u>	<u>26,617,666</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 12: OTHER ASSETS</b>		
<b>CURRENT</b>		
Prepayments	142,685	124,853
Other current assets	<u>126,842</u>	<u>39,428</u>
	<u><u>269,527</u></u>	<u><u>164,281</u></u>
<b>NOTE 13: OTHER FINANCIAL ASSETS</b>		
<b>NON CURRENT</b>		
<i>Available-for-sale financial assets</i>		
Other investments	559	2,826
<i>Held to maturity financial assets</i>		
Term deposits	<u>-</u>	<u>306,806</u>
	<u><u>559</u></u>	<u><u>309,632</u></u>
<b>NOTE 14: PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold improvements at cost	281,387	274,998
Accumulated depreciation	<u>(247,831)</u>	<u>(200,192)</u>
	<u>33,556</u>	<u>74,806</u>
Plant and equipment at cost	3,881,054	3,291,779
Accumulated depreciation	<u>(2,165,139)</u>	<u>(1,684,777)</u>
	1,715,915	1,607,002
Building improvements at cost	40,100	40,100
Accumulated depreciation	<u>(7,758)</u>	<u>(6,929)</u>
	32,342	33,171
Motor vehicles at cost	2,535,681	2,403,082
Accumulated depreciation	<u>(1,072,739)</u>	<u>(966,638)</u>
	<u>1,462,942</u>	<u>1,436,444</u>
Total property, plant and equipment	<u><u>3,244,755</u></u>	<u><u>3,151,423</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
<b>Reconciliations</b>		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year		
<i>Leasehold improvements</i>		
Opening carrying amount	74,806	113,513
Additions	-	21,175
Depreciation expense	<u>(41,250)</u>	<u>(59,882)</u>
Closing carrying amount	<u><u>33,556</u></u>	<u><u>74,806</u></u>
<i>Plant and equipment</i>		
Opening carrying amount	1,607,002	1,645,544
Additions	206,566	352,933
Disposals	(4,739)	(22,680)
Additions through acquisition of subsidiaries	237,884	-
Depreciation expense	<u>(330,798)</u>	<u>(368,795)</u>
Closing carrying amount	<u><u>1,715,915</u></u>	<u><u>1,607,002</u></u>
<i>Building improvements</i>		
Opening carrying amount	33,171	34,022
Depreciation expense	<u>(829)</u>	<u>(851)</u>
Closing carrying amount	<u><u>32,342</u></u>	<u><u>33,171</u></u>
<i>Motor vehicles</i>		
Opening carrying amount	1,436,444	1,514,484
Additions	450,136	358,491
Disposals	(182,546)	(141,604)
Additions through acquisition of subsidiaries	47,513	-
Depreciation expense	<u>(288,605)</u>	<u>(294,927)</u>
Closing carrying amount	<u><u>1,462,942</u></u>	<u><u>1,436,444</u></u>

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

Refer to note 17 for information on non-current assets pledged as security by the group.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<b>NOTE 15: INTANGIBLE ASSETS</b>		
Goodwill	3,179,944	754,573
Brand name	1,084,000	-
Importation rights	10,730,000	10,730,000
Accumulated amortisation and impairment	<u>(4,528,350)</u>	<u>(3,598,740)</u>
	6,201,650	7,131,260
Patents and trademarks	14,254	-
Accumulated amortisation and impairment	<u>(6,438)</u>	<u>-</u>
	7,816	-
Customer relationships	2,273,000	-
Accumulated amortisation and impairment	<u>(56,825)</u>	<u>-</u>
	<u>2,216,175</u>	<u>-</u>
Total intangible assets	<u><u>12,689,585</u></u>	<u><u>7,885,833</u></u>

**Reconciliations**

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

*Goodwill*

Opening balance	754,573	754,573
Additions	<u>2,425,371</u>	<u>-</u>
Closing balance	<u><u>3,179,944</u></u>	<u><u>754,573</u></u>

*Brand name*

Opening balance	-	-
Additions	<u>1,084,000</u>	<u>-</u>
Closing balance	<u><u>1,084,000</u></u>	<u><u>-</u></u>

*Importation rights*

Opening balance	7,131,260	8,063,418
Amortisation expense	<u>(929,610)</u>	<u>(932,158)</u>
Closing balance	<u><u>6,201,650</u></u>	<u><u>7,131,260</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
<b>NOTE 15: INTANGIBLE ASSETS (CONTINUED)</b>		
<b>Reconciliations (Continued)</b>		
<i>Patents and trademarks</i>		
Opening balance	-	-
Additions	10,668	-
Amortisation expense	<u>(2,852)</u>	<u>-</u>
Closing balance	<u><u>7,816</u></u>	<u><u>-</u></u>
<i>Customer relationships</i>		
Opening balance	-	-
Additions	2,273,000	-
Amortisation expense	<u>(56,825)</u>	<u>-</u>
Closing balance	<u><u>2,216,175</u></u>	<u><u>-</u></u>

Refer to note 24 for details of intangible assets recognised on acquisition of M.P.C Mags & Tyres Pty Ltd.

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

**NOTE 16: PAYABLES**

**CURRENT**

*Unsecured liabilities*

Trade creditors	23,324,688	24,566,440
Deferred consideration	300,000	-
Sundry creditors and accruals	<u>1,736,804</u>	<u>800,226</u>
	<u><u>25,361,492</u></u>	<u><u>25,366,666</u></u>

**NON CURRENT**

*Unsecured liabilities*

Deferred consideration	1,750,000	-
Sundry creditors and accruals	<u>400,548</u>	<u>-</u>
	<u><u>2,150,548</u></u>	<u><u>-</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>NOTE 17: BORROWINGS</b>		
<b>CURRENT</b>		
<i>Secured liabilities</i>		
Bank loans	1,200,000	3,038,936
Finance lease liability	<u>154,530</u>	<u>225,860</u>
	<u><b>1,354,530</b></u>	<u><b>3,264,796</b></u>
<b>NON CURRENT</b>		
<i>Secured liabilities</i>		
Bank loans	6,580,000	3,268,156
Finance lease liability	<u>232,261</u>	<u>320,767</u>
	<u><b>6,812,261</b></u>	<u><b>3,588,923</b></u>

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

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

**Bank loan security**

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

The group entered into a new loan facility during the year, increasing the facility limit from \$4,330,000 to \$8,080,000. The facility has an expiry date of 31 March 2020.

The additional debt drawn during the year was primarily used to finance the acquisition of M.P.C Mags and Tyres Pty Ltd. Refer to note 24 for further details of this business combination.

**Finance leases**

The group leases various plant and equipment with a carrying value of \$611,537 (2016: \$661,450) under finance leases expiring within one to four years. Under the terms of the leases, the group has the option to acquire the leased assets on expiry of the leases.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 18: PROVISIONS</b>		
<b>CURRENT</b>		
Employee benefits	1,293,469	1,040,626
Warranties	<u>682,397</u>	<u>624,675</u>
	<u><u>1,975,866</u></u>	<u><u>1,665,301</u></u>
<b>NON CURRENT</b>		
Employee benefits	275,863	244,212
Warranties	<u>1,019,199</u>	<u>912,665</u>
	<u><u>1,295,062</u></u>	<u><u>1,156,877</u></u>

**NOTE 19: OTHER FINANCIAL LIABILITIES**

**CURRENT**

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

Foreign currency hedging instruments	<u>398,915</u>	<u>124,826</u>
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The group purchases inventory from the United States. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase US dollars. These contracts do not satisfy the requirements for hedge accounting.

**NOTE 20: OTHER LIABILITIES**

**CURRENT**

Straight line lease liability	<u>48,085</u>	<u>147,102</u>
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**NON CURRENT**

Straight line lease liability	<u>85</u>	<u>47,072</u>
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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>NOTE 21: SHARE CAPITAL</b>		
Issued and paid-up capital		
Ordinary share capital	<u>18,941,673</u>	<u>18,941,673</u>

**Rights of each type of share**

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

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

**Share options**

Information relating to the employee share option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in note 25.

**NOTE 22: RESERVES**

Foreign currency translation reserve	231,424	232,997
Share based payments reserve	2,091,939	1,948,253
Other reserves	<u>(356,743)</u>	<u>(356,743)</u>
	<u>1,966,620</u>	<u>1,824,507</u>

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>NOTE 23: CASH FLOW INFORMATION</b>		
<b>Reconciliation of cash flow from operations with profit after income tax</b>		
Profit from ordinary activities after income tax	6,204,479	3,948,913
<b>Adjustments and non-cash items</b>		
Amortisation	989,287	932,158
Depreciation	661,482	717,567
Amortisation of capitalised borrowing costs	142,908	71,064
Net (gain) / loss on disposal of property, plant and equipment	(36,021)	32,474
Non-cash employee benefits expense - share-based payments	698,520	-
Bad debts	63,905	4,170
Net foreign exchange differences	264,389	872,266
<b>Changes in assets and liabilities net of effects from purchase of controlled entity</b>		
(Increase) / decrease in receivables	(445,599)	(915,801)
(Increase) / decrease in other assets	(105,947)	(1,881)
(Increase) / decrease in inventories	(1,458,103)	298,535
Increase / (decrease) in payables	(882,658)	1,584,575
Increase / (decrease) in other liabilities	(216,259)	(135,028)
Increase / (decrease) in income tax payable	384,666	(566,913)
(Increase) / decrease in deferred taxes	(64,208)	(56,823)
Increase / (decrease) in provisions	<u>316,176</u>	<u>255,469</u>
Cash flows from operating activities	<u><u>6,517,017</u></u>	<u><u>7,040,745</u></u>

**Non-cash financing and investing activities**

**Finance leases**

Acquisition of equipment by means of finance leases during the year was \$72,755 (2016: \$120,710).

**NOTE 24: BUSINESS COMBINATION**

On 31 March 2017, the group acquired 50% of the assets and liabilities of M.P.C Mags and Tyres Pty Ltd.

Details of the purchase consideration

	\$
Consideration paid	3,950,000
Deferred consideration	<u>2,050,000</u>
Total purchase consideration	<u><u>6,000,000</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 24: BUSINESS COMBINATION (CONTINUED)**

**Assets and liabilities acquired**

Assets and liabilities acquired as a result of the business combination were:

	<b>Recognised on acquisition at fair value \$</b>
Assets and liabilities held at acquisition date:	
- Cash	32,593
- Inventories	3,272,250
- Property, plant and equipment	285,397
- Receivables and other assets	992,234
- Brand name	1,084,000
- Customer relationships	2,273,000
- Trade payables	(578,032)
- Other liabilities	(70,255)
- Provisions	(132,574)
- Finance lease liabilities	<u>(9,354)</u>
Net identifiable tangible assets acquired	7,149,259
Add: Goodwill	2,425,371
Less: Non-controlling interests	<u>(3,574,630)</u>
Total purchase consideration	<u><u>6,000,000</u></u>

The assets acquired and liabilities assumed have been accounted for on a provisional basis as at year end.

The goodwill on acquisition comprises the value of the workforce, future revenues from those customers which are not current and expected and future synergies to be realised as part of the Group.

Goodwill is not deductible for tax purposes.

The following table provides a reconciliation of the opening and closing balances of goodwill for the reporting period.

	<b>Recognised on acquisition at fair value \$</b>
Gross amount	754,573
Less: Accumulated impairment losses	<u>-</u>
Opening carrying amount	754,573
Goodwill acquired during the period	<u>2,425,371</u>
Closing carrying amount	<u><u>3,179,944</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 25: SHARE BASED PAYMENTS**

**Equity-settled share-based payments**

*Employee option plan*

NTAW Senior Executive Option Plan

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

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

**Options issued prior to the 2017 financial year**

2,950,000 options were granted on 1 July 2012. The share options have nil exercise price and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date. The market value of the ordinary shares of National Tyre & Wheel Pty Limited was determined to be \$1.00 at this date. 1,150,000 options were forfeited in prior years, thus 1,800,000 options were on issue at the start of the year.

77,305 options were granted on 1 July 2014. The share options have nil exercise price and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date. The market value of the ordinary shares of National Tyre & Wheel Pty Limited was determined to be \$0.55 at this date.

Series A Options

1,000,000 options were granted on 1 July 2013. The share options have an exercise price of \$1.00 and the fair value of the options was determined to be \$0.22 at this date. Series A options have been replaced by new options granted on 1 July 2016, refer to further details below.

Series B Options

2,080,000 options were granted on 1 July 2014. The share options have an exercise price of \$0.76 and the fair value of the options was determined to be \$0.26 at this date. 20,000 options were forfeited in prior years, thus 2,060,000 options were on issue at the start of the year. Series B options have been replaced by new options (Series E) granted on 1 July 2016, refer to further details below.

Series C Options

100,000 options were granted on 1 July 2015. The share options have an exercise price of \$0.62 and the fair value of the options was determined to be \$0.15 at this date. 10,000 options were forfeited in prior years, thus 90,000 options were on issue at the start of the year. Series C options have been replaced by new options (Series E) granted on 1 July 2016, refer to further details below.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 25: SHARE BASED PAYMENTS (CONTINUED)**

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

*Employee option plan (Continued)*

**Options issued during the 2017 financial year**

Series D Options

220,000 options were granted on 1 July 2016. The share options have an exercise price of \$0.51 and the fair value of the options was determined to be \$0.09 at this date.

Series E Options

2,150,000 options were granted on 1 July 2016. The share options have an exercise price of \$0.51 and the fair value of the options was determined to be \$0.09 at this date. These options were granted in replacement of Series B and Series C options previously granted.

Other Options

1,324,339 options were granted on 1 July 2016. The share options have no exercise price and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date. The market value of the ordinary shares of National Tyre & Wheel Pty Limited was determined to be \$0.40 at this date. 1,000,000 of these options were granted in replacement of Series A options previously granted.

1,000,000 options were granted on 30 June 2017. The share options have no exercise price and the fair value of the options is based on the valuation of National Tyre & Wheel Pty Limited at grant date. The market value of the ordinary shares of National Tyre & Wheel Pty Limited was determined to be \$0.61 at this date.

All share options are being expensed over the expected vesting period at time of the grant date.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**NOTE 25: SHARE BASED PAYMENTS (CONTINUED)**

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

*Employee option plan (Continued)*

Details of the options granted are provided below:

**2017**

Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Forfeited during the year	Balance at the end of the year
1/07/2012	1/07/2022	\$ -	1,800,000	-	-	1,800,000
1/07/2013	1/07/2022	\$ 1.00	1,000,000	-	(1,000,000)	-
1/07/2014	1/07/2022	\$ 0.76	2,060,000	-	(2,060,000)	-
1/07/2014	1/07/2022	\$ -	77,305	-	-	77,305
1/07/2015	1/07/2022	\$ 0.62	90,000	-	(90,000)	-
1/07/2016	1/07/2022	\$ 0.51	-	220,000	-	220,000
1/07/2016	1/07/2022	\$ 0.51	-	2,150,000	-	2,150,000
1/07/2016	1/07/2022	\$ -	-	1,324,339	-	1,324,339
30/06/2017	1/07/2022	\$ -	-	1,000,000	-	1,000,000
			<u>5,027,305</u>	<u>4,694,339</u>	<u>(3,150,000)</u>	<u>6,571,644</u>

**2016**

1/07/2012	1/07/2022	\$ -	1,800,000	-	-	1,800,000
1/07/2013	1/07/2022	\$ 1.00	1,000,000	-	-	1,000,000
1/07/2014	1/07/2022	\$ 0.76	2,080,000	-	(20,000)	2,060,000
1/07/2014	1/07/2022	\$ -	77,305	-	-	77,305
1/07/2015	1/07/2022	\$ 0.62	-	100,000	(10,000)	90,000
			<u>4,957,305</u>	<u>100,000</u>	<u>(30,000)</u>	<u>5,027,305</u>

*Expenses recognised from share-based payment transactions*

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Options issued under the NTAW Senior Executive Option plan	1,043,793	-
Options forfeited during the year	(745,273)	-
Cash payments made / accrued on forfeiture of options	<u>400,000</u>	-
Total expenses recognised from share-based payment transactions	<u>698,520</u>	-

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 26: CAPITAL AND LEASING COMMITMENTS</b>		
Finance leasing commitments		
Payable		
- not later than one year	168,224	247,350
- later than one year and not later than five years	<u>243,138</u>	<u>336,804</u>
Minimum lease payments	411,362	584,154
Less future finance charges	<u>(24,571)</u>	<u>(37,527)</u>
Total finance lease liability	<u>386,791</u>	<u>546,627</u>
Represented by:		
Current liability	154,530	225,860
Non-current liability	<u>232,261</u>	<u>320,767</u>
	<u>386,791</u>	<u>546,627</u>

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

Operating lease commitments

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

Payable		
- not later than one year	2,649,609	2,922,437
- later than one year and not later than five years	<u>4,584,033</u>	<u>3,070,440</u>
	<u>7,233,642</u>	<u>5,992,877</u>

The Group leases various office and warehouse locations under non-cancellable leases, with rent payable monthly in advance. All leases are due to expire within 5 years. One property has a contingent rental provision requiring that the minimum lease payments shall be increased by 3% annually. Contingent rental provisions within the lease agreements of remaining properties require that the minimum lease payments shall be increased by CPI.

**NOTE 27: CONTINGENT LIABILITIES**

A contingent liability exists for bank guarantees for some of the group's leased premises. The total contingent liability at 30 June 2017 is \$2,365,638 (2016: \$2,798,492).

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>NOTE 28: PARENT ENTITY DETAILS</b>		
Summarised presentation of the parent entity, National Tyre & Wheel Pty Limited financial statements:		
<b>Summarised consolidated statement of financial position</b>		
<b>Assets</b>		
Current assets	1,788,238	3,815,392
Non-current assets	<u>71,868,640</u>	<u>70,194,593</u>
Total assets	<u>73,656,878</u>	<u>74,009,985</u>
<b>Liabilities</b>		
Current liabilities	1,819,209	1,300,181
Non-current liabilities	<u>6,593,997</u>	<u>2,785,220</u>
Total liabilities	<u>8,413,206</u>	<u>4,085,401</u>
Net assets	<u>65,243,672</u>	<u>69,924,584</u>
<b>Equity</b>		
Share capital	67,001,030	67,001,030
Retained earnings	(3,849,297)	975,301
Share based payments reserve	<u>2,091,939</u>	<u>1,948,253</u>
Total equity	<u>65,243,672</u>	<u>69,924,584</u>
<b>Summarised consolidated statement of profit or loss and other comprehensive income</b>		
(Loss) / profit for the year	(1,175,376)	575,090
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(1,175,376)</u>	<u>575,090</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**2017**                      **2016**  
**\$**                                      **\$**

**NOTE 29: DEED OF CROSS GUARANTEE**

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

- National Tyre & Wheel Pty Limited
- Exclusive Tyres Distributors Pty Ltd
- Exclusive Tyre Distributors (NZ) Limited

Pursuant to ASIC Class Order 98/1418 (as amended), the wholly-owned subsidiaries listed above are relieved from the Corporations Act requirements to prepare a financial report and director's report.

A consolidated statement of comprehensive income and a consolidated statement of financial position for the year ended 30 June 2017, comprising the above listed parties to the deed which represent the "closed group" and the "extended closed group", are set out below:

**Consolidated Statement of Profit or Loss and Other Comprehensive Income of the closed group**

**Revenue and other income**

Sales revenue	104,436,745	101,209,202
Other revenue	1,566,077	726,526
	<u>106,002,822</u>	<u>101,935,728</u>

**Less: expenses**

Cost of sales	(71,801,770)	(73,789,966)
Depreciation and amortisation expense	(1,507,694)	(1,592,790)
Employee benefits expense	(11,790,778)	(10,191,743)
Occupancy expenses	(3,073,168)	(3,120,951)
Marketing expense	(4,795,346)	(3,564,773)
Finance costs	(460,827)	(597,620)
Insurance expense	(328,438)	(359,425)
Legal and professional fees	(234,967)	(101,878)
Other expenses	<u>(3,826,234)</u>	<u>(4,185,352)</u>
	<u>(97,819,222)</u>	<u>(97,504,498)</u>

**Profit before income tax expense**

	8,183,600	4,431,230
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Income tax expense

	<u>2,743,469</u>	<u>1,101,458</u>
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**Profit for the year**

	<u>5,440,131</u>	<u>3,329,772</u>
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**Other comprehensive income**

Exchange differences on translation of foreign operations	(1,573)	249,766
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**Total comprehensive income for the year**

	<u>5,438,558</u>	<u>3,579,538</u>
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**NATIONAL TYRE & WHEEL PTY LIMITED AND CONTROLLED ENTITIES**  
**ABN 97 095 843 020**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>NOTE 29: DEED OF CROSS GUARANTEE (CONTINUED)</b>		
<b>Summary of movements in consolidated retained earnings of the closed group</b>		
<b>Retained earnings at the beginning of the year</b>	13,156,317	9,826,545
Profit for the year	5,440,131	3,329,772
Dividend paid	(3,804,056)	-
Transfer from share based payment reserve to retained earnings	154,834	-
<b>Retained earnings at the end of the year</b>	<u>14,947,226</u>	<u>13,156,317</u>
<b>Consolidated Statement of Financial Position of the closed group</b>		
<b>Current assets</b>		
Cash and cash equivalents	12,571,072	13,613,442
Receivables	17,681,691	16,602,073
Inventories	24,900,403	23,375,402
Other current assets	268,727	150,015
Current tax assets	-	253,587
<b>Total current assets</b>	<u>55,421,893</u>	<u>53,994,519</u>
<b>Non-current assets</b>		
Receivables	80,000	180,000
Other financial assets	-	306,806
Investment in subsidiaries	8,832,172	2,832,172
Property, plant and equipment	2,549,045	2,752,972
Intangible assets	6,201,650	7,131,260
Deferred tax assets	858,429	843,192
<b>Total non-current assets</b>	<u>18,521,296</u>	<u>14,046,402</u>
<b>Total assets</b>	<u>73,943,189</u>	<u>68,040,921</u>
<b>Current liabilities</b>		
Payables	24,297,605	24,521,058
Borrowings	1,276,838	3,210,632
Provisions	1,678,301	1,544,155
Current tax liabilities	385,459	-
Other financial liabilities	388,112	124,326
Other liabilities	48,085	147,102
<b>Total current liabilities</b>	<u>28,074,400</u>	<u>29,547,273</u>
<b>Non-current liabilities</b>		
Payables	2,150,548	-
Borrowings	6,645,891	3,406,389

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>NOTE 29: DEED OF CROSS GUARANTEE (CONTINUED)</b>		
<b>Consolidated Statement of Financial Position of the closed group (Continued)</b>		
Provisions	1,216,746	1,117,690
Other liabilities	<u>85</u>	<u>47,072</u>
<b>Total non-current liabilities</b>	<u>10,013,270</u>	<u>4,571,151</u>
<b>Total liabilities</b>	<u>38,087,670</u>	<u>34,118,424</u>
<b>Net assets</b>	<u>35,855,519</u>	<u>33,922,497</u>
<b>Equity</b>		
Share capital	18,941,673	18,941,673
Reserves	1,966,620	1,824,507
Retained earnings	<u>14,947,226</u>	<u>13,156,317</u>
<b>Total equity</b>	<u>35,855,519</u>	<u>33,922,497</u>

**NOTE 30: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the group.

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

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 - 41, are in accordance with the *Corporations Act 2001*; and
  - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director: \_\_\_\_\_  
Susanne Smith

Dated this 25th day of October 2017



Level 38  
345 Queen Street  
Brisbane  
Queensland 4000

Postal Address:  
GPO Box 1144  
Brisbane  
Queensland 4001

Tel: 07 3222 8444  
Fax: 07 3221 7779

www.pitcher.com.au  
info@pitcherpartners.com.au

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

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

We have audited the accompanying financial report of National Tyre & Wheel Pty Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities in controlled at the year's end.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

*Opinion*

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

*Pitcher Partners*

PITCHER PARTNERS

*Nigel Batters*

NIGEL BATTERS  
Partner

Brisbane, Queensland  
25 October 2017