



ANNUAL REPORT 2023



NTAW's vision is going further
to help our businesses &
customers win



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Dear Shareholders

The 2023 financial year has been one of contrasting halves. Your Board is able to report that your Company achieved a full year operating net profit after tax and before amortisation of \$8.0 million for the 2023 financial year (2022: \$15.5 million), with \$6.6 million being generated in the second half of the year.

Your Company entered the 2023 financial year in difficult economic circumstances including substantial increases in cost of goods and freight, as well as a disorderly supply chain environment. These factors transitioned to a positive reversal during the year, with lower supplier prices, lower international freight costs and a less erratic supply chain. This, combined with initiatives undertaken by management, resulted in the improved earnings in the second half of the financial year.

Your Company restructured its Australian commercial truck and bus fleet tyre business with the Tyreright network (comprising company owned and licensee stores) and the Black Rubber business partnering to become the primary supplier of new and retreaded tyres, as well as tyre management services, to the Group's commercial truck and bus fleet customers. Black Rubber's partnership with Michelin to establish new commercial retail service centres is another important element of our pursuit of growth in this sector.

As the largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand, your Company understands that success depends on providing an industry leading customer experience and to that end, is constantly developing its market offering through significant advancement of its systems, facilities and human resources.

To preserve cash to invest in working capital requirements, reduce debt levels and fund necessary projects, no dividend was declared for the 2023 financial year. Dividends in the 2024 financial year will depend on profits generated in the year.

Your Company's balance sheet is strong with a net debt position of \$60.2 million at 30 June 2023 and a net debt to equity + debt ratio of 28.9%.

While the economic outlook in Australia is characterised by uncertainty, National Tyre & Wheel has actioned a range of strategic initiatives that will enable it to meet the challenges ahead with confidence and to ensure it is well positioned to enhance its brand and market position. Your Company is well placed to benefit from the structural changes occurring in the industry.

Your Company is committed to executing initiatives to increase earnings, whilst maintaining an interest in new strategic acquisitions and alliances which provide profitable growth to the business.

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

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'M Boyte', written over a light blue horizontal line.

Murray Boyte
Chairman

“

Providing an industry leading
customer experience remains
the focus of NTAW

”





Introduction

During the 2023 financial year (“FY2023”), National Tyre & Wheel Limited and its controlled entities (“NTAW” or “Company” or “Group”) navigated difficult trading conditions, responding with new initiatives and setting the Company on the path to improved profitability.

NTAW has embraced a new vision, *Going further to help our businesses & customers win*. This vision has three key pillars:

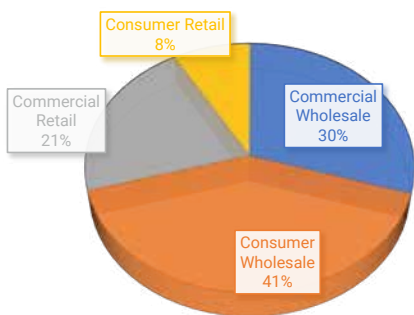
- enabling entrepreneurship within each of the Group’s business units;
- improving customer service; and
- building the value of product brands the Group imports and distributes exclusively.

Operations - Overview

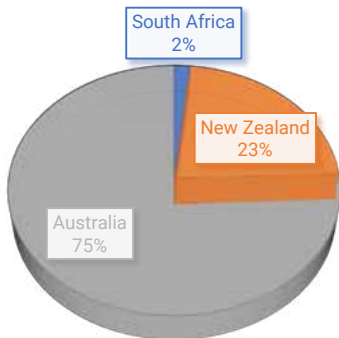
NTAW operates 12 business units in Australia, New Zealand and South Africa specialising in wholesale and retail sales of commercial and consumer tyres and wheels. The commercial category includes heavy and light truck & bus tyres, agricultural and off-the-road tyres, industrial tyres (e.g. forklifts)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

NTAW’s FY2023 business unit revenue segmentation amongst these categories, and amongst Australia, New Zealand and South Africa, can be summarised as follows:

Commercial / Consumer Revenue Segmentation



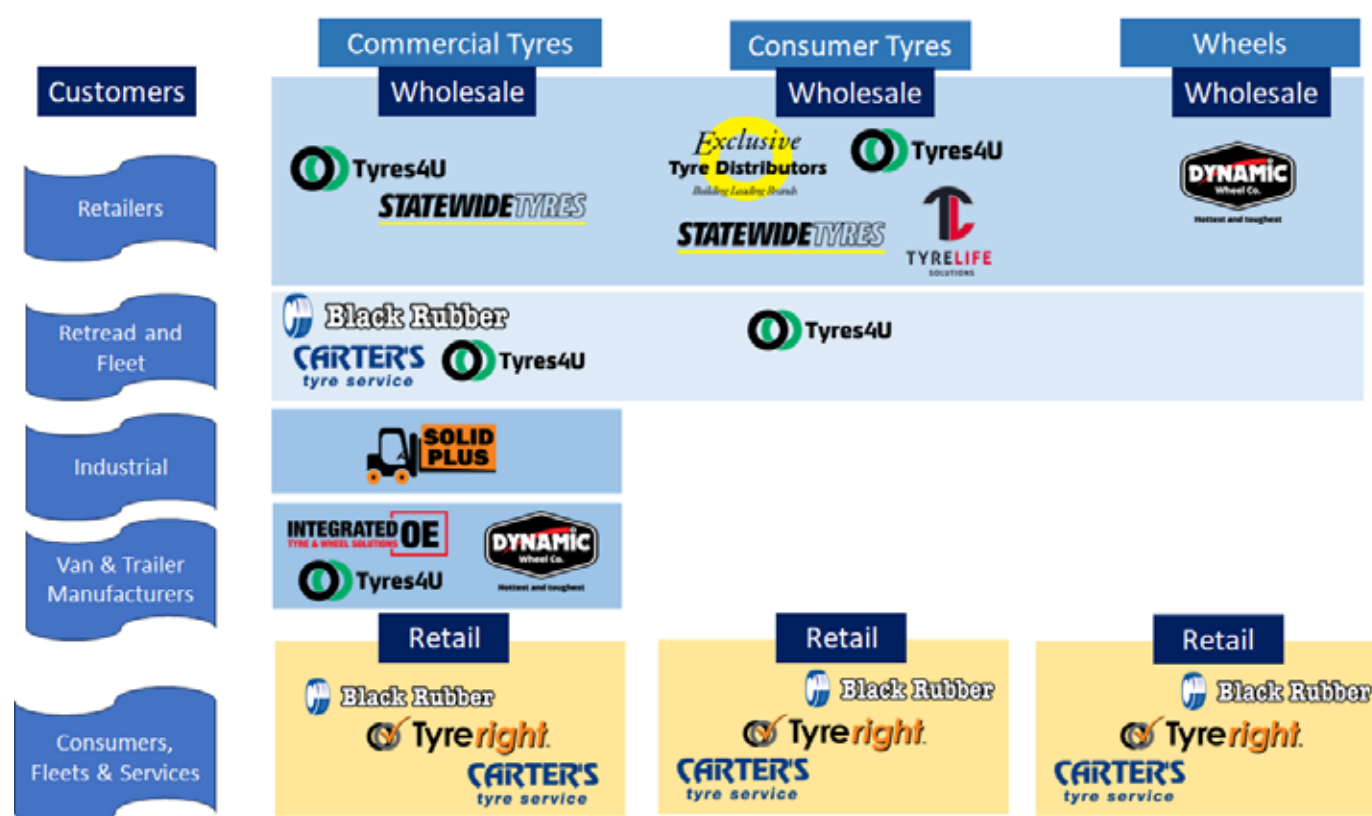
Country Revenue Segmentation



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

The Australian tyre & wheel industry is estimated to generate revenue of approximately \$5.6 billion in 2023 from the sale of more than 20 million tyres and wheels. The wholesale sector of the industry is estimated to generate revenue of approximately \$3.7 billion.

The industry is typically segmented according to *vehicle type and purpose*, which dictate different types of tyres & wheels (the vertical segments in the chart below) and *customers* based on different buying behaviours (the horizontal segments in the chart below). Each of the Group’s business units specialise in offering different products that are fit for different vehicles and provide services that meet the diverse needs of customers with distinct buying behaviours.



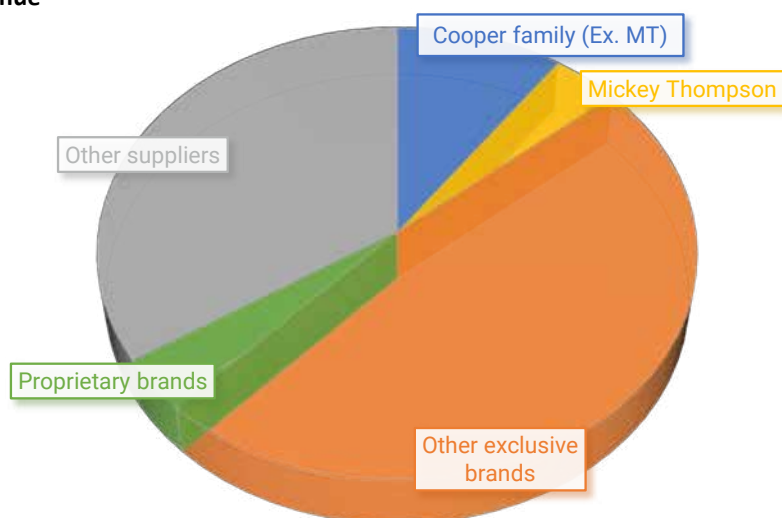
Organising Group activities according to this segmentation of the industry enables each business unit to focus on a winnable segment of the market, seeking a high share of each target market segment. The Group focusses on business units buying well, meeting service level expectations, being easy to deal with and providing loyalty incentives, all essential requirements for competing effectively.

The Group's business units are distinguished by various factors, including:

- Product choice & differentiation;
- Operational excellence;
- Expertise;
- Exclusive and preferred re-seller programs;
- Customer intimacy;
- Tyre performance management (including retreading capability);
- Access to a national distribution footprint; and
- An agile and entrepreneurial culture.

NTAW distributes a diversified portfolio of fit for purpose products with more than 40 brands being exclusively imported with many of these supplier relationships having existed for more than 25 years. The Group's ability to promote brands from multiple suppliers differentiates it from major manufacturer suppliers whose product offering is necessarily limited to the single brand they produce.

FY23 Supplier Mix by Revenue



Sample of Suppliers



The business units are supported by shared service units, comprising supply chain & logistics, innovation & IT and finance & administration.

The Group employs over 850 people mainly in logistics, sales & marketing, trades and other support services.

Operations - 2023 Financial Year

NTAW reported a net loss after tax and before amortisation of \$0.5 million for the six months ended 31 December 2022. Your Company executed several initiatives in the second half of the financial year in response to these conditions, contributing to an improved financial performance of the Group, reporting a net profit after tax and before amortisation of \$6.0 million in 2H23, totalling \$5.5 million for FY2023.

This lower result compared to previous years, and an unusual seasonality of earnings, reflecting a difficult operating environment in 1H23, arising from:

- unprecedented increases in the cost of goods attributable to a significant rise in oil prices;
- unprecedented increases in shipping costs attributable to pandemic related shortages of ships, dislocation of containers, volatile demand and higher fuel costs;
- supply chain disruption attributable to post pandemic supply and demand imbalance; and
- labour shortages having adverse impacts on costs and service levels.

The size and cadence of increases in the cost of goods was too large to be covered, in a timely manner by higher selling prices, and gross profit margins suffered in 1H23. Unpredictable lead times meant inventory was often either too low or too high with adverse impacts on volume and revenue throughout the year.

The Group's operating environment improved in 2H23 – shipping costs fell as rapidly as they had risen, selling price rises went some way to recovering lost margin (assisted by an improvement in the AUD/USD exchange rate), oil prices declined, suppliers offered more attractive prices and labour market shortages became less severe.

Operational and strategic initiatives undertaken by your Company during the year included:

- entering into a partnership agreement with Michelin which, together with a new alliance between Tyres4U, Tyreright and Black Rubber, is designed to grow the Group's commercial truck and bus fleet business;
- focussing on exclusive imported brands, offering products covering multiple price points;
- pursuing improved customer service via:
 - decentralisation of Marketing and People & Culture activities;
 - completing warehouse consolidation in Brisbane with the consolidation of Perth warehouses to be completed in 1H24; and
 - consolidated freight management arrangements for all business units;
- continuing the migration of all business units to the same finance & administration, data management and IT platform;
- continuing to roll out more sophisticated procurement processes; and
- further rationalisation and cost reduction via the sale/closure of Tyreright stores.

Your Company is fostering a culture of entrepreneurship in the operating business units, with the aim of improving customer service levels and offering a select group of exclusive, imported brands in the winnable segments of the marketplace.

Financial Results – 2023 Financial Year

Your Company delivered operating net profit after tax and before amortisation ("NPATA") of \$8.0 million in FY2023 (FY2022: \$15.5 million). Revenue amounted to \$582 million (FY2022: \$556 million).

Operating EBITDA¹ was \$38.8 million (FY2022: \$44.9 million). Earnings per share was 5.7 cents based on Operating NPATA (FY2022: 12.7 cents per share). The Group's statutory NPATA attributable to NTA shareholders mounted to \$5.5 million (FY2022: \$11.1 million).

Finance costs increased from the prior year due to higher debt levels for the entire financial year and rising interest rates.

The following table summarises the key financial metrics for the Group:

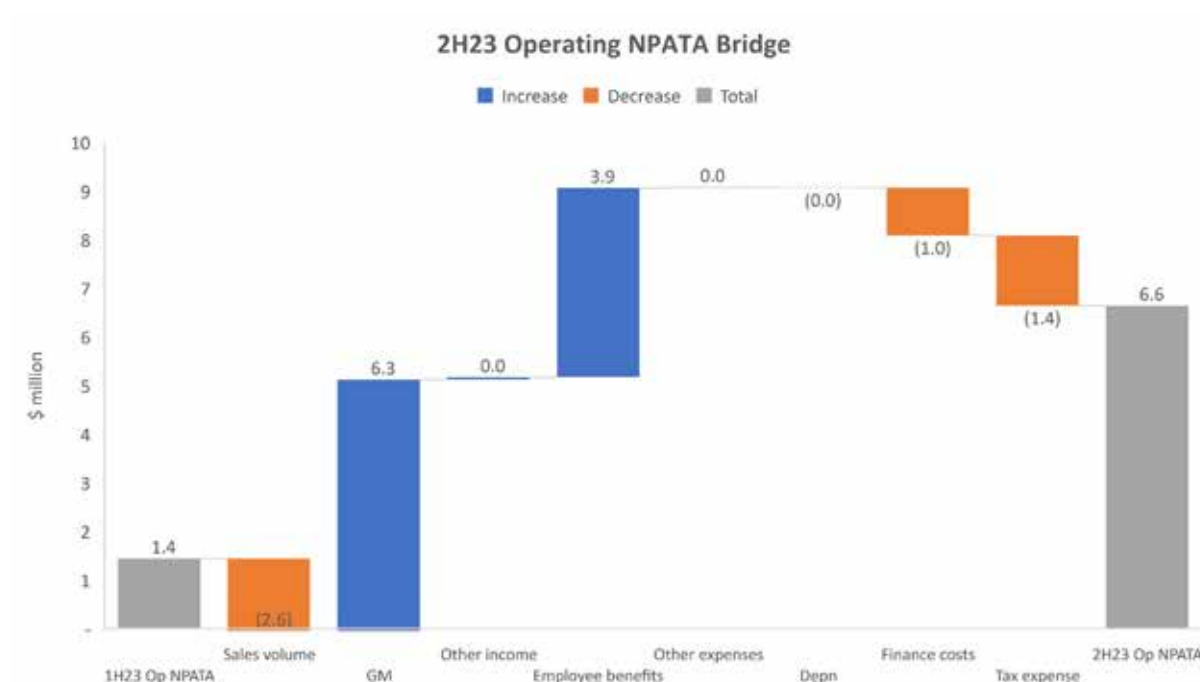
¹Refer to table on the next page.

Financial Highlights	FY23	FY22
Gross profit margin	28.1%	28.5%
Operating costs as a % of revenue	21.9%	21.2%
EBITDA (\$ million)	36.3	40.5
EBITDA margin	6.2%	7.3%
NPATA (\$ million)	5.5	11.1
Operating NPATA (\$ million)	8.0	15.5
Basic EPS (cents)	2.5	7.7
Dividend per share (cents)	-	4.5
Net debt (\$ million)	60.2	60.0
Net debt:debt+equity	28.9%	28.8%
NTA per share (cents)	50.9	48.8
Operating cash flow (\$ million)	24.2	11.8
Interest cover (times)	4.3x	8.1x

The following table reconciles Statutory EBITDA to Operating EBITDA, adjusting for \$2.6 million of non-recurring costs in FY2023.

Reconciliation of Reported EBITDA to Operating EBITDA		
\$'000	FY23	FY22
Net profit after tax	2,895	9,569
Income tax expense	960	4,995
Net profit before tax	3,855	14,564
Finance costs (net)	8,379	5,010
Reported EBIT	12,234	19,574
Depreciation and amortisation	24,040	20,904
Reported EBITDA	36,274	40,478
IT project implementation costs	1,203	2,522
Store disposals and redundancy costs	710	-
Warehouse consolidation costs	457	1,207
Unrealised FX loss/(gain)	185	(85)
Acquisition costs	-	736
Operating EBITDA	38,829	44,858

The following chart presents a bridge from 1H23 Operating NPATA to 2H23 Operating NPATA, highlighting the turnaround experienced during the year with improved gross margin (albeit with reduced sales volumes) and significant reduction in employee benefits expense.



NTAW has a strong balance sheet with total assets of \$376.0 million and net assets of \$115.3 million at 30 June 2023 (Jun-22: \$112.5 million). The net debt position at 30 June 2023 was \$60.2 million (Jun-22: \$60.0 million) and a net debt to Equity + debt ratio of 28.9%.

No dividend has been declared for FY2023, with your Company preserving cash in a low growth environment. The Company has \$19.0 million worth of available franking credits.

Outlook

The Group expects that deeper relationships with core brands should lead to more engagement in product development as well as more favourable pricing and terms.

The Australian retail sector is dominated by small businesses owned by baby boomers approaching retirement and the Group expects this will lead to a generational change of store ownership. New owners will be particularly attuned to the role of online purchase pathways and the importance of digital assets, presenting opportunities for the Group to build deeper customer relationships via collaborations responding to these trends.

Tyre consumers are becoming more knowledgeable about products, and more aware of sources of information beyond the tyre shop counter. Interrupting or informing the virtual part of the consumer purchase journey will be increasingly important and NTAW is investing in services to assist its B2B customers' response to this trend.

NTAW is positioning the Group to ensure that it can benefit from opportunities that may emerge from these market dynamics.

In particular, your Company remains focused on executing the following strategic initiatives:

- concentrating on exclusive, imported brands and reducing substitutable products in the Group's portfolio;
- increasing revenue from the re-organisation of the Group's commercial fleet business and leverage from retreading capabilities;
- improving service levels to customers;
- gaining cost and time efficiencies, and improve service levels, from warehouse consolidations;
- managing all discretionary expenditure; and
- optimising business structures and operating methods in a decentralised model.

These initiatives are expected to underpin earnings growth for the 2024 financial year.

Acknowledgements

It has been a year of difficult trading conditions for your Company, particularly in the first six months, which in turn creates new and additional challenges for our people. The workforce embraced the challenges and changes required during the 2023 financial year, which has been critical in your Company achieving the financial result achieved, as well as 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 enhancing customer experiences and our Group-wide commitment to building up our product brands.

NTAW employees have had to deal with an extremely challenging operating environment in FY2023, testing their resolve and commitment. It has been very gratifying to see them pass those tests with distinction, ensuring that the Group finished the year on a much better trajectory. The continuing support and patience of our suppliers, customers and shareholders helped the Group navigate difficult times and that has also been very gratifying.

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

Yours faithfully



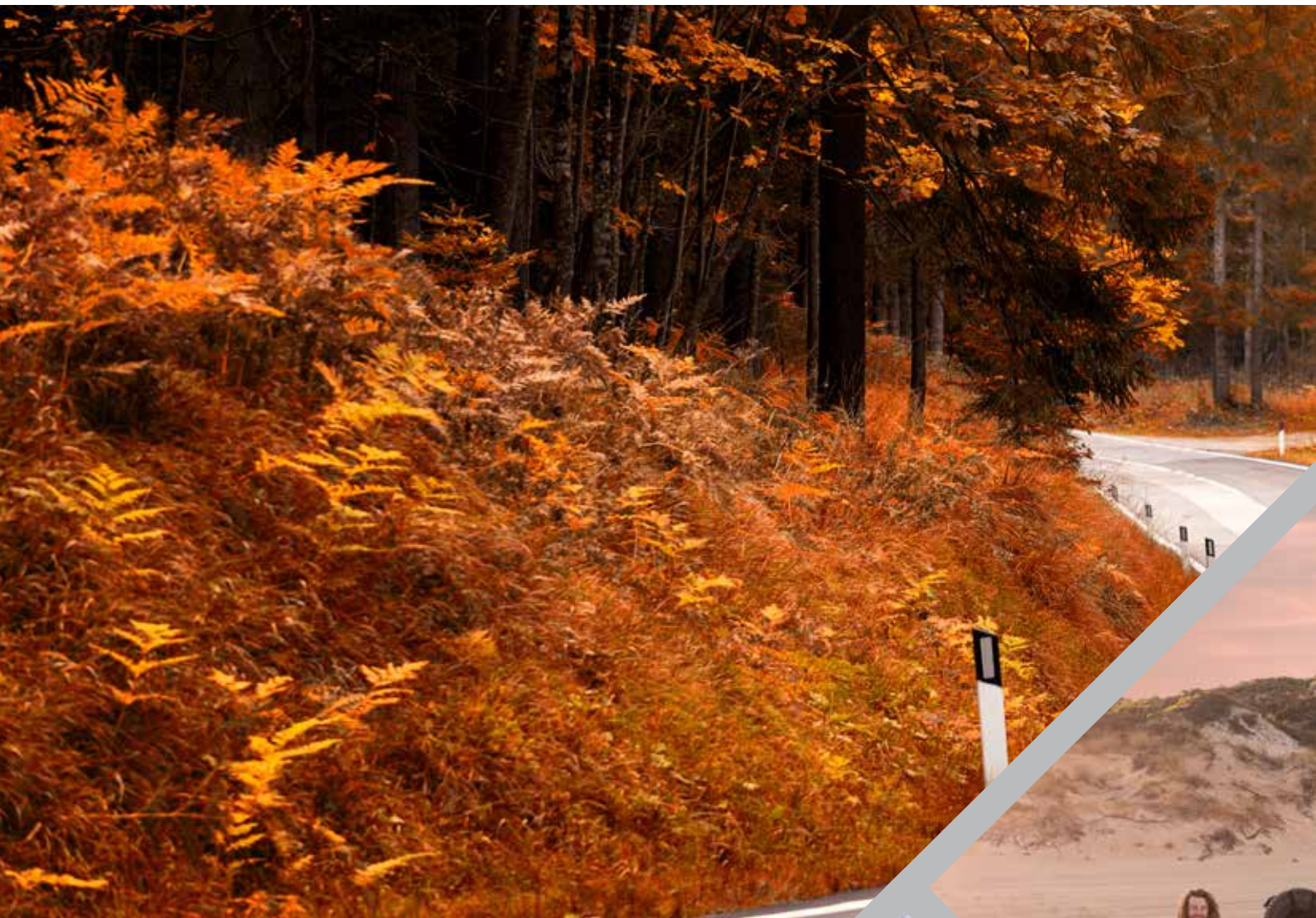
Peter Ludemann

“

NTAW is focussed on exclusive imported brands, offering products covering multiple price points

”







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 2023.

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-Independent, Non-Executive Director
Bill Cook	Non-Executive Director
Robert Kent	Non-Executive Director (July 2022 – January 2023); Executive Director (February 2023 – June 2023)

Principal activities

The principal activity of the Group during the financial year ended 30 June 2023 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");
- Tyres4U Pty Ltd ("Tyres4U AU");
- Tyres4U (NZ) Ltd ("Tyres4U NZ");
- 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").

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:

	2023 \$'000	2022 \$'000
Final dividend	1,981	5,715
Interim dividend	-	3,950
	1,981	9,665

At the date of signing these financial statements, there has been no dividend's declared in respect of the 2023 financial year by the Company and no dividend's payable.

Operating and financial review

Review of operations

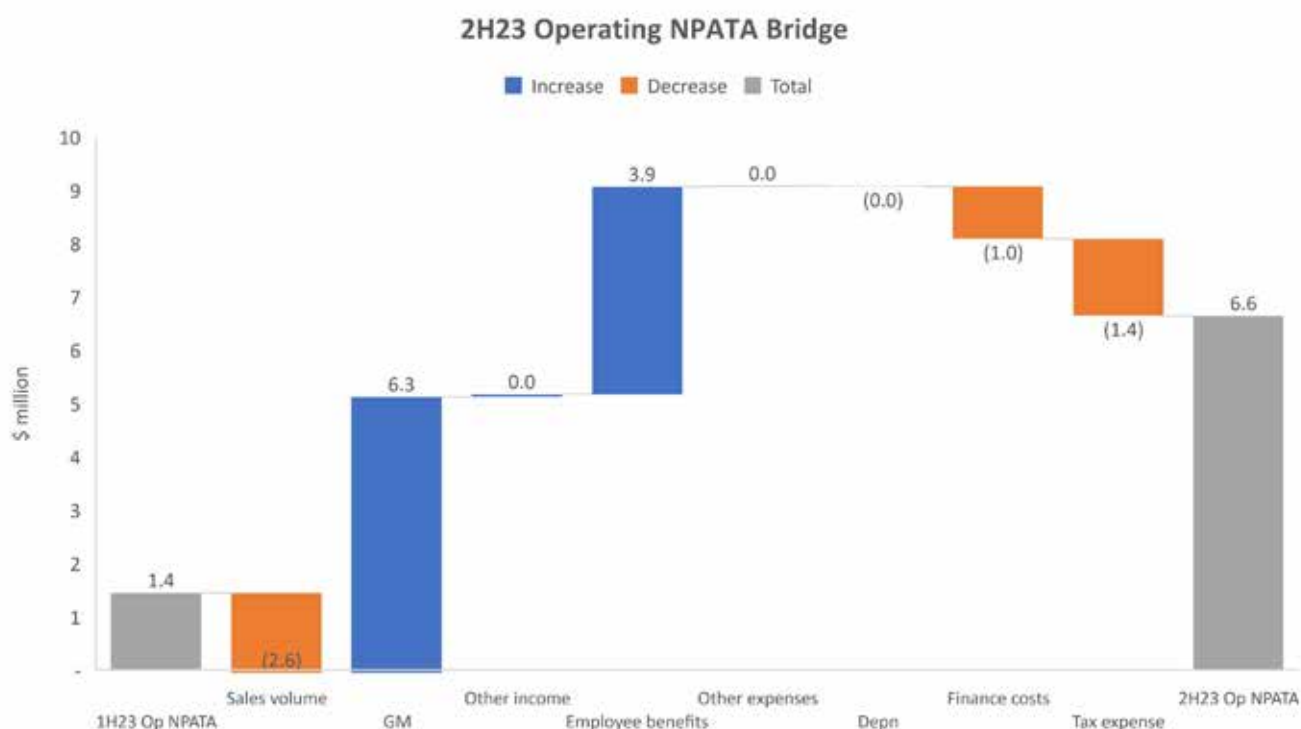
NTAW experienced difficult trading conditions in 1H23 as:

- the cost of goods rose dramatically in response to steep increases in the price of oil, a substantial raw material in tyre manufacture;
- inbound freight costs rose at an unprecedented rate;
- outbound freight costs also rose with higher fuel prices and a shortage of drivers;
- supplier lead times became unusually volatile, particularly for USA sourced products; and
- labour shortages had a negative impact on service levels.

The Group's selling prices increased throughout FY23 at a rate that the market could tolerate, being slower than the speed at which the cost of goods and freight rose, resulting in a substantial reduction on 1H23 earnings, compared to 1H22.

NTAW responses included the aforementioned selling price rises, a review of freight management, cost savings and a shift away from digital transformation to a focus on customer service levels.

In 2H23, the cost of freight fell dramatically, there was a modest decline in cost of goods, higher selling prices improved gross margins and overhead expenses reduced. As a result, NTAW's financial performance improved in 2H23, illustrated in the following bridge analysis:



Between 1H23 and 2H23, gross profit margin was 2% higher, people costs reduced by \$3.9 million (despite wages growth) and Operating NPATA increased by \$5.2m (370%).

In FY23, NTAW achieved revenue of \$582.3 million, including a full year contribution of Carter's (6 months in FY22) and Black Rubber (8 months in FY22). Revenue from Australian wholesale operations fell due to constrained supply in 1H23 (which continued in 2H23 for USA sourced products), the volume impact of price rises and the shift to selling less at a higher gross margin. Revenue losses were mostly offset by improved gross profit margins.

In July 2023, the Group announced a partnership agreement had been reached with Michelin to facilitate a re-organisation of the commercial fleet activities of Black Rubber, Tyreright and Tyres4U. This partnership is designed to enhance the value of the Group's truck and bus fleet proposition, with a range of fit-for-purpose tyres, environmentally sustainable retread manufacture as well as related services and tyre performance management.

The migration of all NTAW business units to common finance & administration and data management IT platforms continued during the year and is expected to be completed by December 2023 when all business units will be on the same platform.

The Group's gross debt of \$93.2m at 30 June 2023 stayed relatively consistent during FY2023 which, with rising interest rates, saw the Group's FY2023 finance costs increase by \$3.3m (65%) compared to FY2022.

Results highlights

NTAW has reported total revenue of \$582.3m (2022: \$555.5m) for the financial year, an increase of \$26.8m (4.8%) on the prior year.

NTAW's statutory profit for the Group after providing for income tax and non-controlling interests amounted to \$2.9m (2022: \$9.6m).

NTAW has a strong balance sheet with net assets of \$115.3m (Jun-22: \$112.5m). The net debt position was \$60.2m (Jun-22: \$60.0m) and a 'net debt to equity + gross debt' ratio of 28.9% (Jun-22: 28.8%).

Key operating metrics

	FY2023	FY2022
Gross profit margin	28.1%	28.5%
Operating costs as % of total revenue	21.9%	21.2%
Reported EBITDA ¹ margin	6.2%	7.3%
Operating EBITDA ² margin	6.7%	8.1%

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 28.1% and an Operating EBITDA margin of 6.7%, with gross profit margin and Operating EBITDA margin decreasing from that achieved in the prior year. The Group's operating costs as a percentage of sales of 21.9% was slightly greater than prior year due to the full year impact of acquired retail operations (Black Rubber and Carter's) in FY2022 offsetting cost savings measures undertaken.

Key financial results

\$'000	FY2023	FY2022
Sales revenue	582,284	555,549
Gross profit	163,821	158,571
Reported EBITDA	36,273	40,502
Operating EBITDA	38,828	44,882
NPATA attributable to NTAW ¹	5,490	11,076

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

Operating EBITDA

The Group has reported an EBITDA of \$36.3m (2022: \$40.5m). The result for FY2023 includes non-recurring costs of \$2.4m associated with the implementation of IT projects, disposal of retail stores and redundancy costs and the consolidation of metropolitan warehouses. Unrealised foreign exchange loss on foreign exchange contracts and foreign currency denominated suppliers of \$0.2m (2022: \$0.1m gain) was recognised during the year. After taking into account the above items, an Operating EBITDA of \$38.8m was earned in the reporting period (FY2022: \$44.9m) as shown in the following table:

\$'000	FY2023	FY2022
Net profit after tax	2,895	9,569
Depreciation and amortisation	24,040	20,904
Finance costs (net)	8,379	5,010
Income tax expense	960	4,995
Reported EBITDA	36,274	40,478
IT project implementation costs	1,203	2,522
Store disposal and redundancy costs	710	-
Warehouse consolidation costs	457	1,207
Acquisition costs	-	736
Unrealised foreign exchange (gains)/losses	185	(85)
Operating EBITDA	38,829	44,858

Financial Position

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

	30 June 2023	30 June 2022
Total assets (\$'000)	376,047	385,673
Net assets (\$'000)	115,340	112,466
Net debt (\$'000)	60,206	59,968
Shares on issue ('000)	133,271	131,936
Dividends per security (cents)	-	4.50

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

- Net debt has increased by \$0.2m;
- Net assets have slightly increased by \$2.9m;
- 1.3m shares were issued under the dividend reinvestment plan for the FY2022 final dividend; and
- No final or interim dividend has been declared in respect of the year (FY2022: 1.50 cents and 3.00 cents, respectively).

Outlook

NTAW has set a new vision “Going further to help our businesses and customers win” by emphasising customer service and enabling an entrepreneurial mindset amongst the Group’s businesses as they pursue distinct visions that suit the market segments in which they operate.

NTAW is focused on executing the following strategic initiatives:

- focusing on exclusive, imported brands and reducing substitutable products in the Group’s portfolio;
- increase revenue from the re-organisation of the Group’s commercial fleet business and leverage from retreading capabilities;
- capitalise on opportunities to negotiate lower import prices with suppliers;
- improve service levels and continue to provide leading technical support to customers;
- gain cost and time efficiencies from warehouse consolidations;
- manage all discretionary expenditure; and
- optimising business structures and operating methods in a decentralised model.

NTAW believes these strategies and tactics are appropriate having regard to expectations for relatively low levels of economic growth and the effect that may have on demand for its products and services.

Significant changes in the state of affairs

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

No matter or circumstance has arisen since 30 June 2023 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 gross profit improvement and additional cost reductions in the next financial year as it seeks to leverage the diversity and scale built up in recent years.

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 exclusively imports more than 40 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 with the exception of the 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. The acquisitions in recent years 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 10% of gross profit for FY2023.
- **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 increases 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 increases 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 would 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) (appointed 24 November 2017); Hillgrove Resources Limited (ASX: HGO) (appointed 10 May 2019); Eumundi Group Limited (ASX: EBG) (appointed 1 March 2021)
Former directorships (last 3 years):	Abano Healthcare Group Limited (NZX: ABA) (resigned 22 December 2021)
Special responsibilities:	Member of Audit and Risk Committee; Member of Remuneration and Nominations Committee
Interests in shares:	245,211 ordinary shares
Interests in options and rights:	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, 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:	2,817,425 ordinary shares
Interests in options and rights:	350,000 options and 228,590 rights

Name:	Terry Smith
Title:	Non-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. Mr Smith is a Non-Executive Director but is not considered independent as he is a substantial holder of the Company.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Remuneration and Nominations Committee
Interests in shares:	27,891,171 ordinary shares
Interests in options and rights:	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: 460,427 ordinary shares
 Interests in options and rights: Nil

Name: Robert Kent
 Title: Independent, Non-Executive Director (July 2022 – January 2023); Executive Director (February 2023 – June 2023)
 Qualifications: Bachelor of Business (Marketing) from Queensland University of Technology and is a Graduate of the Australian Institute of Company Directors.
 Experience and expertise: Mr Kent was Managing Director of Publicis Mojo (Queensland), part of the global Publicis Groupe, from 2000 to 2017. During this time he was also a member of the Publicis National Board of Management. Mr Kent is a career advertising and marketing executive who has managed innumerable campaigns involving sales promotion and brand building across both traditional and digital channels. Concurrently with his advertising role, Mr Kent was Managing Director of leading digital marketing businesses, Personalised Plates Queensland from 2013 to 2017 and KiwiPlates (NZ) from 2016 to 2017, after winning the tender to operate each. Mr Kent is currently the Chair of the Company's Remuneration and Nominations Committee and a member of the Audit and Risk Committee.
 Mr Kent provided consulting services to ETD during the 2023 financial year (commencing in February 2023 and ceasing in August 2023) and as such was not considered an Independent Non-Executive Director of the Company for that period of the financial year. Mr Kent reverted to being a Non-Executive Director at the end of his consulting services.
 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: 331,500 ordinary shares
 Interests in options and rights: 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 a Bachelor of Commerce (Accounting and Finance) from The University of Queensland. Mr McMurchy has 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 2023, 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	14	14	2	2	3	3
Peter Ludemann	14	14	1*	2*	3*	3*
Terry Smith	13	14	2	2	3*	3*
Bill Cook	13	14	2	2	3	3
Robert Kent	14	14	2	2	3	3

*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:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Relationship between remuneration and Company performance
- Service agreements
- Share-based compensation
- Equity instruments held by key management personnel
- Other transactions with key management personnel

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

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 \$131,808 per annum (2022: \$125,000) for the chairman and \$84,366 per annum (2022: \$80,000) for other non-executive directors. An additional fee of \$12,644 per annum (2022: \$12,000) 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 FY2023 is \$313,185 (FY2022: \$413,369), noting that Robert Kent is considered executive for FY2023.

Remuneration report (audited) (continued)*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
- 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.

2023 STI Program

During FY2023, 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.

Remuneration report (audited) (continued)*2023 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 rights 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.

No rights were granted to any key management personnel or other senior executives during FY2023.

(b) Details of remuneration

The key management personnel of the Group in FY2023 consisted of the following directors of National Tyre & Wheel Limited:

- Murray Boyte – Non-Executive Chairman
- Peter Ludemann – Managing Director and Chief Executive Officer
- Terry Smith – Non-Independent, Non-Executive Director
- Bill Cook – Non-Executive Director
- Robert Kent – Non-Executive Director (July 2022 – January 2023); Executive Director (February 2023 – June 2023)

And the following persons:

- Jason Lamb – Chief Financial Officer and Joint Company Secretary

Amounts of remuneration

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

	Short-term benefits³			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees¹	Cash Bonus	Other²	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
2023							
<i>Non-Executive Directors:</i>							
M Boyte	119,283	-	-	12,525	-	-	131,808
T Smith	76,350	-	-	8,017	-	-	84,367
W Cook	87,792	-	-	9,218	-	-	97,010
<i>Executive Directors:</i>							
P Ludemann	678,863	-	-	25,385	30,804	130,510	865,562
R Kent	87,792	-	102,773	9,218	-	-	199,783
<i>Other Key Management Personnel:</i>							
J Lamb	403,041	20,000	-	25,439	32,909	78,475	559,864
	1,453,121	20,000	102,773	89,802	63,713	208,985	1,938,394

1 Including movement in annual leave provisions.

2 The Group engaged in consulting services by R Kent in FY2023.

3 There were no non-monetary benefits paid during FY2023.

Remuneration report (audited) (continued)

	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.

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	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
M Boyte	100%	100%	-	-	-	-
T Smith	100%	100%	-	-	-	-
W Cook	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
P Ludemann	59%	61%	29%	30%	12%	9%
R Kent	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
J Lamb	61%	62%	27%	28%	12%	10%

Name	Cash bonus paid/payable		Cash bonus forfeited ¹	
	2023	2022	2023	2022
<i>Executive Director:</i>				
P Ludemann	-	-	100%	100%
<i>Other Key Management Personnel:</i>				
J Lamb	11%	-	89%	100%

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

Remuneration report (audited) (continued)**(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	FY2023	FY2022	FY2021	FY2020	FY2019
Sales revenue (\$'000)	582,284	555,549	461,533	158,857	168,365
NPAT attributable to shareholders (\$'000)	3,331	9,398	20,255	4,551	6,391
Operating EBITDA (\$'000)	38,828	44,882	46,677	11,786	12,728
Share price at end of year (\$)	0.57	0.97	1.06	0.38	0.37
Basic earnings per share (cents)	2.51	7.65	17.90	4.12	6.22
Dividends paid (cents per share)	-	4.50	8.00	1.25	4.80

(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 FY2023 were as follows:

Name: Peter Ludemann
 Title: Managing Director and Chief Executive Officer
 Details: Mr Ludemann has an annual total fixed remuneration (TFR) of \$624,947 consisting of base salary, superannuation and car allowance. Under the terms of his employment contract, he is eligible to receive short term incentives (STI) with a maximum opportunity of 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 \$415,631, consisting of base salary and superannuation. 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.

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

Remuneration report (audited) (continued)

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

(e) Share-based compensation

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023 (2022: nil).

(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 - Dividend Reinvestment Plan ("DRP")	Additions/ (Disposals) - On-market	Balance at the end of the year
Ordinary shares						
M Boyte	240,206	-	-	5,005	-	245,211
T Smith	27,321,966	-	-	569,205	-	27,891,171
B Cook	451,032	-	-	9,395	-	460,427
R Kent	324,734	-	-	6,766	-	331,500
P Ludemann	2,759,928	-	-	57,497	-	2,817,425
J Lamb	75,418	-	-	-	-	75,418
C Skead ¹	3,500	(3,500)	-	-	-	-
	31,176,784	(3,500)	-	647,868	-	31,821,152

¹ No longer classified as key management personnel effective 1 July 2022.

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 ¹	350,000	-	-	-	350,000
J Lamb ²	320,000	-	-	-	320,000
C Skead ³	305,000	(305,000)	-	-	-
	975,000	(305,000)	-	-	670,000

1 On 30 September 2022, 180,000 options which were granted on 8 November 2019 had vested. These remain exercisable at 30 June 2023 and at the date of this report.

2 On 30 September 2022, 160,000 options which were granted on 8 November 2019 had vested. These remain exercisable at 30 June 2023 and at the date of this report.

3 No longer classified as key management personnel effective 1 July 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	Ceased to be KMP	Granted / Lapsed	Exercised	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 ¹	114,295	(114,295)	-	-	-
	457,180	(114,295)	-	-	342,885

All Rights on issue remain unvested as at 30 June 2023.

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

During the reporting period, the Group leased business premises from a KMP member. The lease expires on 28 February 2025 with no renewal options. Rent payments for FY2023 totalled \$276,276 (2022: \$92,092), with \$nil outstanding at 30 June 2023 (2022: \$nil.)

The Group also engaged in consulting services of \$102,773 from a KMP member which has been included as a short term benefit in section (b) above (2022: \$nil).

Loans to/from key management personnel

At 30 June 2023 and 30 June 2022, there were no loans to and/or from KMP.

This concludes the Remuneration Report, which has been audited.

Shares under option

There were 3,475,000 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 1,635,000, 1,680,000 & 160,000 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 1,002,364 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.

Shares issued on the exercise of options

During the year and in accordance with their terms, 140,000 options with an expiry date of 7 November 2024 were exercised. As a result, 90,996 of the 140,000 options were net settled and the remaining 49,004 options were exercised, resulting in the issuance of 49,004 ordinary shares.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Group 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 Group 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 Group 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 Group, or to 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 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 Group, acting as advocate for the Group 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

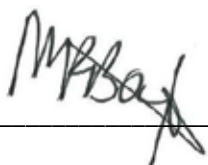
The Group is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

29 August 2023
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 2023, 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
PITCHER PARTNERS
Andrew Robin

ANDREW ROBIN
Partner

Brisbane, Queensland
29 August 2023

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

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JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

EDWARD FLETCHER
ROBERT HUGHES

Statement of profit or loss and other comprehensive income for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Revenue from contracts with customers	5	582,284	555,549
Other income	6	370	811
Expenses			
Cost of goods sold		(418,463)	(396,978)
Employee benefits and other related costs		(84,407)	(77,856)
Depreciation and amortisation	7	(24,040)	(20,904)
Occupancy		(7,763)	(9,139)
Computer and software costs		(6,705)	(6,956)
Motor vehicle costs		(6,686)	(5,584)
Marketing		(5,187)	(4,316)
Insurance		(4,104)	(3,824)
Professional fees and acquisition costs		(2,137)	(2,904)
Other		(10,885)	(8,244)
Finance costs	7	(8,422)	(5,091)
Profit before income tax expense		3,855	14,564
Income tax expense	8	(960)	(4,995)
Profit after income tax expense		2,895	9,569
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		305	(2,853)
Other comprehensive income for the year, net of tax		305	(2,853)
Total comprehensive income for the year		3,200	6,716
Profit for the year is attributable to:			
Non-controlling interest		(436)	171
Owners of National Tyre & Wheel Limited		3,331	9,398
		2,895	9,569
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(436)	171
Owners of National Tyre & Wheel Limited		3,636	6,545
		3,200	6,716
		Cents	Cents
Basic earnings per share	25	2.51	7.65
Diluted earnings per share	25	2.42	7.41

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

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	33,040	35,826
Trade and other receivables	10	76,743	78,472
Inventories	11	129,788	127,266
Other financial assets	12	1,550	1,576
Prepayments		4,111	5,154
Current tax asset		-	1,216
Total current assets		245,232	249,510
Non-current assets			
Property, plant and equipment	13	16,791	16,831
Right-of-use assets	14	61,216	65,081
Intangible assets	15	51,265	53,764
Other financial assets	12	1,543	487
Total non-current assets		130,815	136,163
Total assets		376,047	385,673
Liabilities			
Current liabilities			
Trade and other payables	16	83,055	86,245
Borrowings	17	4,961	7,550
Lease liabilities	18	15,902	16,016
Provisions	19	11,339	13,238
Current tax liability		129	-
Total current liabilities		115,386	123,049
Non-current liabilities			
Payables	16	-	2,600
Borrowings	17	88,285	88,244
Lease liabilities	18	51,000	51,581
Provisions	19	2,250	2,047
Deferred tax	8	3,786	5,686
Total non-current liabilities		145,321	150,158
Total liabilities		260,707	273,207
Net assets		115,340	112,466
Equity			
Issued capital	20	94,068	93,122
Reserves	21	(1,093)	(2,107)
Retained earnings		19,291	17,941
Equity attributable to the owners of National Tyre & Wheel Limited		112,266	108,956
Non-controlling interest		3,074	3,510
Total equity		115,340	112,466

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

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

Statement of changes in equity

for the year ended 30 June 2023

	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 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
Balance at 1 July 2022	93,122	(3,027)	920	17,941	3,510	112,466
Profit after income tax expense for the year	-	-	-	3,331	(436)	2,895
Other comprehensive income for the year, net of tax	-	305	-	-	-	305
Total comprehensive income for the year	-	305	-	3,331	(436)	3,200
Transactions with owners in their capacity as owners:						
Redemption of share options (note 20)	20	-	(20)	-	-	-
Share-based payments (note 24)	-	-	729	-	-	729
Dividends paid (note 22)	926	-	-	(1,981)	-	(1,055)
Balance at 30 June 2023	94,068	(2,722)	1,629	19,291	3,074	115,340

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

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		656,716	630,440
Payments to suppliers and employees		(622,900)	(606,844)
		33,816	23,596
Interest received		43	81
Interest and other finance costs paid		(8,172)	(4,855)
Income taxes paid		(1,515)	(6,985)
Net cash from operating activities	23	24,172	11,837
Cash flows from investing activities			
Payment of deferred consideration		(2,600)	-
Payment for purchase of business, net of cash acquired	30	-	(48,496)
Payments for property, plant and equipment		(4,110)	(5,132)
Proceeds from disposal of property, plant and equipment		687	1,548
Transfers to term deposits		(226)	(483)
Net cash used in investing activities		(6,249)	(52,563)
Cash flows from financing activities			
Proceeds from share issue		-	19,904
Payment of capital raising costs		-	(585)
Proceeds from borrowings		4,292	51,568
Repayment of borrowings		(4,500)	(3,500)
Repayment of lease liabilities		(16,774)	(13,376)
Dividends paid		(1,055)	(9,148)
Net cash (used in)/from financing activities		(18,037)	44,863
Net increase in cash and cash equivalents		(114)	4,137
Cash and cash equivalents at the beginning of the financial year		32,776	28,451
Effects of exchange rate changes on cash and cash equivalents		(83)	188
Cash and cash equivalents at the end of the financial year	9	32,579	32,776

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

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Note 1. General information

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

National Tyre & Wheel Limited is a for-profit 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 29 August 2023. 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. The new accounting standards, interpretations and amendments that are relevant to the activities of the Group have not had a material impact on the financial statements of the Group.

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 2023 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 and finance income on the net investment in leases*

Interest income and finance income on the net investment in leases 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.

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, Black Rubber Pty Ltd, Black Rubber Sydney Pty Ltd, Solid Plus Operations Pty and NTAW Logistics Pty Ltd), have formed an income tax consolidated group under the tax consolidation regime. In FY2023, NTAW Holdings (NZ) Ltd (the 'head entity') and its wholly owned New Zealand subsidiaries (Exclusive Tyres Distributors (NZ) Limited, Tyres4U (NZ) Ltd, Carters Tyre Service Limited, C.O. Tire & Retreading Co Limited and Tyre Distributors New Zealand Limited) formed an income tax consolidated group under the tax consolidation regime. In both consolidated income tax groups, the head entity and subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Note 2. Significant accounting policies (continued)

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

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

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

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

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

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

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

Inventories

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

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

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

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold improvements	2.5% to 15%
Plant and equipment	5% to 60%
Motor vehicles	13.5% to 30%

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 2023. These Standards and Interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recognition of identifiable intangible assets on acquisition

Brand names, importation rights, customer relationships and accreditations have been recognised on the acquisition of subsidiaries in the 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. These cash flows have been calculated using annual growth rates of between 2.0%-6.3% , a terminal growth rate of 2.0%-2.5% and a pre-tax discount rate between 13.0%-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.

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 2023, \$112,331,000 (2022: \$116,524,000) of the Group's non-current assets (excluding deferred taxes) were held in Australia, with \$18,152,000 held in New Zealand (2022: \$19,650,000) and \$333,000 (2022: \$343,000) held in South Africa, respectively.

Major customers

During FY2023, none of the Group's external revenue was derived from sales of greater than 10% to any customer (2022: none).

Note 5. Revenue from contracts with customers

	2023 \$'000	2022 \$'000
Sale of goods and services revenue	582,284	555,549
	582,284	555,549

Disaggregation of revenue

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

Australia	441,587	439,339
New Zealand	130,948	104,771
South Africa	9,749	11,439
	582,284	555,549

During the 2023 and 2022 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

Recovery of bad debts	15	217
Interest income	30	81
Finance income on the net investment in the lease	13	-
Other income	312	513
	370	811

Note 7. Expenses

	2023 \$'000	2022 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	282	180
Plant and equipment	1,957	1,600
Motor vehicles	1,288	1,460
Right-of-use assets	17,655	15,494
Total depreciation	21,182	18,734
Amortisation		
Customer relationships	2,330	1,641
Importation rights	528	529
Total amortisation	2,858	2,170
Total depreciation and amortisation	24,040	20,904
Finance costs		
Interest and finance charges paid/payable for financial liabilities	6,282	3,288
Interest and finance charges paid/payable for lease liabilities	2,105	1,784
Other interest and finance charges paid/payable	35	19
Finance costs expensed	8,422	5,091
Foreign exchange loss		
Realised foreign exchange loss	1,804	1,530
Unrealised foreign exchange loss/(gain)	185	(85)
Net foreign exchange loss	1,989	1,445
Expense relating to leases		
Expense relating to short-term leases	1,385	1,382
Expense relating to leases of low value assets	-	-
	1,385	1,382
Superannuation expense		
Defined contribution superannuation expense	5,120	4,928

Note 8. Income tax

	2023 \$'000	2022 \$'000
Income tax expense		
Current tax	2,857	4,714
Deferred tax	(1,075)	168
(Over)/under provision in prior years	(822)	113
	960	4,995
Deferred tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(1,075)	168
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	3,855	14,556
Tax at the statutory tax rate of 30%	1,156	4,367
Tax effect amounts which are not deductible in calculating taxable income:		
Sundry items	703	623
	1,859	4,990
Adjustment recognised for prior periods	(822)	113
Difference in overseas tax rates	(77)	(108)
	960	4,995
Deferred tax		
Net deferred tax comprises temporary differences attributable to:		
Capital raising costs	-	10
Acquisition costs	(7)	19
Provisions	4,471	4,613
Property, plant and equipment	(3,355)	(3,940)
Intangibles	(6,304)	(6,603)
Right-of-use assets	(18,110)	(18,949)
Other	(421)	(377)
Lease liabilities	19,940	19,822
Foreign currency exchange	-	(281)
	(3,786)	(5,686)
Deferred tax liabilities		
Movements:		
Opening balance	(5,686)	2,076
Recognition of deferred taxes on acquisition (note 30)	-	(5,697)
Credited/(charged) to profit or loss	1,075	(168)
(Under)/over provision in prior year	822	(1,881)
Foreign exchange differences	3	(16)
	(3,786)	(5,686)
Closing balance		

Note 9. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank	33,040	35,826
	33,040	35,826

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	33,040	35,826
Bank overdraft (note 17)	(461)	(3,050)
Balance as per statement of cash flows	32,579	32,776

Note 10. Trade and other receivables

Trade receivables	77,220	78,565
Less: Allowance for expected credit losses	(1,304)	(1,197)
	75,916	77,368
Other receivables	827	1,104
	76,743	78,472

Allowance for expected credit losses

The Group has recognised a net loss of \$358,000 (2022: \$487,000) in profit or loss in respect of the expected credit losses. Trade receivables past due but not impaired amount to \$11,509,000 (2022: \$11,408,000).

At 30 June 2023 an ageing analysis of those trade receivables are as follows:

Not overdue	65,711	67,157
1 to 30 days overdue	9,055	8,237
31 to 60 days overdue	1,180	1,675
61 plus days overdue	1,274	1,496
	77,220	78,565

Refer to note 28 for further information on financial instruments.

Note 11. Inventories

Finished goods - at cost	118,232	115,761
Less: Provision for impairment	(612)	(737)
	117,620	115,024
Stock in transit - at cost	12,168	12,242
	129,788	127,266

Note 12. Other financial assets

	2023 \$'000	2022 \$'000
Current		
Term deposits	151	136
Net investment in leases	1,128	115
Forward foreign exchange contracts	271	1,325
	1,550	1,576
Non-Current		
Term deposits	76	487
Net investment in leases	1,467	-
	1,543	487

The Group subleases a warehouse that it commenced leasing in 2015. The Group has classified the sublease as a finance lease because the sublease is for a significant portion of the remaining term of the head lease.

The following table sets out a maturity analysis of the lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Less than one year	1,238	115
One to two years	1,297	-
Two to three years	224	-
Total undiscounted lease payments receivable	2,759	115
Unearned finance income	(164)	-
Net investment in leases	2,595	115

Note 13. Property, plant and equipment

Leasehold improvements - at cost	2,227	1,786
Less: Accumulated depreciation	(931)	(429)
	1,296	1,357
Plant and equipment - at cost	24,008	22,191
Less: Accumulated depreciation	(14,296)	(12,283)
	9,712	9,908
Motor vehicles - at cost	21,806	19,675
Less: Accumulated depreciation	(16,023)	(14,109)
	5,783	5,566
	16,791	16,831

Note 13. Property, plant and equipment (continued)*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 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	2,780	1,572	5,146
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	9,908	5,566	16,831
Additions	298	2,203	1,609	4,110
Disposals	(84)	(469)	(153)	(706)
Depreciation expense	(282)	(1,957)	(1,288)	(3,527)
Foreign exchange differences	7	27	49	83
Balance at 30 June 2023	1,296	9,712	5,783	16,791

Note 14. Right-of-use assets

	2023 \$'000	2022 \$'000
Land and buildings - right-of-use	89,246	90,148
Less: Accumulated depreciation	(32,375)	(29,881)
	56,871	60,267
Plant and equipment - right-of-use	1,145	1,128
Less: Accumulated depreciation	(399)	(332)
	746	796
Motor vehicles - right-of-use	5,461	5,258
Less: Accumulated depreciation	(1,862)	(1,240)
	3,599	4,018
	61,216	65,081

Note 14. Right-of-use assets (continued)*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 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	30,561	613	694	31,868
Depreciation expense	(14,500)	(188)	(806)	(15,494)
Foreign exchange differences	(435)	(125)	(123)	(683)
Balance at 30 June 2022	60,267	796	4,018	65,081
Additions	20,700	191	817	21,708
Disposals	(8,039)	(27)	(102)	(8,168)
Depreciation expense	(16,268)	(208)	(1,179)	(17,655)
Foreign exchange differences	211	(6)	45	250
Balance at 30 June 2023	56,871	746	3,599	61,216

Note 15. Intangible assets

	2023 \$'000	2022 \$'000
Goodwill	30,556	30,311
Less: Accumulated impairment loss	(1,311)	(1,311)
	29,245	29,000
Customer relationships	17,212	17,484
Less: Accumulated amortisation and impairment loss	(5,993)	(3,984)
	11,219	13,500
Importation rights	12,106	12,106
Less: Accumulated amortisation and impairment loss	(9,880)	(9,352)
	2,226	2,754
Brand names	8,375	8,310
Accreditations	200	200
	51,265	53,764

Note 15. Intangible assets (continued)*Reconciliations*

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

	Goodwill \$'000	Customer relationships \$'000	Importation rights \$'000	Brand Names \$'000	Accreditations \$'000	Total \$'000
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
Amortisation expense	-	(2,330)	(528)	-	-	(2,858)
Foreign exchange differences	245	49	-	65	-	359
Balance at 30 June 2023	29,245	11,219	2,226	8,375	200	51,265

Impairment testing

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

	2023 \$'000	2022 \$'000
Goodwill		
CGU:		
- Tyres and wheels	6,002	6,002
- OE	2,339	2,339
- Black Rubber	7,680	7,680
- Carter's	13,224	12,979
	29,245	29,000
Brand names		
CGU:		
- OE	2,393	2,393
- Black Rubber	2,400	2,400
- Carter's	3,582	3,517
	8,375	8,310

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 2024 financial year. The FY2024 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 2023 base cashflows and are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Note 15. Intangible assets (continued)

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:

	2023			
	Tyres and wheels	OE	Black Rubber	Carter's
	%	%	%	%
Average annual growth rate (%)	2.0%	2.0%	2.0%	2.0%
Terminal growth rate (%)	2.5%	2.5%	2.5%	2.5%
Pre-tax discount rate (%)	11.6%	15.7%	15.4%	14.6%

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

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 2024 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 2024 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 2023 and 2022 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

	2023 \$'000	2022 \$'000
Current		
Trade payables	61,286	58,954
Accruals and other payables	19,169	24,691
Deferred consideration	2,600	2,600
	83,055	86,245
Non-current		
Deferred consideration	-	2,600
	-	2,600

Refer to note 28 for further information on financial instruments.

Note 17. Borrowings

Current		
Bank overdraft	461	3,050
Bank facility	4,500	4,500
	4,961	7,550
Non-current		
Bank facility	88,285	88,244
	88,285	88,244
<i>Total secured liabilities</i>		
The total secured liabilities are as follows:		
Bank overdraft	461	3,050
Bank facility	92,785	92,744
	93,246	95,794

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 t/a Tyrelife Solutions ("TLS"). The total value of TLS' assets as at 30 June 2023 is \$10,430,000.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facility during the 2023 and 2022 reporting period.

Note 17. Borrowings (continued)*Financing arrangements*

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

	2023 \$'000	2022 \$'000
<i>Total facilities</i>		
Bank overdraft	2,961	3,514
Bank facility	101,750	104,000
Bank guarantee	10,000	10,000
	<u>114,711</u>	<u>117,514</u>
<i>Used at the reporting date</i>		
Bank overdraft	461	3,050
Bank facility ¹	94,298	94,718
Bank guarantee	8,277	8,305
	<u>103,036</u>	<u>106,073</u>
<i>Unused at the reporting date</i>		
Bank overdraft	2,500	464
Bank facility	7,452	9,282
Bank guarantee	1,723	1,695
	<u>11,675</u>	<u>11,441</u>

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

Note 18. Lease liabilities

	2023 \$'000	2022 \$'000
Current		
Property leases	14,438	14,655
Equipment leases	265	301
Motor vehicle leases	1,199	1,060
	15,902	16,016
Non-current		
Property leases	48,213	48,355
Equipment leases	320	272
Motor vehicle leases	2,467	2,954
	51,000	51,581

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	63	0.1 – 9.7	3.0	49	-	39	-
Plant and equipment	10	0.1 – 4.3	2.2	-	1	-	-
Motor vehicles	60	0.4 – 6.8	2.7	-	31	-	-

The total cash outflow for leases in the 2023 financial year was \$19,881,000 (2022: \$15,160,000).

Note 19. Provisions

	2023	2022
	\$'000	\$'000
Current		
Employee benefits	10,504	12,089
Warranties	716	754
Make-good	119	395
	11,339	13,238
Non-current		
Employee benefits	641	836
Warranties	822	861
Make-good	787	350
	2,250	2,047

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:

	2023
	\$'000
Warranties	
Carrying amount at the start of the year	1,615
Additional provisions recognised	689
Amounts used	(766)
Carrying amount at the end of the year	1,538
Make-good	
Carrying amount at the start of the year	745
Additional provisions recognised	435
Amounts used	(273)
Carrying amount at the end of the year	907

Note 20. Issued capital

	2023 Shares	2022 Shares	2023 \$'000	2022 \$'000
Ordinary shares - fully paid	133,271,318	131,936,002	94,068	93,122

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 Jul 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
Shares issued per Dividend Reinvestment Plan	7 Oct 2022	1,286,312	\$0.7200	926
Redemption of share options (note 24)	14 Oct 2022	29,752	\$0.3735	10
Redemption of share options (note 24)	22 June 2023	19,252	\$0.3735	10
Balance	30 June 2023	133,271,318		94,068

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 2022 Annual Report.

Note 21. Reserves

	2023 \$'000	2022 \$'000
Foreign currency translation reserve	(2,722)	(3,027)
Share-based payments reserve	1,629	920
	(1,093)	(2,107)

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 for the year ended 30 June 2022 (2022: 30 June 2021) of 1.50 cents (2022: 5.00 cents) per ordinary share	1,981	5,715
Interim dividend for the year ended 30 June 2023 (2022: 30 June 2022) of \$nil (2022: 3.00 cents) per ordinary share	-	3,950
	1,981	9,665

Refer to note 20 for details of shares issued pursuant to the Company's Dividend Reinvestment Plan during the 2023 financial year.

At the date of signing these financial statements, there has been no dividend's declared by the Company and no dividend's payable.

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30%	19,027	19,364
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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:*

	2023 \$'000	2022 \$'000
Profit after income tax expense for the year	2,895	9,569
Adjustments for:		
Depreciation and amortisation	24,040	20,904
Share-based payments	729	684
Impairment of receivables	358	487
Net loss/(gain) on disposal of property, plant and equipment	39	(299)
Foreign exchange differences	2,063	(2,041)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,370	3,738
Decrease/(increase) in inventories	(2,522)	(12,448)
Decrease/(increase) in other assets	1,042	(424)
Increase/(decrease) in trade and other payables	(3,190)	(5,506)
Increase/(decrease) in provisions	(2,097)	(837)
Increase/(decrease) in current tax liability/asset	1,337	(4,139)
Decrease/(increase) in deferred tax liabilities	(1,892)	2,149
Net cash from operating activities	24,172	11,837
<i>Liabilities from financing activities: Borrowings and Lease liabilities</i>		
Balance at the start of the year	160,341	78,408
Net cash flows	(16,982)	34,692
Recognition of lease liabilities	21,036	32,109
Derecognition of lease liabilities	(4,980)	-
Lease liabilities assumed as part of acquisition (note 30)	-	15,829
Foreign exchange differences	272	(697)
Balance at the end of the year	159,687	160,341

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.

Note 24. Share-based payments (continued)

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.

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.

Note 24. Share-based payments (continued)

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

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

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

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.

The Rules of the ESOP allow participants to utilise a cashless exercise facility where a Participant can set-off the Exercise Price against the number of shares which the participant is entitled to receive upon exercise of the participant's options. By using the cashless exercise facility, the participant will receive shares to the value of the surplus after the exercise price has been set-off. If a participant elects to use the cashless exercise facility, the participant will only be issued that number of shares (rounded down to the nearest whole number) as are equal to the value of the difference between the exercise price otherwise payable for the options and the then market value of the shares at the time of exercise (which is determined as the volume weighted average price of Shares on the ASX over the five trading days prior to exercise).

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).

Note 24. Share-based payments (continued)

Set out below are summaries of outstanding options granted on 8 November 2019, 25 February 2021 and 24 September 2021 and outstanding rights granted on 17 December 2021:

2023

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Lapsed	Exercised ¹	Balance at end of year
17/12/2021	30/09/2026	\$0.0000	1,125,802	-	(123,438)	-	1,002,364
24/09/2021	30/09/2025	\$0.5745	240,000	-	(80,000)	-	160,000
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	-	-	(140,000)	1,635,000
			4,820,802	-	(203,438)	(140,000)	4,477,364

¹ During FY2023 and in accordance with the terms, 140,000 options were exercised by two option holders, 70,000 each. As a result, 90,996 options were net settled and the remaining 49,004 options were converted into ordinary shares. This resulted in a lower dilution of the issued capital of the Company on conversion. The weighted average share price at the date of exercise of Options during FY2023 was \$0.5975 (FY2022: not applicable).

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

At 30 June 2023, 1,635,000 options were exercisable at an exercise price of \$0.3735 (2022: nil).

The weighted average remaining contractual life of rights and options outstanding at the end of the financial year was 1.91 years (2022: 3.12 years). The weighted average exercise price of the rights and options outstanding at the end of the financial year was \$0.3725 (2022: \$0.3663). 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.

Note 24. Share-based payments (continued)

- 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 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.

Note 24. Share-based payments (continued)*Valuation model inputs*

The valuation model inputs used to determine the fair value at the grant date for the rights and options below, 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

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.

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:

	2023 \$'000	2022 \$'000
Rights issued under the Employee Equity Plan and Options issued under the Employee Share Option Plan	729	684
Total expense recognised from share-based payment transactions	729	684

Note 25. Earnings per share

Profit after income tax	2,895	9,569
Non-controlling interest	436	(171)
Profit after income tax attributable to the owners of National Tyre & Wheel Limited	3,331	9,398
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	132,898,616	122,775,176
Adjustments for calculation of diluted earnings per share:		
Weighted number of Options over ordinary shares	4,553,098	4,071,326
Weighted average number of ordinary shares used in calculating diluted earnings per share	137,451,714	126,846,502
	Cents	Cents
Basic earnings per share	2.51	7.65
Diluted earnings per share	2.42	7.41

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:

	2023 \$	2022 \$
Short-term benefits ¹	1,575,894	1,638,236
Post-employment benefits	89,802	117,781
Long-term benefits	63,713	61,674
Share-based payments	208,985	210,231
	1,938,394	2,027,922

1 The Group engaged in consulting services from a KMP member. Consulting fees for FY2023 totalled \$102,773 (2022: \$nil), with \$29,700 outstanding at 30 June 2023 (2022: \$nil).

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 remuneration are set out in note 26.

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 ¹	350,000	-	-	-	350,000
J Lamb ²	320,000	-	-	-	320,000
C Skead ³	305,000	(305,000)	-	-	-
	975,000	(305,000)	-	-	670,000

1 On 30 September 2022, 180,000 options which were granted on 8 November 2019 had vested. These remain exercisable at 30 June 2023 and at the date of this report.

2 On 30 September 2022, 160,000 options which were granted on 8 November 2019 had vested. These remain exercisable at 30 June 2023 and at the date of this report.

3 No longer classified as key management personnel effective 1 July 2022.

Note 27. Related party transactions (continued)*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	Ceased to be KMP	Granted / Lapsed	Exercised	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 ¹	114,295	(114,295)	-	-	-
	457,180	(114,295)	-	-	342,885

1 No longer classified as key management personnel effective 1 July 2022.

All Rights on issue remain unvested as at 30 June 2023.

Transactions with related parties

During the reporting period, the Group leased business premises from a KMP member. The lease expires on 28 February 2025 with no renewal options. Rent payments for FY2023 totalled \$276,276 (2022: \$92,092), with \$nil outstanding at 30 June 2023 (2022: \$nil.)

The Group also engaged in consulting services of \$102,773 from a KMP member which has been included as part of the FY2023 short term benefits disclosed in note 26 (2022: \$nil).

Receivable from and payable to related parties

There were no trade receivables from related parties at the current reporting date (2022: \$nil).

Loans to/from related parties

At 30 June 2023 and 30 June 2022, there were no loans to and/or from related parties.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

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.

The Group holds the following financial instruments:

	Note	2023 \$'000	2022 \$'000
Financial assets			
Cash and cash equivalents (a)	9	33,040	35,826
Trade and other receivables (a)	10	76,743	78,472
Other financial assets (a)(b)	12	3,093	2,063
		<u>112,876</u>	<u>116,361</u>
Financial liabilities			
Trade and other payables (c)	16	82,672	88,845
Borrowings (c)	17	93,246	95,794
Lease liabilities (c)	18	67,285	67,597
		<u>243,203</u>	<u>252,236</u>

(a) Financial assets at amortised cost

(b) Forward foreign exchange contract assets at fair value through profit and loss

(c) Other financial liabilities at amortised cost

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.

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.

Note 28. Financial instruments (continued)

At 30 June 2023, the Group had forward foreign exchange contracts to acquire USD \$25,916,000 (2022: USD \$19,141,000). These are due to mature within 4 months of balance date. The fixed exchange rates on these contracts ranged from 0.6078 to 0.6800 (2022: 0.6891 to 0.7718).

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

	2023 \$'000	2022 \$'000
Cash	10	237
Trade payables	(34,761)	(25,324)
Buy foreign currency (held for trading)	271	1,336
	(34,480)	(23,751)

2023	% change	AUD strengthened Effect on profit before tax	Effect on equity	% change	AUD weakened Effect on profit before tax	Effect on equity
USD	10%	3,135	2,194	10%	(3,831)	(2,682)

2022	% change	AUD strengthened Effect on profit before tax	Effect on equity	% change	AUD weakened Effect on profit before tax	Effect on equity
USD	10%	2,159	1,511	10%	(2,639)	(1,847)

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 2023 was \$1,989,000 (2022: loss of \$1,455,000).

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.

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

	2023 \$'000	2022 \$'000
Bank overdraft	461	3,050
Bank facility	93,117	93,325
Net exposure to cash flow interest rate risk	93,578	96,375

Note 28. Financial instruments (continued)

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

The outstanding bank facility at 30 June 2023, totalling \$93,117,000, is comprised of a trade finance facility (\$68,367,000) and a loan (\$24,750,000) (2022: \$93,325,000 bank facility). An official increase/decrease in interest rates of 100 (2022: 100) basis points would have an adverse/favourable effect on profit before tax of \$928,000 (2022: \$933,000) 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 (2022: \$4,500,000) are due during the subsequent 12-month period.

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+.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

The credit risk for net investment in leases relates to the ability of the lessee to pay the contractual cash flows stipulated within the lease.

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:

	2023 \$'000	2022 \$'000
Bank overdraft	2,500	464
Bank facility	7,452	9,282
Bank guarantee	1,723	1,695
	11,675	11,441

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 3.02 years (2022: 4.26 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
2023	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Non-interest bearing					
Trade and other payables	80,455	-	-	-	80,455
Deferred consideration	2,600	-	-	-	2,600
Interest-bearing - variable					
Bank overdraft	461	-	-	-	461
Bank facility	4,500	4,500	83,785	-	92,785
Interest-bearing - fixed rate					
Lease liability	16,758	14,461	27,133	13,786	72,138
Total non-derivatives	104,774	18,961	110,918	13,786	248,439
Derivatives					
Forward foreign exchange contracts net settled	271	-	-	-	271
Total derivatives	271	-	-	-	271

	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	83,645	-	-	-	83,645
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	112,614	23,099	113,118	11,273	260,104
Derivatives					
Forward foreign exchange contracts net settled	1,336	-	-	-	1,336
Total derivatives	1,336	-	-	-	1,336

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2023				
Forward foreign exchange contracts - derivatives	-	271	-	271
Total assets	-	271	-	271
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2022				
Forward foreign exchange contracts - derivatives	-	1,336	-	1,336
Total assets	-	1,336	-	1,336

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 and the borrowings are at variable 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**2023**

There were no business combinations during the 2023 financial year.

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 FY2022 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 FY2022 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.

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 FY2022 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 FY2022 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.

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.

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:

	2023 \$	2022 \$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	350,000	369,035
<i>Other services - Pitcher Partners</i>		
Transaction services	-	100,250
Tax compliance services	36,670	58,785
	36,670	159,035
Total remuneration of services provided by Pitcher Partners	386,670	528,070
<i>Audit services - network firms</i>		
Audit or review of the financial statements	8,565	16,323
<i>Other services - network firms</i>		
Transaction services	-	116,723
Tax compliance services	22,809	50,436
	22,809	167,159
Total remuneration of services provided by Pitcher Partner's network firms	31,374	183,482

Note 32. Contingent liabilities

The Group has given bank guarantees as at 30 June 2023 of \$8,277,000 (2022: \$9,269,000) 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	
		2023 %	2022 %
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%
Black Rubber Pty Ltd	Australia	100%	100%
Black Rubber Sydney Pty Ltd	Australia	100%	100%
Solid Plus Operations Pty Ltd	Australia	100%	100%
NTAW Logistics Pty Ltd	Australia	100%	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%	100%
C.O. Tire & Retreading Co Limited	New Zealand	100%	100%
Tyre Distributors New Zealand Limited	New Zealand	100%	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	
	2023 \$'000	2022 \$'000
<i>Statement of profit or loss and other comprehensive income</i>		
Profit after income tax	295	8,372
Total comprehensive income	295	8,372
<i>Statement of financial position</i>		
Total current assets	7,617	5,372
Total assets	198,367	204,899
Total current liabilities	5,771	11,116
Total liabilities	95,254	103,559
Equity		
Issued capital	94,068	93,122
Reserves	1,629	920
Retained earnings	7,416	7,298
Total equity	103,113	101,340

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 2023 and 30 June 2022. Refer to note 35.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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;
- Black Rubber Pty Ltd;
- Black Rubber Sydney Pty Ltd;
- Solid Plus Operations Pty Ltd;
- NTAW Logistics Pty Ltd;
- NTAW Holdings (NZ) Ltd (*not party to the deed in the prior year*);
- Tyres4U (NZ) Ltd (*not party to the deed in the prior year*);
- Carters Tyre Service Limited (*not party to the deed in the prior year*);
- C.O. Tire & Retreading Co Limited (*not party to the deed in the prior year*); and
- Tyre Distributors New Zealand Limited (*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	
	2023 \$'000	2022 \$'000
Statement of profit or loss and other comprehensive income		
Revenue	572,535	458,911
Other income	327	714
Cost of goods sold	(409,917)	(329,890)
Employee benefits and other related costs	(83,365)	(65,045)
Depreciation and amortisation	(23,991)	(16,966)
Occupancy	(7,714)	(8,245)
Computer and software costs	(6,655)	(6,500)
Motor vehicle costs	(6,598)	(4,132)
Marketing	(4,786)	(3,194)
Insurance	(4,004)	(3,161)
Professional fees and acquisition costs	(2,084)	(2,742)
Other	(10,672)	(9,957)
Finance costs	(8,349)	(3,769)
Profit before income tax expense	4,727	6,024
Income tax expense	(960)	(2,634)
Profit after income tax expense	3,767	3,390
Other comprehensive income		
Foreign currency translation	856	(194)
Other comprehensive income for the year, net of tax	856	(194)
Total comprehensive income for the year	4,623	3,196
Equity – retained earnings		
Retained earnings at the beginning of the financial year	15,897	21,405
Profit after income tax expense	3,767	3,390
Dividends paid	(1,981)	(9,665)
Opening retained earnings of entities joining the Closed Group	3,240	767
Retained earnings at the end of the financial year	20,923	15,897

Note 35. Deed of cross guarantee (continued)

Statement of financial position	Closed Group	
	2023 \$'000	2022 \$'000
Current assets		
Cash and cash equivalents	32,681	26,071
Trade and other receivables	75,153	67,653
Inventories	121,688	100,268
Other financial assets	1,537	1,287
Prepayments	4,094	3,373
Current tax asset	-	1,731
	<u>235,153</u>	<u>200,383</u>
Non-current assets		
Property, plant and equipment	16,468	11,477
Right-of-use assets	61,210	52,227
Intangible assets	51,265	34,587
Other financial assets	5,712	56,965
	<u>134,655</u>	<u>155,256</u>
Total assets	<u>369,808</u>	<u>355,639</u>
Current liabilities		
Trade and other payables	77,348	77,795
Borrowings	4,500	6,537
Lease liabilities	15,895	11,963
Provisions	11,265	11,471
Current tax liability	129	-
	<u>109,137</u>	<u>107,766</u>
Non-current liabilities		
Trade and other payables	-	2,600
Borrowings	88,285	88,244
Lease liabilities	51,000	42,481
Provisions	2,250	2,047
Deferred tax	3,837	2,893
	<u>145,372</u>	<u>138,265</u>
Total liabilities	<u>254,509</u>	<u>246,031</u>
Net assets	<u>115,299</u>	<u>109,608</u>
Equity		
Issued capital	94,068	93,122
Reserves	308	589
Retained earnings	20,923	15,897
Total equity	<u>115,299</u>	<u>109,608</u>

Note 36. Events after the reporting period

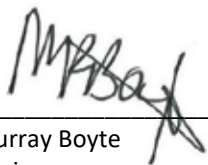
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 2023 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

29 August 2023
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 2023, 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 2023 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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KAREN LEVINEEDWARD FLETCHER
ROBERT HUGHES

Key Audit Matter	How our audit addressed the key audit matter
Impairment of goodwill and separately identifiable intangible assets	
Refer to Note 15: Intangible assets	
As part of business combinations completed during prior years, the Group recognised goodwill and other intangible assets valued at \$29.245 million and \$22.020 million respectively. 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. 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. 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.	Our procedures included amongst others: • Understanding and evaluating the design and implementation of 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 2024 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 directors' report for the year ended 30 June 2023, 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 to 18 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of National Tyre & Wheel Limited, for the year ended 30 June 2023, 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

PITCHER PARTNERS



ANDREW ROBIN
Partner

Brisbane, Queensland
29 August 2023

The shareholder information set out below was applicable as at 15 August 2023.

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	279	0.1
1,001 to 5,000	536	1.1
5,001 to 10,000	304	1.8
10,001 to 100,000	561	13.4
100,001 and over	116	83.6
	1,796	100.0
Holding less than a marketable parcel	189	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:

	Ordinary shares	
	Number held	% of total shares issued
ST Corso Pty Ltd	27,307,594	20.49
EM Australia 2021 Pty Ltd (The TWA A/C)	10,697,389	8.03
Sandhurst Trustees Ltd (Collins St Value Fund A/C)	10,023,791	7.52
Strategic Value Pty Ltd (Tal Super A/C)	5,201,332	3.90
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP)	3,451,507	2.59
Mr Roshan Charles Chelvaratnam	3,201,034	2.40
Mr John Peter Ludemann	2,643,884	1.98
J P Morgan Nominees Australia Pty Limited	2,515,867	1.89
SCJ Pty Limited (Jermyn Family A/C)	2,500,000	1.88
National Nominees Limited	2,343,000	1.76
Citicorp Nominees Pty Limited	2,178,119	1.63
HSBC Custody Nominees (Australia) Limited	1,960,755	1.47
Exldata Pty Ltd	1,699,788	1.28
Narlack Pty Ltd (Piperoglou Pension A/C)	1,637,114	1.23
Exldata Pty Ltd	1,507,735	1.13
Mr Stephen Criag Jermyn (Jermyn Family S/Fund A/C)	1,500,000	1.13
G R Hari Trustee Limited & Garry Paul Carter & Robynn Janet Carter	1,394,222	1.05
Micpip Nominees Pty Ltd (Micpip Super Fund A/C)	1,221,219	0.92
Mrs Christine Lorraine Hummer	1,071,152	0.80
Mr Christopher John Hummer	1,048,928	0.79
	85,104,430	63.87

Unquoted equity securities

There are 3,475,000 unquoted unissued ordinary shares of National Tyre & Wheel Limited under option at the date of this report.
There are 1,002,364 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)	27,891,171	20.93
EM Australia 2021 Pty Ltd (TWA A/C)	10,697,389	8.03
Anthony Young	10,341,891	7.76
Sandhurst Trustees Ltd (Collins St Value Fund A/C)	10,023,791	7.52
Ryan Young	8,725,225	6.55

Voting rights

The voting rights attached to ordinary shares are 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.

There are no equity securities subject to voluntary escrow at the date of this report.

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 3 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://ntaw.com.au
Corporate Governance Statement	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. 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. 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://ntaw.com.au/investors-asx-announcements/corporate-governance

