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**National Tyre & Wheel Pty
Limited (formerly STFT
Investment Holdings Pty
Ltd) and controlled entities**
ABN 97 095 843 020

Consolidated Financial report
For the year ended 30 June 2015

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
CONTROLLED ENTITIES
ABN 97 095 843 020**

DIRECTORS' REPORT

The directors present their report together with the financial report of the group, being the company and its controlled entities, for the year ended 30 June 2015 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors names

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

Terence Smith

Susanne Smith

Peter Ludemann

William Cook

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

Results

The profit of the group for the year after providing for income tax and eliminating non-controlling interests amounted to \$3,566,518.

Review of operations

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

Significant changes in state of affairs

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

Principal activities

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

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

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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ABN 97 095 843 020**

DIRECTORS' REPORT

After balance date events

Since 30 June 2015, National Tyre & Wheel Pty Ltd executed an agreement to increase its shareholding in Dynamic Tyres Pty Ltd to 61.9%.

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

Likely developments

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

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

Environmental regulation

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

Dividends paid, recommended and declared

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

- Dividends paid at \$0.0589 per share fully franked at 30% \$4,005,200 (2014: \$NIL)

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

Options

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

| Directors | Options granted |
|------------------|------------------------|
| Peter Ludemann | 3,000,000 |

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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DIRECTORS' REPORT

Options (Continued)

| Executives | Options granted |
|------------|-----------------|
| Jason Lamb | 161,690 |

Shares under option

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

| Date options granted | Number of unissued ordinary shares under option | Issue price of shares | Expiry date of the options |
|----------------------|---|-----------------------|----------------------------|
| 01/07/2012 | 1,800,000 | - | 01/07/2022 |
| 01/07/2013 | 1,000,000 | 1.00 | 01/07/2022 |
| 01/07/2014 | 2,060,000 | 0.76 | 01/07/2022 |
| 01/07/2015 | 90,000 | 0.76 | 01/07/2022 |

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

Indemnification of officers

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

Indemnification of auditors

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

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DIRECTORS' REPORT

Auditor's independence declaration

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

Proceedings on behalf of the group

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

Signed on behalf of the board of directors.



Director: _____

Peter Ludemann

Dated this 29th day of October 2015

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PITCHER PARTNERS

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

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

Auditor's Independence Declaration

As lead auditor for the audit of National Tyre & Wheel Pty Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
29 October 2015

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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ABN 97 095 843 020**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

| | Note | 2015 \$ | 2014 \$ |
|---|------|-------------------------|-------------------------|
| Revenue and other income | | | |
| Sales revenue | 5 | 108,839,463 | 104,130,365 |
| Other revenue | 5 | <u>582,667</u> | <u>1,293,260</u> |
| | | <u>109,422,130</u> | <u>105,423,625</u> |
| Less: expenses | | | |
| Cost of sales | | (70,940,037) | (70,043,728) |
| Transport expense | | (4,021,860) | (2,943,165) |
| Depreciation and amortisation expense | 6 | (1,581,017) | (1,473,517) |
| Employee benefits expense | | (11,589,601) | (9,763,292) |
| Occupancy expense | | (3,194,758) | (2,171,318) |
| Marketing expense | | (5,595,551) | (4,352,074) |
| Finance costs | 6 | (556,563) | (811,803) |
| Insurance costs | | (327,585) | (332,997) |
| Legal and professional Fees | | (121,683) | (90,803) |
| Other expenses | | <u>(5,299,422)</u> | <u>(3,944,988)</u> |
| | | <u>(103,228,077)</u> | <u>(95,927,685)</u> |
| Profit before income tax expense | | 6,194,053 | 9,495,940 |
| Income tax expense | 8 | <u>(2,312,755)</u> | <u>(3,371,415)</u> |
| Profit for the year | | <u>3,881,298</u> | <u>6,124,525</u> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit and loss</i> | | | |
| Exchange differences on translation of foreign operations | | <u>(148,083)</u> | 125,918 |
| Other comprehensive income for the year | | <u>(148,083)</u> | 125,918 |
| Total comprehensive income | | <u><u>3,733,215</u></u> | <u><u>6,250,443</u></u> |
| Profit is attributable to: | | | |
| - Owners of National Tyre & Wheel Pty Limited | | 3,566,518 | 5,909,472 |
| - Non-controlling interests | | <u>314,780</u> | <u>215,053</u> |
| | | <u>3,881,298</u> | <u>6,124,525</u> |
| Total comprehensive income is attributable to: | | | |
| - Owners of National Tyre & Wheel Pty Limited | | 3,418,435 | 6,035,390 |
| - Non-controlling interests | | <u>314,780</u> | <u>215,053</u> |
| | | <u><u>3,733,215</u></u> | <u><u>6,250,443</u></u> |

The accompanying notes form part of these financial statements.

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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ABN 97 095 843 020**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

| | Note | 2015 \$ | 2014 \$ |
|--------------------------------------|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 9 | 12,412,254 | 12,919,787 |
| Receivables | 10 | 17,827,879 | 12,858,382 |
| Inventories | 11 | 28,437,691 | 22,800,276 |
| Other financial assets | 12 | 407,463 | - |
| Other assets | 15 | <u>315,093</u> | <u>361,893</u> |
| Total current assets | | <u>59,400,380</u> | <u>48,940,338</u> |
| Non-current assets | | | |
| Other financial assets | 12 | 281,647 | 282,322 |
| Property, plant and equipment | 13 | 3,307,563 | 2,756,588 |
| Intangible assets | 14 | 8,817,991 | 9,747,602 |
| Deferred tax assets | 8 | <u>847,075</u> | <u>598,759</u> |
| Total non-current assets | | <u>13,254,276</u> | <u>13,385,271</u> |
| Total assets | | <u>72,654,656</u> | <u>62,325,609</u> |
| Current liabilities | | | |
| Payables | 16 | 24,630,031 | 17,085,790 |
| Borrowings | 17 | 3,626,517 | 2,177,478 |
| Provisions | 18 | 1,497,031 | 1,140,942 |
| Current tax liabilities | | 38,812 | 634,041 |
| Other financial liabilities | 19 | - | 142,364 |
| Other liabilities | 20 | <u>136,954</u> | <u>76,043</u> |
| Total current liabilities | | <u>29,929,345</u> | <u>21,256,658</u> |
| Non-current liabilities | | | |
| Borrowings | 17 | 6,515,585 | 4,927,940 |
| Provisions | 18 | 1,069,678 | 813,698 |
| Other liabilities | 20 | <u>192,248</u> | <u>155,779</u> |
| Total non-current liabilities | | <u>7,777,511</u> | <u>5,897,417</u> |
| Total liabilities | | <u>37,706,856</u> | <u>27,154,075</u> |
| Net assets | | <u>34,947,800</u> | <u>35,171,534</u> |

The accompanying notes form part of these financial statements.

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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ABN 97 095 843 020**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

| | Note | 2015 \$ | 2014 \$ |
|---|------|--------------------------|--------------------------|
| Equity | | | |
| Share capital | 21 | 18,941,673 | 18,941,673 |
| Reserves | 22 | 1,931,484 | 2,031,314 |
| Retained earnings | 23 | <u>12,150,442</u> | <u>12,589,124</u> |
| Equity attributable to owners of National Tyre & Wheel Pty Limited (formerly STFT Investment Holdings Pty Ltd) | | 33,023,599 | 33,562,111 |
| Non-controlling interests | | <u>1,924,201</u> | <u>1,609,423</u> |
| Total equity | | <u><u>34,947,800</u></u> | <u><u>35,171,534</u></u> |

The accompanying notes form part of these financial statements.

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

| | Contributed equity \$ | Reserves \$ | Retained earnings \$ | Non-controllin g interests \$ | Total equity \$ |
|--|-----------------------------|------------------|----------------------------|-------------------------------------|--------------------|
| Balance as at 1 July 2013 | 18,941,673 | 988,729 | 6,679,652 | 1,394,370 | 28,004,424 |
| Profit for the year | - | - | 5,909,472 | 215,053 | 6,124,525 |
| Exchange differences on translation of foreign operations | - | 125,918 | - | - | 125,918 |
| Transactions with owners in their capacity as owners: | | | | | |
| Share based payments expensed | - | 916,667 | - | - | 916,667 |
| Balance as at 30 June 2014 | <u>18,941,673</u> | <u>2,031,314</u> | <u>12,589,124</u> | <u>1,609,423</u> | <u>35,171,534</u> |
| Balance as at 1 July 2014 | 18,941,673 | 2,031,314 | 12,589,124 | 1,609,421 | 35,171,532 |
| Profit for the year | - | - | 3,566,518 | 314,780 | 3,881,298 |
| Exchange differences on translation of foreign operations | - | (148,083) | - | - | (148,083) |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends | - | - | (4,005,200) | - | (4,005,200) |
| Share based payments expensed | - | 700,000 | - | - | 700,000 |
| Cash settled awards | - | (651,747) | - | - | (651,747) |
| Balance as at 30 June 2015 | <u>18,941,673</u> | <u>1,931,484</u> | <u>12,150,442</u> | <u>1,924,201</u> | <u>34,947,800</u> |

The accompanying notes form part of these financial statements.

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

| | Note | 2015 \$ | 2014 \$ |
|--|------|--------------------|--------------------|
| Cash flow from operating activities | | | |
| Receipts from customers | | 115,577,319 | 119,944,373 |
| Payments to suppliers and employees | | (106,034,424) | (109,123,237) |
| Dividends received | | - | 143 |
| Interest received | | 159,635 | 271,863 |
| Finance costs | | (455,543) | (740,739) |
| Income tax paid | | <u>(3,156,300)</u> | <u>(7,015,856)</u> |
| Net cash provided by operating activities | 24 | <u>6,090,687</u> | <u>3,336,547</u> |
| Cash flow from investing activities | | | |
| Payment for acquisition of business, net of cash acquired | | (4,886,954) | - |
| Proceeds from sale of property, plant and equipment | | 124,297 | 84,411 |
| Payment for property, plant and equipment | | (278,801) | (544,655) |
| Transfers to term deposits | | <u>-</u> | <u>(279,946)</u> |
| Net cash provided by / (used in) investing activities | | <u>(5,041,458)</u> | <u>(740,190)</u> |
| Cash flow from financing activities | | | |
| Proceeds from borrowings | | 5,000,000 | - |
| Repayment of borrowings | | (2,620,683) | (2,263,783) |
| Dividends paid | | (4,005,200) | - |
| Repayment of related party borrowings | | <u>-</u> | <u>(2,989,408)</u> |
| Net cash provided by / (used in) financing activities | | <u>(1,625,883)</u> | <u>(5,253,191)</u> |
| Reconciliation of cash | | | |
| Cash at beginning of the financial year | | 12,919,787 | 15,425,032 |
| Net increase / (decrease) in cash held | | (576,654) | (2,656,834) |
| Foreign exchange differences on cash holdings | | <u>69,121</u> | <u>151,589</u> |
| Cash at end of financial year | 9 | <u>12,412,254</u> | <u>12,919,787</u> |

The accompanying notes form part of these financial statements.

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(a) Basis of preparation of the financial report

Historical Cost Convention

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

(b) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and Balances

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

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

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

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
CONTROLLED ENTITIES
ABN 97 095 843 020**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translations and balances (Continued)

Entities that have a functional currency different from the presentation currency are translated as follows:

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

(c) Principles of consolidation

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

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

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

Non-controlling interests in the result of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue

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

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

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

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

(e) Income tax

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

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

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

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

Tax Consolidation

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

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

(f) Inventories

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

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

Classification

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

Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Available-for-sale

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

Financial liabilities

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

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

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

Derivative financial instruments

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

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

The groups' derivative financial instruments do not satisfy the requirements for hedge accounting.

Derivative financial instruments are recognised at fair value. Changes in the fair value of the derivative financial instruments are recognised immediately in profit or loss and are included in other income or other expenses.

(h) Property, plant and equipment

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

Property

Freehold land and buildings are measured at fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit and loss.

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

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

| Class of fixed asset | Depreciation rates | Depreciation basis |
|--------------------------------|---------------------------|---------------------------|
| Leasehold improvements at cost | | |
| Plant and equipment at cost | 5-60% | Diminishing value |
| Motor vehicles at cost | 13.5-21% | Diminishing value |

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangibles

Goodwill

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

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

Importation rights

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

(j) Impairment of non-financial assets

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

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(k) Provisions

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases

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

Finance leases

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

Operating leases

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

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

(m) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

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

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ABN 97 095 843 020**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (Continued)

(iii) Share-based payments

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

(n) Business combinations

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issues or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value.

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

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the gain is immediately recognised in the consolidated statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(o) Goods and services tax (GST)

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

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

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Comparatives

The restructure of the Group on 1 July 2012 was determined to be a business combination under common control. The financial report includes income and expenses of the group from acquisition date (1 July 2012) only and accordingly no comparatives have been reported.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill

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

(b) Recognition of a warranty provision

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

(c) Share based payments

Share based payments expense under the employee share option plan has been recognised over the expected vesting period of the options. The options granted to employees on 1 July 2012 vest if certain events occur. Management have estimated that they expect these events to occur on 30 June 2015, and have therefore recognised the share option expense over a 3 year period. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. No expense has been recognised on the options granted on 1 July 2013 and 1 July 2014 as these options have a strike price which is currently greater than the estimated share price, therefore these options are considered to have a NIL value.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FAIR VALUE MEASUREMENT

Fair Value Hierarchy

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

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

| | Level 2 | Level 3 | Total |
|--|---------|---------|---------|
| | \$ | \$ | \$ |
| 2015 | | | |
| Recurring fair value measurements | | | |
| <i>Financial assets</i> | | | |
| <i>Available-for-sale financial assets at fair value</i> | | | |
| Other investments | - | 2,376 | 2,376 |
| <i>Other derivative instruments at fair value through profit or loss</i> | | | |
| Foreign currency | 407,463 | - | 407,463 |
| Total financial assets | 407,463 | 2,376 | 409,839 |
| 2014 | | | |
| Recurring fair value measurements | | | |
| <i>Financial assets</i> | | | |
| <i>Available-for-sale financial assets at fair value</i> | | | |
| Other investments | - | 2,376 | 2,376 |
| Total financial assets | - | 2,376 | 2,376 |
| <i>Financial liabilities</i> | | | |
| <i>Other derivative instruments at fair value through profit or loss</i> | | | |
| Foreign currency | 134,222 | - | 134,222 |
| Interest rate | 8,142 | - | 8,142 |
| Total financial liabilities | 142,364 | - | 142,364 |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|--------------------|--------------------|
| | \$ | \$ |
| NOTE 4: DIVIDENDS | | |
| Dividends paid at \$0.0589 per share fully franked at 30% | <u>4,005,200</u> | <u>-</u> |
| | <u>4,005,200</u> | <u>-</u> |
| NOTE 5: REVENUE AND OTHER INCOME | | |
| Sales revenue | | |
| Sale of goods | 108,839,463 | 104,130,365 |
| Other revenue | | |
| Dividend income | - | 143 |
| Interest income | 159,635 | 271,863 |
| Other revenue | <u>18,185</u> | <u>31,042</u> |
| | <u>177,820</u> | <u>303,048</u> |
| Other Income | | |
| Gain on fair value adjustments - financial instruments | 8,142 | 103,628 |
| Profit on sale/revaluation of non current assets | 2,875 | - |
| Foreign currency translation gains | - | 886,584 |
| Gain on bargain purchase | <u>393,830</u> | <u>-</u> |
| | <u>404,847</u> | <u>990,212</u> |
| | <u>109,422,130</u> | <u>105,423,625</u> |
| NOTE 6: OPERATING PROFIT | | |
| Profit / (losses) before income tax has been determined after: | | |
| Finance costs | | |
| Interest | 446,471 | 713,100 |
| Amortisation of of borrowing costs | 71,064 | 71,064 |
| Finance lease charges | <u>39,028</u> | <u>27,639</u> |
| | 556,563 | 811,803 |
| Depreciation | 651,406 | 543,906 |
| Amortisation | 929,611 | 929,611 |
| Bad and doubtful debts | 48,156 | 22,354 |
| Foreign currency translation losses / (gains) recorded in cost of sales | 272,908 | (886,584) |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|------------------|------------------|
| | \$ | \$ |
| NOTE 6: OPERATING PROFIT (CONTINUED) | | |
| Employee benefits: | | |
| - Short term benefits | 10,169,150 | 8,217,797 |
| - Share based payments | 700,000 | 916,666 |
| - Other employee benefits | <u>720,451</u> | <u>628,829</u> |
| | 11,589,601 | 9,763,292 |
| | | |
| Loss on fair value adjustments | | |
| - Financial assets and financial liabilities at fair value through profit and loss | - | 134,222 |
| Loss on disposal/revaluation of non current assets | 58,236 | 174 |
| NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION | | |
| Compensation received by key management personnel of the group | <u>1,121,221</u> | <u>1,753,147</u> |
| NOTE 8: INCOME TAX | | |
| (a) Components of tax expense | | |
| Current tax | 2,561,189 | 3,173,280 |
| Deferred tax | (248,434) | 477,161 |
| Under/(over) provision in prior years | <u>-</u> | <u>(279,026)</u> |
| | <u>2,312,755</u> | <u>3,371,415</u> |
| (b) Prima facie tax payable | | |
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie income tax payable on profit before income tax at 30.0% (2014: 30.0%) | | |
| | 1,858,216 | 2,848,782 |
| Add tax effect of: | | |
| - intangible assets | 278,883 | - |
| - over provision for income tax in prior year | - | (279,026) |
| - non deductible expenses | 213,102 | 810,578 |
| - under provision for income tax in prior year | (34,008) | - |
| - differences in overseas tax rate | (3,438) | (13,381) |
| - foreign exchange translation | <u>-</u> | <u>4,462</u> |
| | <u>454,539</u> | <u>522,633</u> |
| Income tax expense attributable to profit | <u>2,312,755</u> | <u>3,371,415</u> |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | \$ | \$ |
| NOTE 8: INCOME TAX (CONTINUED) | | |
| (c) Deferred tax | | |
| Deferred tax relates to the following: | | |
| <i>Deferred tax assets</i> | | |
| The balance comprises: | | |
| Employee benefits | 331,546 | 248,728 |
| Foreign currency exchange | 27,766 | - |
| Property, plant and equipment | 67,244 | 76,843 |
| Accruals and provisions | 442,766 | 353,425 |
| Other | <u>10,650</u> | <u>27,833</u> |
| | <u>879,972</u> | <u>706,829</u> |
| <i>Deferred tax liabilities</i> | | |
| The balance comprises: | | |
| Finance lease liability | 32,897 | 7,193 |
| Foreign currency exchange | - | 100,877 |
| | <u>32,897</u> | <u>108,070</u> |
| Net deferred tax assets / (liabilities) | <u>847,075</u> | <u>598,759</u> |
| NOTE 9: CASH AND CASH EQUIVALENTS | | |
| Cash on hand | 2,726 | 1,844 |
| Cash at bank | <u>12,409,528</u> | <u>12,917,943</u> |
| | <u>12,412,254</u> | <u>12,919,787</u> |
| NOTE 10: RECEIVABLES | | |
| CURRENT | | |
| Trade debtors | 17,727,879 | 12,758,382 |
| Amounts receivables from: | | |
| - employees | <u>100,000</u> | <u>100,000</u> |
| | <u>17,827,879</u> | <u>12,858,382</u> |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|--------------------|--------------------|
| | \$ | \$ |
| NOTE 11: INVENTORIES | | |
| CURRENT | | |
| <i>At cost</i> | | |
| Finished goods | <u>28,437,691</u> | <u>22,800,276</u> |
| NOTE 12: OTHER FINANCIAL ASSETS | | |
| CURRENT | | |
| <i>Other derivative instruments at fair value through profit or loss</i> | | |
| Foreign currency | <u>407,463</u> | <u>-</u> |
| NON CURRENT | | |
| <i>Available-for-sale financial assets</i> | | |
| <i>At fair value</i> | | |
| Other investments | 2,376 | 2,376 |
| <i>Held to maturity financial assets</i> | | |
| Term deposits | <u>279,271</u> | <u>279,946</u> |
| | <u>281,647</u> | <u>282,322</u> |
| <p>The group purchases inventory from the United States. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase US dollars. These contracts do not satisfy the requirements for hedge accounting.</p> | | |
| NOTE 13: PROPERTY, PLANT AND EQUIPMENT | | |
| Leasehold improvements | | |
| At cost | 266,601 | 235,520 |
| Accumulated depreciation | <u>(153,088)</u> | <u>(105,984)</u> |
| | <u>113,513</u> | <u>129,536</u> |
| Plant and equipment | | |
| Plant and equipment at cost | 3,034,794 | 2,847,369 |
| Accumulated depreciation | <u>(1,389,250)</u> | <u>(1,438,384)</u> |
| | 1,645,544 | 1,408,985 |
| Improvements at cost | 40,100 | 50,324 |
| Accumulated depreciation | <u>(6,078)</u> | <u>(6,353)</u> |
| | 34,022 | 43,971 |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED) | | |
| Motor vehicles at cost | 2,318,123 | 1,768,400 |
| Accumulated depreciation | <u>(803,639)</u> | <u>(594,304)</u> |
| | <u>1,514,484</u> | <u>1,174,096</u> |
| Total property, plant and equipment | <u><u>3,307,563</u></u> | <u><u>2,756,588</u></u> |
| Reconciliations | | |
| Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year | | |
| <i>Leasehold improvements</i> | | |
| Opening carrying amount | 129,536 | 176,640 |
| Additions | 31,081 | - |
| Depreciation expense | <u>(47,104)</u> | <u>(47,104)</u> |
| Closing carrying amount | <u><u>113,513</u></u> | <u><u>129,536</u></u> |
| <i>Plant and equipment</i> | | |
| Opening carrying amount | 1,408,985 | 1,422,681 |
| Additions | 599,691 | 260,670 |
| Disposals | (70,162) | (2,826) |
| Depreciation expense | <u>(292,970)</u> | <u>(271,540)</u> |
| Closing carrying amount | <u><u>1,645,544</u></u> | <u><u>1,408,985</u></u> |
| <i>Improvements</i> | | |
| Opening carrying amount | 43,971 | 45,241 |
| Disposals | (8,714) | - |
| Depreciation expense | <u>(1,235)</u> | <u>(1,270)</u> |
| Closing carrying amount | <u><u>34,022</u></u> | <u><u>43,971</u></u> |
| <i>Motor vehicles</i> | | |
| Opening carrying amount | 1,174,096 | 1,129,379 |
| Additions | 693,032 | 377,212 |
| Disposals | (42,547) | (108,503) |
| Depreciation expense | <u>(310,097)</u> | <u>(223,992)</u> |
| Closing carrying amount | <u><u>1,514,484</u></u> | <u><u>1,174,096</u></u> |

Property, plant and equipment pledged as security

Refer to note 15 for information on non-current assets pledged as security by the group.

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| NOTE 14: INTANGIBLE ASSETS | | |
| Goodwill at cost | <u>754,573</u> | <u>754,573</u> |
| Importation rights | 10,730,000 | 10,730,000 |
| Accumulated amortisation and impairment | <u>(2,666,582)</u> | <u>(1,736,971)</u> |
| | <u>8,063,418</u> | <u>8,993,029</u> |
| Total intangible assets | <u><u>8,817,991</u></u> | <u><u>9,747,602</u></u> |

Reconciliations

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

Goodwill at cost

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

Importation rights

| | | |
|----------------------|-------------------------|-------------------------|
| Opening balance | 8,993,029 | 9,922,639 |
| Amortisation expense | <u>(929,611)</u> | <u>(929,610)</u> |
| Closing balance | <u><u>8,063,418</u></u> | <u><u>8,993,029</u></u> |

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

Amortisation expense in relation to intangible assets is included within depreciation and amortisation expense in the consolidated statement of comprehensive income.

NOTE 15: OTHER ASSETS

CURRENT

| | | |
|----------------------|-----------------------|-----------------------|
| Prepayments | 165,428 | 80,653 |
| Other current assets | <u>149,665</u> | <u>281,240</u> |
| | <u><u>315,093</u></u> | <u><u>361,893</u></u> |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|-------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| NOTE 16: PAYABLES | | |
| CURRENT | | |
| <i>Unsecured liabilities</i> | | |
| Trade creditors | 22,071,183 | 16,073,913 |
| Sundry creditors and accruals | <u>2,558,848</u> | <u>1,011,877</u> |
| | <u><u>24,630,031</u></u> | <u><u>17,085,790</u></u> |
| | | |
| NOTE 17: BORROWINGS | | |
| CURRENT | | |
| <i>Secured liabilities</i> | | |
| Bank loans | 3,332,192 | 2,088,936 |
| Finance lease liability | <u>294,325</u> | <u>88,542</u> |
| | <u><u>3,626,517</u></u> | <u><u>2,177,478</u></u> |
| | | |
| NON CURRENT | | |
| <i>Secured liabilities</i> | | |
| Bank loans | 6,063,836 | 4,706,028 |
| Finance lease liability | <u>451,749</u> | <u>221,912</u> |
| | <u><u>6,515,585</u></u> | <u><u>4,927,940</u></u> |

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

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

Bank loan security

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

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| NOTE 18: PROVISIONS | | |
| CURRENT | | |
| Employee benefits | 917,509 | 630,246 |
| Warranties | <u>579,522</u> | <u>510,696</u> |
| | <u><u>1,497,031</u></u> | <u><u>1,140,942</u></u> |
| NON CURRENT | | |
| Employee benefits | 190,438 | 201,913 |
| Warranties | <u>879,240</u> | <u>611,785</u> |
| | <u><u>1,069,678</u></u> | <u><u>813,698</u></u> |
| Reconciliations | | |
| Reconciliation of the carrying amounts of provisions at the beginning and end of the current financial year | | |
| <i>Warranties (current)</i> | | |
| Opening balance | 510,696 | 505,030 |
| Additional amounts recognised | <u>68,826</u> | <u>5,666</u> |
| Closing balance | <u><u>579,522</u></u> | <u><u>510,696</u></u> |
| <i>Warranties (non current)</i> | | |
| Opening balance | 611,785 | 602,017 |
| Additional amounts recognised | <u>267,455</u> | <u>9,768</u> |
| Closing balance | <u><u>879,240</u></u> | <u><u>611,785</u></u> |
| NOTE 19: OTHER FINANCIAL LIABILITIES | | |
| CURRENT | | |
| <i>Derivative financial instruments</i> | | |
| Foreign currency | - | 134,222 |
| Interest rate swap | <u>-</u> | <u>8,142</u> |
| | <u><u>-</u></u> | <u><u>142,364</u></u> |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |

NOTE 19: OTHER FINANCIAL LIABILITIES (CONTINUED)

The terms of the bank loan require the group to hedge its exposure from movements in interest rates. Accordingly the group has entered into an interest rate swap. The interest rate swap matured in August 2014. The interest rate swap does not satisfy the requirements for hedge accounting and the gain or loss in remeasuring the financial instruments is recognised in profit or loss.

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

NOTE 20: OTHER LIABILITIES

CURRENT

| | | |
|-------------------------------|----------------|---------------|
| Deposits received | - | 633 |
| Straight line lease liability | <u>136,954</u> | <u>75,410</u> |
| | <u>136,954</u> | <u>76,043</u> |

NON CURRENT

| | | |
|-------------------------------|----------------|----------------|
| Straight line lease liability | <u>192,248</u> | <u>155,779</u> |
|-------------------------------|----------------|----------------|

NOTE 21: SHARE CAPITAL

| | | |
|----------------------------|-------------------|-------------------|
| Issued and paid-up capital | | |
| Ordinary share capital | <u>18,941,673</u> | <u>18,941,673</u> |

Rights of each type of share

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

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

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 21: SHARE CAPITAL (CONTINUED)

Share options

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

NOTE 22: RESERVES

| | | |
|--------------------------------------|------------------|------------------|
| Foreign currency translation reserve | (16,769) | 131,314 |
| Share based payments reserve | <u>1,948,253</u> | <u>1,900,000</u> |
| | <u>1,931,484</u> | <u>2,031,314</u> |

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

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

NOTE 23: RETAINED EARNINGS

| | | |
|--|--------------------|-------------------|
| Retained earnings at beginning of year | 12,589,124 | 6,679,652 |
| Net profit | 3,566,518 | 5,909,472 |
| Dividends provided for or paid | <u>(4,005,200)</u> | <u>-</u> |
| | <u>12,150,442</u> | <u>12,589,124</u> |

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**NOTES TO FINANCIAL STATEMENTS
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| | 2015 | 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| NOTE 24: CASH FLOW INFORMATION | | |
| Reconciliation of cash flow from operations with profit after income tax | | |
| Profit from ordinary activities after income tax | 3,881,298 | 6,124,525 |
| Adjustments and non-cash items | | |
| Amortisation | 929,611 | 929,610 |
| Depreciation | 651,406 | 496,803 |
| Amortisation of capitalised borrowing costs | 71,064 | 71,064 |
| Gain on bargain purchase | (393,830) | - |
| Net (gain) / loss on disposal of property, plant and equipment | (2,875) | 174 |
| Non-cash employee benefits expense - share-based payments | 48,253 | 916,667 |
| Bad debts | 48,156 | 22,354 |
| Net foreign exchange differences | (766,356) | (154,235) |
| Changes in assets and liabilities net of effects from purchase of controlled entity | | |
| (Increase) / decrease in receivables | (5,013,167) | 1,754,450 |
| (Increase) / decrease in other assets | 46,800 | (3,086) |
| (Increase) / decrease in inventories | 435,063 | 1,562,602 |
| Increase / (decrease) in payables | 6,471,761 | (4,734,784) |
| Increase / (decrease) in other liabilities | 97,380 | (93,745) |
| Increase / (decrease) in income tax payable | (595,229) | (4,121,602) |
| (Increase) / decrease in deferred taxes | (248,316) | 477,161 |
| Increase / (decrease) in provisions | 429,668 | 88,589 |
| Cash flows from operating activities | <u>6,090,687</u> | <u>3,336,547</u> |

Non-cash financing and investing activities

Finance leases

Acquisition of plant and equipment by means of finance leases \$170,409 (2014: \$93,227).

Deferred settlement on acquisition of business

At 30 June 2015, \$1,072,478 (excl GST) was still payable for the acquisition of National Tyre Wholesalers (Canberra) Pty Ltd.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|--|------|------|
| | \$ | \$ |

NOTE 25: BUSINESS COMBINATION

On 30 September 2014, the group acquired 100% of the assets and liabilities of National Tyre Wholesalers (Canberra) Pty Ltd.

Details of the transaction were:

| | \$ | |
|---|------------------|--|
| Consideration and costs paid | 5,857,004 | |
| Equipment leases paid out on behalf of seller | <u>102,428</u> | |
| Total consideration | <u>5,959,432</u> | |

Assets and liabilities acquired

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

| | Recognised on acquisition at fair value |
|--|--|
| | \$ |
| Assets and liabilities held at acquisition date: | |
| - Inventories | 6,072,478 |
| - Property, plant and equipment | 874,593 |
| - Provisions | (182,401) |
| - Finance lease liabilities | <u>(468,212)</u> |
| Net assets acquired | <u>6,296,458</u> |
| | <u>6,296,458</u> |

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 26: SHARE BASED PAYMENTS

(a) Equity-settled share-based payments

(i) Employee option plan

STFT Senior Executive Option Plan

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

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

Options

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

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

Series A Options

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

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

Series B Options

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

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

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 26: SHARE BASED PAYMENTS (CONTINUED)

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

(i) Employee option plan (Continued)

Details of the options granted are provided below:

2015

| Grant date | Expiry date | Exercise price | Balance at b | Granted dur | Exercised du | Forfeited du | Balance at t | Exercisable : |
|------------|------------------------|----------------|------------------|------------------|--------------|--------------------|------------------|---------------|
| 1/07/2012 | 1/07/2022 31/12/201 | \$ - | 2,600,000 | - | - | (800,000) | 1,800,000 | - |
| 1/07/2012 | 4 | \$ - | 250,000 | - | - | (250,000) | - | - |
| 1/07/2013 | 1/07/2022 | \$ 1.00 | 1,000,000 | - | - | - | 1,000,000 | - |
| 1/07/2014 | 1/07/2022 | \$ 0.76 | - | 2,080,000 | - | (20,000) | 2,060,000 | - |
| | | | <u>3,850,000</u> | <u>2,080,000</u> | <u>-</u> | <u>(1,070,000)</u> | <u>4,860,000</u> | <u>-</u> |

2014

| | | | | | | | | |
|-----------|------------------------|---------|------------------|------------------|----------|------------------|------------------|----------|
| 1/07/2012 | 1/07/2022 31/12/201 | \$ - | 2,700,000 | - | - | (100,000) | 2,600,000 | - |
| 1/07/2012 | 4 | \$ - | 250,000 | - | - | - | 250,000 | - |
| 1/07/2013 | 1/07/2022 | \$ 1.00 | - | 1,000,000 | - | - | 1,000,000 | - |
| | | | <u>2,950,000</u> | <u>1,000,000</u> | <u>-</u> | <u>(100,000)</u> | <u>3,850,000</u> | <u>-</u> |

Fair value of options granted:

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

(ii) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recorded within employee benefit expense in the statement of comprehensive income were as follows:

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Options issued under the STFT Senior Executive Option plan | 866,667 | 916,667 |
| Options forfeited during the year | <u>(166,667)</u> | <u>-</u> |
| Total expenses recognised from share-based payment transactions | <u><u>700,000</u></u> | <u><u>916,667</u></u> |

**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| NOTE 27: CAPITAL AND LEASING COMMITMENTS | | |
| Finance leasing commitments | | |
| Payable | | |
| - not later than one year | 330,241 | 88,542 |
| - later than one year and not later than five years | <u>480,618</u> | <u>221,912</u> |
| Minimum lease payments | 810,859 | 310,454 |
| Less future finance charges | <u>(64,785)</u> | <u>-</u> |
| Total finance lease liability | <u>746,074</u> | <u>310,454</u> |
| Represented by: | | |
| Current liability | 294,325 | 88,542 |
| Non-current liability | <u>451,749</u> | <u>221,912</u> |
| | <u>746,074</u> | <u>310,454</u> |
| Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements: | | |
| Payable | | |
| - not later than one year | 2,820,392 | 1,557,748 |
| - later than one year and not later than five years | <u>5,185,713</u> | <u>2,273,516</u> |
| | <u>8,006,105</u> | <u>3,831,264</u> |

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | \$ | \$ |
| NOTE 28: PARENT ENTITY DETAILS | | |
| Summarised presentation of the parent entity, STFT Investment Holdings Pty Ltd financial statements: | | |
| (a) Summarised consolidated statement of financial position | | |
| Assets | | |
| Current assets | 3,147,663 | 1,461,317 |
| Non-current assets | <u>71,904,192</u> | <u>69,319,802</u> |
| Total assets | <u>75,051,855</u> | <u>70,781,119</u> |
| Liabilities | | |
| Current liabilities | 2,179,153 | 741,637 |
| Non-current liabilities | <u>3,523,208</u> | <u>59,990</u> |
| Total liabilities | <u>5,702,361</u> | <u>801,627</u> |
| Net assets | <u>69,349,494</u> | <u>69,979,492</u> |
| Equity | | |
| Share capital | 67,001,030 | 67,001,030 |
| Retained earnings | 400,211 | 1,078,462 |
| Reserves | | |
| Share based payments reserve | <u>1,948,253</u> | <u>1,900,000</u> |
| Total equity | <u>69,349,494</u> | <u>69,979,492</u> |
| (b) Summarised consolidated statement of comprehensive income | | |
| Profit for the year | 3,326,949 | 314,534 |
| Other comprehensive income for the year | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | <u>3,326,949</u> | <u>314,534</u> |

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

2015 **2014**
\$ \$

NOTE 29: DEED OF CROSS GUARANTEE

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

- National Tyre & Wheel Pty Limited (formerly STFT Investment Holdings Pty Ltd)
- Exclusive Tyres Distributors Pty Ltd
- Exclusive Tyre Distributors (NZ) Limited

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

A consolidated statement of comprehensive income and a consolidated statement of financial position for the year ended 30 June 2015, comprising the above listed parties to the deed which represent the "closed group" and the "extended closed group", are set out below:

(a) Consolidated Statement of Comprehensive Income of the closed group

Revenue and other income

| | | |
|---------------|--------------------|-------------------|
| Sales revenue | 100,344,197 | 97,076,822 |
| Other revenue | 180,584 | 1,292,628 |
| | <u>100,524,781</u> | <u>98,369,450</u> |

Less: expenses

| | | |
|-----------------------------|---------------------|---------------------|
| Cost of sales | (65,971,804) | (65,988,257) |
| Transport expense | (3,675,535) | (2,699,647) |
| Depreciation expense | (1,514,120) | (1,378,024) |
| Employee benefits expense | (10,287,057) | (8,430,619) |
| Occupancy expenses | (2,852,286) | (1,922,174) |
| Marketing expense | (5,505,867) | (4,329,891) |
| Finance costs | (547,215) | (802,182) |
| Insurance expense | (327,585) | (332,997) |
| Legal and professional fees | (121,683) | (90,803) |
| Other expenses | <u>(4,445,223)</u> | <u>(3,564,655)</u> |
| | <u>(95,248,375)</u> | <u>(89,539,249)</u> |

Profit before income tax expense

| | | |
|--|-----------|-----------|
| | 5,276,406 | 8,830,201 |
|--|-----------|-----------|

| | | |
|--------------------|--------------------|--------------------|
| Income tax expense | <u>(2,037,437)</u> | <u>(3,195,697)</u> |
|--------------------|--------------------|--------------------|

| | | |
|----------------------------|------------------|------------------|
| Profit for the year | <u>3,238,969</u> | <u>5,634,504</u> |
|----------------------------|------------------|------------------|

Other comprehensive income

| | | |
|---|------------------|----------------|
| Exchange differences on translation of foreign operations | <u>(148,083)</u> | <u>127,656</u> |
|---|------------------|----------------|

| | | |
|--|------------------|----------------|
| Other comprehensive income for the year | <u>(148,083)</u> | <u>127,656</u> |
|--|------------------|----------------|

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|---------------------|-------------------|
| | \$ | \$ |
| NOTE 29: DEED OF CROSS GUARANTEE (CONTINUED) | | |
| (a) Consolidated Statement of Comprehensive Income of the closed group (Continued) | | |
| Total comprehensive income for the year | <u>3,090,886</u> | <u>5,762,160</u> |
| (b) Summary of movements in consolidated retained earnings of the closed group | | |
| Retained earnings at the beginning of the year | 12,247,134 | 6,612,630 |
| Profit for the year | 3,238,969 | 5,634,504 |
| Dividend paid | <u>(4,005,200)</u> | - |
| Retained earnings at the end of the year | <u>11,480,903</u> | <u>12,247,134</u> |
| (c) Consolidated Statement of Financial Position of the closed group | | |
| Current assets | | |
| Cash and cash equivalents | 12,050,149 | 12,621,993 |
| Receivables | 16,834,515 | 12,103,485 |
| Inventories | 25,605,687 | 20,459,077 |
| Other financial assets | 405,655 | 279,946 |
| Other current assets | <u>282,992</u> | <u>420,989</u> |
| Total current assets | <u>55,178,998</u> | <u>45,885,490</u> |
| Non-current assets | | |
| Other financial assets | 2,418,186 | 2,138,915 |
| Property, plant and equipment | 2,912,257 | 2,248,130 |
| Intangible assets | 8,063,418 | 8,993,029 |
| Deferred tax assets | <u>816,818</u> | <u>572,842</u> |
| Total non-current assets | <u>14,210,679</u> | <u>13,952,916</u> |
| Total assets | <u>69,389,677</u> | <u>59,838,406</u> |
| Current liabilities | | |
| Payables | 23,583,973 | 16,905,594 |
| Borrowings | 3,595,565 | 4,322,499 |
| Provisions | 1,427,059 | 1,095,005 |
| Current tax liabilities | 661,427 | 584,543 |
| Other liabilities | <u>136,954</u> | <u>75,410</u> |
| Total current liabilities | <u>(29,404,978)</u> | <u>22,983,051</u> |
| Non-current liabilities | | |
| Borrowings | 6,399,596 | 2,697,199 |
| Provisions | 1,038,795 | 782,256 |

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

| | 2015 | 2014 |
|---|-------------------|-------------------|
| | \$ | \$ |
| NOTE 29: DEED OF CROSS GUARANTEE (CONTINUED) | | |
| (c) Consolidated Statement of Financial Position of the closed group (Continued) | | |
| Other liabilities | <u>192,248</u> | <u>155,779</u> |
| Total non-current liabilities | <u>7,630,639</u> | <u>3,635,234</u> |
| Total liabilities | <u>37,035,617</u> | <u>26,618,285</u> |
| Net assets | <u>32,354,060</u> | <u>33,220,121</u> |
| Equity | | |
| Share capital | 18,941,673 | 18,941,673 |
| Reserves | 1,931,484 | 2,031,314 |
| Retained earnings | <u>11,480,903</u> | <u>12,247,134</u> |
| Total equity | <u>32,354,060</u> | <u>33,220,121</u> |

NOTE 30: EVENTS SUBSEQUENT TO REPORTING DATE

In July 2015, National Tyre & Wheel Pty Ltd executed an agreement to increase its shareholding in Dynamic Tyres Pty Ltd to 61.9%.

There has been no other matter or circumstance, which has arisen since 30 June 2015 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2015, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2015, of the group.

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**NATIONAL TYRE & WHEEL PTY LIMITED (FORMERLY STFT INVESTMENT HOLDINGS PTY LTD) AND
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 - 39, are in accordance with the *Corporations Act 2001*: and
 - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Director: _____

Peter Ludemann

Dated this 29th day of October 2015

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PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

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

Independent Auditor's Report to the Members of National Tyre & Wheel Pty Limited

We have audited the accompanying financial report of National Tyre & Wheel Pty Limited, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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Opinion

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

- a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Pitcher Partners.

PITCHER PARTNERS

Nigel Batters

NIGEL BATTERS
Partner

Brisbane, Queensland
29 October 2015

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