BIKE EXCHANGE

WHERE THE WORLD RIDES®


# ANNUAL REPORT 2022

# Our focus is clear

**BikeExchange Limited (ASX: BEX) is a leading operator of global online cycling focused marketplaces that enable a dedicated and growing global audience of consumers to connect and transact with thousands of retailers and brands.**

BikeExchange was founded in Melbourne in 2007, with the aim of bringing together the fragmented global cycling industry to trade and scale. Today, it hosts over 1,500 brands, 1,585+ retailers and 900,000+ products globally, with an annual audience of 21+ million consumers.

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Throughout this report Company refers to BikeExchange Ltd, and Group refers to the BikeExchange Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2022.

# FY22 Highlights

- Acquired Kitzuma 'ready to ride' bicycle logistics business in North America.
- Acquired remaining 50% of BikeExchange Colombia.
- Successful capital raise of $6.3 million (net of costs) in June/July 2022.
- Organisational restructure and implementation of strategies to deliver cost savings in FY23, setting a strong foundation for the business.

↑ 22%

LOOKTHROUGH* TOTAL TRANSACTION VALUE (TTV)

Up to $30.9m

↑ 41%

LOOKTHROUGH* REVENUE

Up to $6.8m

↑ **16%**

AVERAGE UNIQUE MONTHLY SELLERS

Up 16% on FY21

↑ **7.7%**

AVERAGE COMMISSION RATE

Up from 7.5%

↑ **0.19%**

TRAFFIC CONVERSION RATE

Up from 0.14%

↑ **18%**

AVERAGE ORDER VALUE

Up to $749

↓ **1,585**

TOTAL ACTIVE RETAIL ACCOUNTS

Down 1% to 1,585

↑ **33,940**

TRANSACTION VOLUME

Up 1% to 33,940

* All metrics for the 12 month period prior to 30 June 2022 vs the comparable period in FY21 and those metrics defined as lookthrough include the Group's underlying 50% share of BikeExchange Colombia S.A.S TTV and revenue up until 2 March 2022 when the Group acquired the remaining 50% of the business. Explanation of TTV is included with the Directors' Report on page 12.

> The acquisition of Kitzuma solves the bicycle industry problem of quality delivery of fully built bicycles.

# Chair's Letter

Dear Shareholder,

On behalf of the directors, we welcome you to the Annual Report for BikeExchange Limited (ASX: BEX).

The 2022 financial year was another year of transformation for BEX. Faced with an evolving operational and investment landscape the business was required to adapt to the challenges presented. The changes to the team and operating focus for BEX will be covered in greater detail in this report, though I will touch on some of the key developments throughout the year.

During December 2021, BEX acquired Kitzuma, a North American based 'ready to ride' logistics company, solving the problem for the bicycle industry of quality delivery of fully built bicycles, without the need for boxes. The integration has gone well, and we welcome the Kitzuma Team to the BEX Group.

In the March quarter, BEX acquired the remaining 50% of the BikeExchange Colombian Joint Venture.

During the second half of FY22, BEX undertook a restructure of the Executive Team that saw a change of CEO and a broader rationalisation of the global executive team. Key changes included, Co-Founder of BikeExchange, Sam Salter stepping into the interim CEO role and the Head of the European region, Ryan McMillian promoted to a global Chief Operating Officer role.

The Board of Directors was also strengthened during FY22 with the appointment of Elizabeth Smith and Dominic O'Hanlon as Non-Executive Directors of BikeExchange.

BikeExchange launched an equity raising in June 2022, that raised $6.3 million (net of issue costs) of equity capital by July 2022.

An overhaul of the operating model was initiated during the June quarter of 2022 that provides a focus on continued growth and a path to profitability for the BikeExchange business.

A significant body of work has now been completed by the new Executive team and enhanced Board of Directors that when combined with the refined operating model, places BikeExchange on a solid footing for the FY23 year and beyond.

Despite the challenges faced, BikeExchange delivered growth during FY22 and has strengthened its position as the world's largest global cycling marketplace; operating across eight countries within four geographic hubs in Australia and New Zealand (ANZ), North America, Europe and Latin America (LatAm). The BikeExchange Platform has a network of brands, retailers and distributors that come together in a single destination marketplace and FY22 originated more than $30.9 million in Lookthrough Total Transaction Value ("TTV").

During FY22, the BikeExchange Platform was visited by approximately 21 million consumers. This traffic drove e-Commerce transactions and delivered approximately $1.2 billion of aggregate inquiry value of potential sales leads to retailers and brands globally. BikeExchange currently has over 1,585 retailers and over 1,500 brands globally available on the platform providing ease, convenience and choice for consumers.

Globally, the cycling market (including accessories) continues to experience strong growth due to a number of factors; as governments accelerate and plan for changing consumer behaviour. Further, there is a proactive shift by consumers for increased awareness of environmental, health and convenience factors that attribute to the positive impacts of cycling, whether it be for leisure, commuting or for health and fitness.

The shift and increase in the online e-Commerce landscape has transformed the way consumers purchase products and brought about awareness of online being a destination rather than a source of viewing.

BikeExchange is powered by Marketplacer, a global leading, purpose-built technology platform. BikeExchange's online model attracts and provides a range of consumers a more convenient, transparent and efficient platform solution relative to traditional marketplaces. Our refreshed growth strategy is set out in more detail in the CEO's report.

In relation to the disappointing share price performance over the last 12 months, the Board understands and shares the frustration of BEX shareholders. We have listened and understood the concerns of investors and taken action to address them. The refined operating model places BEX in a solid position to unlock the strategic value of the global BikeExchange Platform.

Sam Salter will now provide the CEO's Report. I would like to thank Sam Salter, Ryan McMillian and all the valued staff of BikeExchange globally for their valued efforts over the last 12 months.

The Board of Directors once again thank the Shareholders for their support and will provide updates as BEX looks to deliver on the significant global growth opportunity ahead.

Sincerely

**Gregg Taylor**
Chairman

# CEO's Report

Dear Shareholder,

On behalf of BikeExchange Limited (ASX: BEX) it's a pleasure to write this CEO overview for our Annual Report.

FY22 has been a year of growth and evolution. The business continued to grow whilst experiencing ongoing COVID-19 pandemic effects in the first half of FY22, such as supply chain issues. BikeExchange adapted well from the COVID-19 pandemic highs during FY21 and the resulting upward trend towards e-Commerce; in addition to transitioning into being a public business, following the ASX listing in February 2021. BikeExchange is increasingly well positioned to support the bicycle industry as it transitions to e-Commerce servicing the modern consumer and their growing demand to buy online.

A focus on e-Commerce transactions, in particular for bikes, drove a restructure of our operating model to efficiently drive larger volumes of online sales, while at the same time reducing our cost base for FY23. The European region has continued to be a stand out performer for BikeExchange. Many operating measures and approaches have been introduced to the European BikeExchange region first over the last 12 months, with great success. The roll out of these learnings and approaches into the other regions over the last quarter of FY22, together with the consolidation of costs will be vital success steps for continued BikeExchange growth.

A notable highlight of FY22 is the acquisition of Kitzuma, a North American based 'ready to ride' logistics company. The Kitzuma acquisition integrates BikeExchange deeper into the bicycle e-Commerce ecosystem with the ultimate driver being a higher propensity for customers to buy online, knowing the bike purchased can be delivered 'ready to ride.' The customer feedback (both retailers and consumers) has been extremely strong and we are optimistic on the continued growth trajectory of Kitzuma and the BikeExchange business.

I would like to take this opportunity to acknowledge the BikeExchange team around the world, in particular for their continued efforts, adaptation and navigation through the evolution of the business and the COVID-19 pandemic. I would also like to thank all of our industry partners and BikeExchange consumers for their ongoing commitment. In addition, a thank you for the support from our Board of Directors and finally our shareholders for their support and interest in the BikeExchange business.

## FY22 Performance

BikeExchange's simple purpose is to fuel the passion for riding by making it easy to buy and sell everything bike related. This focus across our four regions and eight countries has created alignment in how we operate consistently and efficiently. Across FY22 the BikeExchange business has continued to grow across key metrics. Globally we have seen 22% growth in Lookthrough Total Transaction Value (TTV) to $30.9 million and Lookthrough Revenue has increased 41% to $6.8m. e-Commerce transaction numbers have in turn grown by 1% to nearly 34,000. BikeExchange has seen higher traffic conversion to e-Commerce order rates at 0.19% (up from 0.14% in FY21) and at a higher Average Order Value (AOV) growing 18% to $749, driven by more bikes being sold on the platform. This is off a more normalised audience base which reduced from the COVID-19 high traffic experienced in FY21.

e-Commerce commission has been a strong contributor to the Lookthrough Revenue growth with a 20% increase vs pcp, with the average commission rate rising from 7.5% in FY21 to 7.7% in FY22. The number and aggregate inquiry value of potential sales leads through to retailers normalised in line with traffic to over $1.2 billion. The conversion of enquiry listings into e-Commerce listings has been a continued focus for the business and the resulting increase in e-Commerce sales demonstrates this. The Average Revenue Per Account (ARPA) for subscribers has increased by 12% with active retail accounts marginally declining by 1% to 1,585. Subscription revenue has continued to be an important revenue contributor and global Lookthrough Subscription Revenues have increased 18% to $2.9 million.

Regionally BikeExchange Europe grew revenues by 26%, BikeExchange Australia grew by 17% and BikeExchange North America grew by 137% (including the impact of the acquisition of Kitzuma).

BikeExchange has felt the benefits in North America of the Kitzuma brand and service, together with their customer base, since the acquisition in December 2021. Further integration of the Kitzuma and BikeExchange businesses operationally and strategically, in North America, has been a focus in the second half of FY22 and this will greatly assist the FY23 growth trajectory. In the first six months of ownership the Kitzuma contribution to the Group revenue has been $1.2 million and the annual run-rate of shipments in Q4 FY22 was over 8,000 deliveries, with growth accelerating.

In early FY23 Kitzuma will launch a consumer shipment platform, allowing consumers to ship bikes to events or to any Kitzuma travel hub site, which will broaden the revenue base and improve logistics margins.

## Developments in FY22

In our continually changing environment and category, BikeExchange has focused on evolving its core foundation for future growth. Below are some of notable key developments during FY22:

1. The Kitzuma acquisition; One of the most exciting new services in the bicycle industry. As the industry visibly moves more towards e-Commerce there is a genuine challenge of serving the online customer, whilst ensuring the bike is built safely by a qualified bicycle mechanic to the manufacturer brands' standards. The ability to deliver a bike without the need of a box removes significant friction in the existing customer journey, not only for retailers, brands and distributors but also for consumers. We are seeing consistent growth from Kitzuma as their proprietary technology platform and warehouse and logistics network across North America facilitates this strong service. The Kitzuma Founders remain in the overall business and are aligned with the long term BEX vision with the majority of the acquisition consideration in BikeExchange equity.
2. New operating model: We have successfully rolled out a new operating model. Based on the e-Commerce growth and operational approach we have achieved in Europe, this model is focused at enabling e-Commerce in a resource efficient manner, reducing cost and driving more e-Commerce transactions.
3. Cost base reduction: Motivated by achieving a faster pathway to profit, we have significantly reduced our cost base with savings made across most areas of the business, including but not limited to the new operating model. We have implemented large cost reductions, but focused on achieving continued revenue growth in FY23.
4. BikeExchange Colombia Acquisition: The Group acquired the remaining 50% in BikeExchange Colombia in March 2022. As a result, BikeExchange now owns 100% of the operations in the LatAm region, following nearly five years of a joint venture operation. The acquisition also included five retail stores providing an additional customer touchpoint in the region.
5. Capital Raise: BikeExchange successfully completed a capital raise round of $6.3 million (net of issue costs) by July 2022. This capital raise saw 100% of available shares taken, whilst we also introduced new investors to the BikeExchange business, broadening the investor base.

## Outlook

The outlook for BikeExchange is strong. Growth during FY22 was hampered due to a global stock shortage of bicycle products. In the early months of FY23 we are now seeing brands and retailers being overstocked. Sellers require paths to market beyond the traditional brick and mortar retail channels, BikeExchange is the destination solution for many sellers. An increase in inventory variety and volumes will drive higher e-Commerce sales.

The growth in e-bikes has been felt through FY22 globally and this will continue into FY23. As infrastructure and customer understanding improves the uptake of e-bikes will be significant across categories. The sustainable benefits of e-bikes for health, convenience and the environment will see strong growth over the next five years.

The annualised run rate of Kitzuma (based on Q4 FY22) is 8,000 shipments and the business is showing strong projections for FY23. The integration of the Kitzuma and BikeExchange teams and operations is now complete focusing on a single seller and customer base.

With the restructure of our operating model, focused on e-Commerce efficiencies and conversion we are well positioned to support the increasing seller demand. Our operating model should provide an improved e-Commerce performance, and also result in a significant cost base reduction.

The development of a robust pathway to profitability is a major milestone for BikeExchange. This combined with increasing seller demand, a new operating model and reduced cost base sees BikeExchange well positioned for FY23 and beyond.

Yours sincerely

S Salter

**Sam Salter**
Acting Global CEO

**"Across FY22 the BikeExchange business has continued to grow across key metrics"**

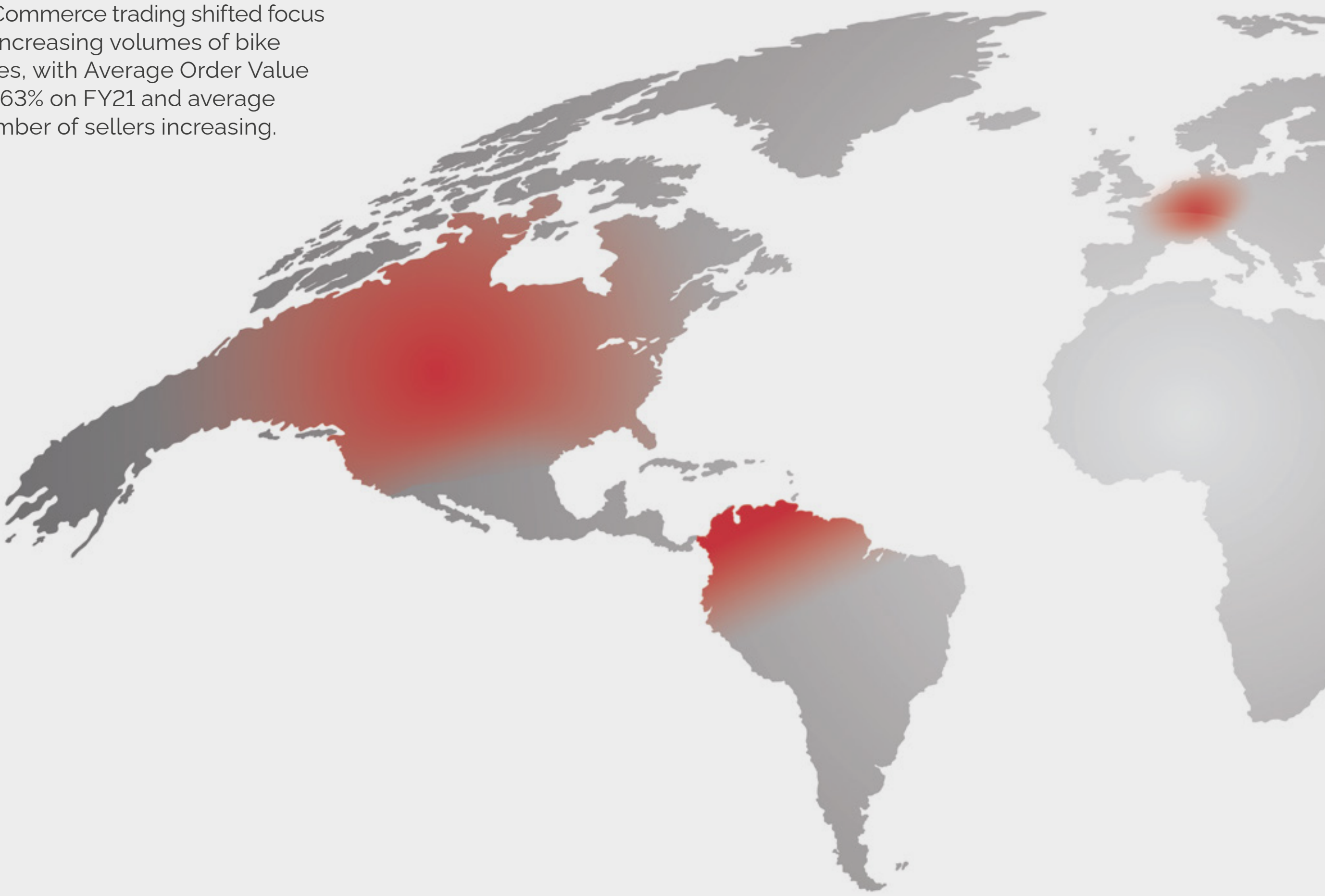
# Our Global Strategy

## NORTH AMERICA

- 19% TTV growth and 137% revenue growth for the year.
- Kitzuma, a 'ready to ride' logistics business, acquired in December 2021 with significant growth potential.
- Kitzuma revenue of $1.2m post acquisition and annualised shipments over 8,000, with record June 2022 shipments. Consumer shipment platform expected to be launched early in FY23.
- e-Commerce trading shifted focus to increasing volumes of bike sales, with Average Order Value up 63% on FY21 and average number of sellers increasing.

## COLOMBIA

- Remaining 50% of BikeExchange Colombia acquired on 2 March 2022 for $0.6 million in cash and BikeExchange equity.
- Five retail stores within Colombia providing a multi-channel offering to brands and distributors.
- Revenue of $267k in the post-acquisition period, with strong growth opportunity.



## AUSTRALIA

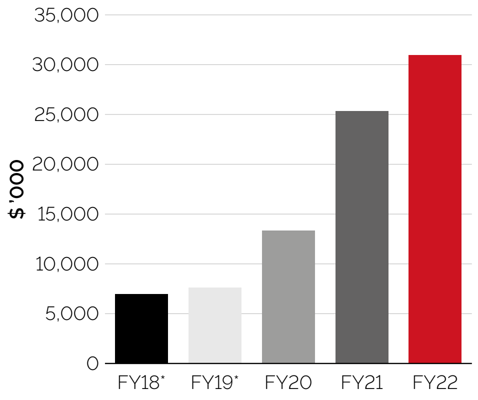
- 15% TTV growth and 17% revenue growth for the year.
- e-Commerce revenues up 47% on prior year, with conversion rates up 28% along with Average Order Value and order volume both up 7%.
- Subscription revenues up 13% on prior year, reflecting improved ARPA on greater premium package penetration.

## EUROPE

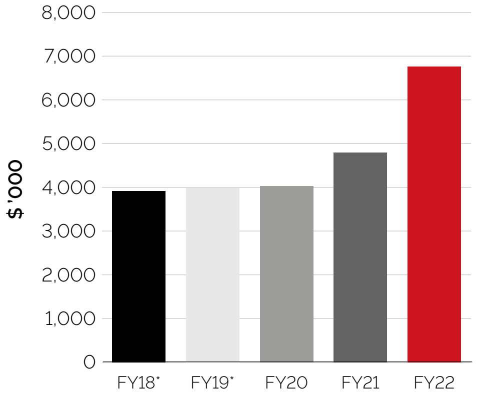
- 27% TTV growth and 26% revenue growth for the year.
- Continues to be a strong e-Commerce performer with order volume up 7% on prior year and Average Order Value up 19%, reflecting consumer demand for bikes. May 22 was the strongest ever month on record for e-Commerce gross transaction value.
- Subscription revenues up 40% on prior year reflecting strong account growth.
- Successful operational structure being replicated across BikeExchange operations.

# Performance Highlights

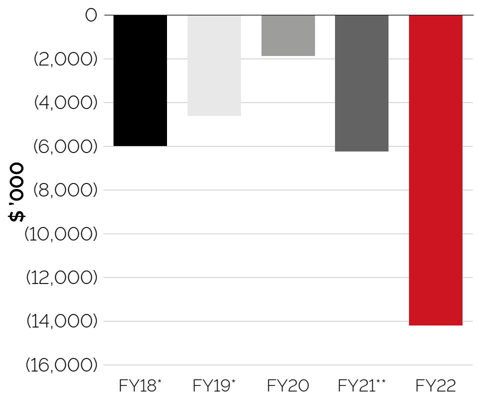
## Lookthrough* TTV



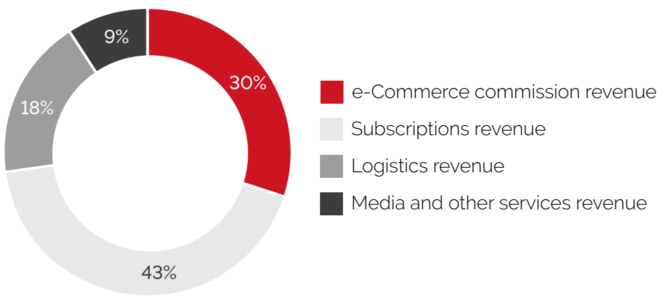

## Lookthrough* Revenue




## EBITDA (excluding IPO transaction costs)




## FY22 Reported Revenue by Type




| FY22 ($'000) | Australia and NZ | Europe | North America | Colombia* | Total |
|---|---|---|---|---|---|
| **Lookthrough TTV*** | 5,865 | 19,601 | 4,324 | 1,144 | 30,934 |
| Growth on pcp | 15% | 27% | 19% | (2%) | 22% |
| **Lookthrough Revenue*** | 1,793 | 2,728 | 1,788 | 451 | 6,760 |
| Growth on pcp | 17% | 26% | 137% | 35% | 41% |

* Lookthrough Total Transaction Value / revenue includes 50% of the underlying TTV/revenue from the Group's investment in BikeExchange Colombia S.A.S (50% owned prior to the full acquisition on 2 March 2022). Explanation of TTV is included in the Directors' Report on page 12.

** EBITDA excludes BikeExchange Colombia S.A.S. (prior to the full acquisition on 2 March 2022 and which was previously equity accounted) and one-off costs incurred in FY21 in respect of IPO transaction costs.

↑ 12%

AVERAGE REVENUE PER SUBSCRIBER

Up 12% to $3,829

# Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'BikeExchange') consisting of BikeExchange Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

## Directors

The following persons were directors of BikeExchange Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Gregg Taylor
- Bryan Zekulich (resigned 29 April 2022)
- Sam Salter
- Andrew Ryan
- Jade Wyatt
- Elizabeth Smith (appointed 4 April 2022)
- Dominic O'Hanlon (appointed 16 June 2022)

## Principal activities

The principal continuing activities of the Group are providing online cycling marketplaces that operate globally in eight countries across four geographical areas. The marketplaces provide an efficient, technology driven platform to connect consumers with retailers of bicycle products and accessories through a convenient, transparent and efficient platform. The Group also operates bicycle logistics services through the Kitzuma operations in North America and bicycle retail stores through its operations in Colombia.

## Operating and financial review

The Group operates across four geographical areas as follows:

- Australia and New Zealand (ANZ): Operations are headquartered in Melbourne, Australia, and also includes any costs of the Group's holding companies in Australia and Singapore.
- Europe: Operations are headquartered in Wurzburg, Germany. This office supports the Group's websites that offer services to customers in Germany, Belgium and the Netherlands.
- North America: Operations are headquartered in Asheville, USA. This office supports the Group's websites that offer services to customers in the USA and Canada as well as the bicycle logistics operations.
- Colombia: Operations are headquartered in Medellin, Colombia and principally service the Colombian market.

The directors believe the additional unaudited non-Australian Accounting Standards (AAS) measures included in this report are relevant and useful in measuring the financial performance of the Group. In particular, the presentation of Total Transaction Value, lookthrough revenue and EBITDA excluding IPO related costs, which are all non-AAS measures, provides the best measure to assess the performance of the Group.

Total Transaction Value (TTV) is the aggregate of revenues, (net of sales taxes), generated from display/media sales, retail subscriptions, logistics revenues and other online sales and the gross merchandise value for e-Commerce transactions that are executed on the BikeExchange network of websites. Lookthrough TTV or revenue measures include the Group's 50% economic share of the underlying TTV/revenue for BikeExchange Colombia S.A.S prior to the Group fully acquiring the business in March 2022. EBITDA before IPO costs excludes non-recurring IPO related transaction costs from EBITDA in FY21.

# Directors' Report continued

## Total Transaction Value

Group lookthrough TTV increased by 22% on the prior comparative period (pcp) to $30,933,722, principally reflecting solid growth in e-Commerce transaction value on pcp. This was achieved by 1% growth in transaction volumes to 33,940 and Average Order Value increased by 18% to $749, reflecting continued growth in higher priced bicycle purchases. By geography Europe was the most significant contributor to the Group results with TTV growing 27% on pcp, reflecting strong demand for bikes and the Group's focus on onsite e-commerce transactions. Excluding Colombia's pre-acquisition share of TTV, TTV was $30,446,284 up 26% on pcp.

## Revenue and Other Income

Overall Group lookthrough revenues increased by 41% on pcp to $6,759,310. Lookthrough e-Commerce revenues grew 20% on pcp and May 2022 was a record e-Commerce transaction value month. E-Commerce revenues were driven by increased transaction value and also increased average commission rates achieved of 7.7% up from 7.5% in FY21. Lookthrough subscription revenues grew 18% on pcp reflecting the growth of the retailer subscriber base during the year and higher penetration of premium subscription packages. The acquisition of the Kituzma logistics business added $1,187,963 revenue in the second half of the year. Lookthrough media and other services revenue were broadly flat on pcp.

On a geographic basis, Europe grew revenues 26% on pcp, ANZ up 17% on pcp and North America (including Kitzuma) grew 137% on pcp.

Excluding pre-acquisition Colombia share of revenues, revenues were $6,576,085, up 47% on pcp.

Other income was $218,991 in the year representing US Government grants from COVID-19 support programmes received in the prior year becoming unconditional, and a small amount of warehouse sub-lease income.

The reconciliation of lookthrough metrics to the AAS metrics are set out below:

| | TTV | | Revenue | |
|---|---|---|---|---|
| **Metric** | **FY22 $** | **FY21 $** | **FY22 $** | **FY21 $** |
| **Reported measure** | 30,446,284 | 24,142,096 | 6,576,085 | 4,459,733 |
| Add 50% BikeExchange Colombia S.A.S for the period prior to 2 March 2022. | 487,438 | 1,165,253 | 183,225 | 333,040 |
| **Lookthrough measure** | **30,933,722** | **25,307,349** | **6,759,310** | **4,792,773** |

## Costs and EBITDA

Employment costs grew 74% on pcp to $10,126,048 reflecting the investment in increased headcount across all geographies to support business growth, as well as a full year of Board and Executive Management costs incurred post listing (including non-cash share-based payments).

Marketing costs increased by 48% to $2,420,712 reflecting increased marketing activities in each region across business customers and consumers. In particular, SEM and SEO initiatives were rolled out throughout the year to further increase the quality of the Group's website traffic and increase e-Commerce conversion rates (which were up from 0.14% to 0.19% in FY22).

Other costs decreased by 38% to $4,982,849 which was principally driven by $4,666,102 of non-recurring IPO related transaction costs incurred in FY21 (see Note 6). Excluding this, costs increased 42% principally reflecting a full year of listed company costs post IPO and increased IT licence related costs in line with TTV growth for the use of the Marketplacer Platform.

Fair value loss on step acquisition of associate of $926,582 reflects the non-cash fair value loss on the previously equity accounted 50% share of BikeExchange Colombia S.A.S. at the date the remaining 50% of the business was acquired (see Note 28).

Overall, the Group incurred an EBITDA loss of $13,684,368 (FY21: $10,775,370).

A significant restructuring was implemented in Q4 FY22 which reduced headcount and other costs and is anticipated to reduce core BEX costs by at least $5.5 million in FY22 (excluding impact on annualisation of acquisitions of Kitzuma and BikeExchange Colombia).

## Other items

Depreciation and amortisation increased by 377% on pcp to $425,779, reflecting the depreciation of finance leased assets entered into in the year. Net finance costs reduced 39% on pcp to $36,578 reflecting the conversion of pre-IPO borrowings to equity in FY21 and the Group being in a net cash position post IPO capital raise.

Share of equity accounted joint venture losses was $173,478 up from $163,955 reflecting continued investment in BikeExchange Colombia S.A.S joint venture which was 50% owned by the Group up until 2 March 2022 when the Group acquired the remaining 50%.

Overall net loss for the year was $14,320,203 compared to $11,122,029 for FY21.

# Outlook

Q1 FY23 trading into August 2022 is showing positive trends with overall e-Commerce volumes above the prior year. Kitzuma trading and performance is seeing continued positive growth with seller volumes of shipments expected to continue increasing. Further integration of Kitzuma into BikeExchange operations will drive transaction volumes in the large North American market.

Meaningful operating cost reductions have been implemented during Q4 FY22, as well as the realisation of cost synergies from the Kitzuma acquisition leading to significant operating cost reductions for FY23. Supply chain issues in the market are easing with retailers now looking for avenues to market to move inventory, and BikeExchange is well positioned to support retailers.

The FY23 focus will be on maintaining our reduced cost base and converting existing traffic and enquiries into sales to achieve steady revenue growth. The Directors' have plans to raise further capital and are in advanced discussions with potential debt partners around providing further funding to the Group under a convertible note arrangement. This proposed funding will provide additional working capital and enable the Group to invest in a significant proposed technology project designed to improve sales conversion rates on the platform.

# Directors' Report continued

## Significant changes in the state of affairs

On 22 December 2021, BikeExchange Limited, completed the acquisition of Kitzuma Corp (Kitzuma). The Group acquired a 100% effective interest in Kitzuma Corp for USD $3.375 million, comprising 19,931,993 new BikeExchange Limited shares to be issued (at a price of 14.5 cents per share) and $1,566,676 paid in cash.

On 2 March 2022, BikeExchange Limited, completed the acquisition of the remaining 50% of BikeExchange Colombia S.A.S. that the Group did not own, and 100% of BICICO S.A.S., both businesses in Colombia. The Group acquired a 100% effective interest in BikeExchange Colombia for $200,000 in cash, and $430,573 in shares.

As set out in Note 24, the Company issued 244,159,024 shares to raise $4,497,153 (net of issue costs) during the financial year.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Matters subsequent to the end of the financial year

The Company issued 90,250,000 shares in July 2022 to raise $1,805,000 (net of issue costs).

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Business growth strategy and likely developments

The Group has changed the operating structure focus to centralise activities where possible in Europe and roll out the successful operational model across other regions. The global delivery teams will deliver growth with an e-Commerce first strategy that includes:

- increasing the number of brands/retailers connected to the BikeExchange Platform;
- Increasing the volume of inventory advertised on the platform; and
- Increasing e-Commerce transactions on the site and the average value of those transactions;

This is supported by scalable technology operations enabling the rapid and efficient scaling of the business with best practices and technologies implemented consistently across the Group.

## Material business risks

The Group is subject to risks of both a general nature and ones that are specific to its business activities including, but not limited to:

### Growth and Profitability (dependent on an active community and engaged customers)

As BikeExchange operates a two-sided marketplace, BikeExchange's future growth and profitability is dependent on that marketplace being vibrant and active. The Company relies on both consumers utilising the BikeExchange Platform to purchase bicycles and related products and on retailers to subscribe to the BikeExchange Platform and deliver the relevant products. BikeExchange's revenue and the success of its growth initiatives depend upon attracting and retaining customers (both retailers and consumers) to the BikeExchange Platform and converting those customers into both new and repeat customers. A decline in traffic coming to the BikeExchange Platform or the rate of conversion, or restrictions placed on the Company to use other digital advertising channels (such as search engines or social media), or retailers/brands not renewing their engagement with the platform could adversely impact BikeExchange's financial performance and/or operations.

## Platform, Technology and Cyber Security Risks

The satisfactory performance, reliability and availability of the BikeExchange Platform and other information technology systems are integral to BikeExchange's operations. The BikeExchange Platform and other information technology systems are all hosted on servers owned by third party providers. There is a risk that the BikeExchange Platform and other information technology systems may experience downtime or interruption from system failures, service outages, corruption of information technology networks or information systems as a result of computer viruses, bugs or cyberattacks, as well as natural disasters, fire, power outages or other events outside of the control of the Company or its third party providers.

BikeExchange's service offering may also become outdated or obsolete through the introduction of superior technology and/or product offerings. BikeExchange may be required to invest substantial capital to update or improve its current information technology systems to remain competitive in the market. This could have a material adverse impact on BikeExchange's financial performance and/or growth.

## Reputational Risk

Maintaining the strength of BikeExchange's reputation is an important part of retaining and growing the retailer and consumer base and maintaining BikeExchange's relationships with partners that will assist in successfully implementing BikeExchange's strategy. There is a risk that events may occur that may adversely impact BikeExchange's reputation, which may adversely impact BikeExchange's retailer and consumer base as well as the willingness of third parties to work with BikeExchange on additional product offerings. This may have a negative impact on BikeExchange's future operations, financial performance and/or growth.

## Competition

BikeExchange considers that it has a competitive advantage in being the leading bicycle marketplace in the industry. However, there is a risk that existing competitors or new entrants in the market (Australian based or international) may increase the competitive landscape and in turn, erode BikeExchange's revenue and market share.

Existing competitors and new entrants in the market may engage in strategic partnerships or acquisitions, develop superior products and/or technology, increase marketing activity and/or offer competitive pricing. There is a risk that BikeExchange may be unable to respond to such competitive pressures and this may materially and adversely impact BikeExchange's operational and financial performance.

## Cross-Border Operations and Acquisitions and Partnerships

As BikeExchange plans to continue expanding its cross-border operations and pursuing acquisitions/partnerships in existing and new markets, there is a risk that BikeExchange may face challenges, including difficulties in attracting a sufficient number of retailers and consumers in those new markets or not successfully integrating acquisitions, or partnerships that do not deliver the benefits anticipated. The expansion of BikeExchange's cross-border business will also expose it to risks relating to managing cross-border operations, including; staffing, potentially adverse tax consequences, increased and conflicting regulatory compliance requirements, challenges caused due to distance, language and cultural differences, exchange rate risk and political instability. Accordingly, any efforts BikeExchange makes to expand its cross-border operations and acquisitions/partnerships may not be successful, and in turn, this may materially affect BikeExchange's operations and financial performance.

## Capital Requirements

As outlined in the Basis of Preparation (see Note 1), the Company has plans to raise further capital, in the form of a convertible note. Any additional equity financing will dilute shareholdings, and the terms of the convertible note, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and may be prevented from progressing the commercialisation of its technology. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

# Environmental regulation

The Group is not subject to any significant environmental regulation under Commonwealth of Australia, state law or laws in any of the countries in which it operates.

# Directors' Report continued

## Information on Directors

| | Director, experience and background |
|---|---|
|  | **Gregg Taylor**<br>*Independent Non-Executive Chairman*<br>Gregg has been a director of the Company since October 2018. Gregg has a Bachelor of Commerce degree from the University of Wollongong and was a CFA Charter holder.<br>Gregg has 25 years' of international business experience in financial markets, technology, sports administration, media and retail. He has founded and managed multiple global operating businesses in sports, retail and media sectors.<br>Gregg is currently Investment Director and Portfolio Manager at Salter Brothers. Gregg was most recently the Co-Chief Investment Officer and an executive director of Bombora Investment Management, a boutique investment house. In the last eight years,<br>Gregg played a key role in introducing seven new companies to the ASX and raising significant equity growth capital for various ASX and NZX listed companies. Gregg has also served on boards across numerous industries including technology, marketplaces, construction, compliance, financial services. He is currently a non-executive director of True Woo Pty Ltd and Marketplacer Pty Limited. |
|  | **Sam Salter**<br>*Executive Director*<br>Sam is the co-founder of BikeExchange and a director of BikeExchange Pte Ltd. Sam is also the co-founder of Marketplacer Pty Limited, which operates a global technology SAAS platform that creates online marketplaces to connect consumers, retailers, wholesalers and private sellers.<br>Sam has over 14 years experience developing marketplaces for businesses.<br>Sam holds a Bachelor of Psychology and Sociology from the Victorian University of Technology.<br>Sam was appointed to the executive role of "Chief Sales and Partnerships Officer" on 29 June 2021 and commenced in the role from 12 July 2021 and as Acting-CEO from 18 May 2022. |
|  | **Andrew Ryan**<br>*Non-Executive Director*<br>Andrew's career over the past 20 years has spanned across a wide variety of industries including manufacturing, distribution, agriculture, hospitality, sport and tourism.<br>Andrew is an active director in a number of companies such as Mitchelton Wines, Jayco, Mitchelton-SCOTT professional cycling team, My Local Broker, Marketplacer Pty Limited and the Prince Hotel and has been on the board of BikeExchange Pte Ltd since May 2020.<br>Andrew holds a degree in Business Advertising from RMIT and an Executive MBA from Bond University.<br>He is a committee member of 'The Million Dollar Lunch' which fundraises and networks in support of the Children's Cancer Foundation. |

**Director, experience and background**

**Jade Wyatt**

*Non-Executive Director*

Jade has over 23 years' experience in the specialty retail sector.

Jade is a long-term employee of the Just Group. Her most recent roles have been Group General Manager of Portmans and she is currently Group Apparel Executive working across multiple brands.

Jade's customer focused product led strategic approach to retail has resulted in driving strong results.

**Elizabeth Smith**

*Independent Non-Executive Director*

Liz has over 25 years' experience as a Chartered Accountant, is a Director at William Buck and a former Corporate Finance Partner of Grant Thornton. She is also a Director of Hub Australia and a member of the Finance Committee of the Australian Red Cross.

Liz has extensive experience advising businesses with strong growth aspirations, including on valuations, due diligence, mergers and acquisitions, capital raisings and ASX listings. She has worked across a range of industries (including technology and retail) and for businesses ranging from small privately owned companies to large ASX listed entities.

Liz holds a Bachelor of Commerce from the University of Melbourne and a Masters of Business Administration from La Trobe University. She is also a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Financial Services Institute of Australasia, a Fellow of the Governance Institute and is a graduate of the Australian Institute of Company Directors.

**Dominic O'Hanlon**

*Independent Non-Executive Director*

Mr O'Hanlon is a technology entrepreneur, business executive, professional director and investor with extensive experience and knowledge of the information technology industry built up over a career spanning over 30 years. Mr O'Hanlon was Managing Director and CEO of rhipe Limited (ASX code: RHP) for over 7 years and led the sale of RHP to Norwegian based Crayon in November 2021 for AUD $408 million. Prior to RHP, Mr O'Hanlon had multiple technology build, scale and exit experiences including as CEO of Haley Limited (sold to Oracle in 2008) and as Chief Strategy Officer of MYOB (sold to Bain Capital in 2011).

**Maggie Niewidok**

*Joint Company Secretary*

Ms Niewidok is an admitted lawyer and Company Secretary who works at Automic Group, which provides market leading, cloud-based share registry technology, compliance and governance solutions, supported by a tailored range of professional services. She works closely with a number of boards of both listed and unlisted public companies. Ms. Niewidok holds a double degree, Bachelor of Laws and Bachelor of Commerce majoring in Finance and a Graduate Diploma of Applied Corporate Governance from the Governance Institute.

# Directors' Report continued

| | Director, experience and background |
|---|---|
|  | **Shelby Coleman**<br>*Joint Company Secretary*<br>Ms Coleman holds a Bachelor of Laws and a Bachelor of Arts from Victoria University of Wellington. She is experienced in ASX and ASIC compliance, providing advice on corporate governance and compliance issues as well as other regulatory matters for ASX listed companies across a range of industries. |

## Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

| | Board Meetings | | Audit and Risk Committee Meetings | | Nomination and Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| **Name** | **Held **** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Gregg Taylor | 12 | 12 | * | * | 1 | 1 |
| Bryan Zekulich | 10 | 9 | 2 | 2 | * | * |
| Sam Salter | 12 | 12 | * | * | * | * |
| Andrew Ryan | 12 | 12 | 3 | 3 | * | * |
| Jade Wyatt | 12 | 11 | * | * | 1 | 1 |
| Elizabeth Smith | 3 | 3 | 1 | 1 | * | * |
| Dominic O'Hanlon | 1 | 1 | * | * | * | * |

* Indicates not a member of the relevant committee.
** Held Board Meetings reflects number of meetings held during period which the Director was appointed as a Director.

## Shares under option

There were 23,066,666 unissued ordinary shares of BikeExchange Limited under option outstanding at the date of this report. All options have an expiry date of 8 February 2028.

These options are exercisable at a weighted average exercise price of $0.383. No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

There were no shares issued on the exercise of options in the year.

The directors' interests in equity and other holdings are outlined in the remuneration report and the amounts shown and numbers held are the same at 30 June and the date of the Directors' report.

## Indemnity and insurance of officers

The Group has during the financial year, in respect of each person who is or has been an officer of the Group or a related body corporate, made a relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Since the end of the financial year, the Group has paid premiums to insure all directors and officers of the Group, against costs incurred in defending any legal proceedings arising out of their conduct as a director or officer of the Group, other than for conduct involving a wilful breach of duty or a contravention of sections 232(5) or (6) of the *Corporations Act 2001*, as permitted by section 241A (3) of the *Corporations Act 2001*. Disclosure of the premium amount is prohibited by the insurance contract.

## Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are in Note 35 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 35 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* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

# Directors' Report continued

## Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

## Corporate Governance Statement

The directors and management are committed to conducting the business of BikeExchange Limited in an ethical manner and in accordance with the highest standards of corporate governance. BikeExchange Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at:

https://bikeexchangegroup.com.au/investors/corporate-governance/

## Rounding of amounts

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

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

## Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

S Salter

**Gregg Taylor**
Chairman

**Sam Salter – Acting CEO**
CEO

31 August 2022

# Remuneration Report

This remuneration report details the remuneration arrangements for the key management personnel ('KMP') of BikeExchange Ltd, in accordance with the requirements of the *Corporations Act 2001*, and its regulations. KMP are the directors of BikeExchange and those employees who have authority and responsibility for planning, directing and controlling the activities of the Company.

The remuneration report has been prepared on the following basis:

- For FY22, all director and KMP remuneration has been included for the full financial year.
- For FY21 it includes director remuneration for all directors of BikeExchange Ltd at any time during the financial year (including those directors that resigned prior to the IPO).
- For FY21 executive KMP remuneration includes all remuneration for those KMP executives of BikeExchange Holdings Pty Ltd for the period to 5 February 2021 and then acted as KMP executives of BikeExchange Ltd from 5 February 2021.

The remuneration report is set out under the following main headings:

1. Persons covered in this remuneration report
2. Principles used to determine remuneration of KMP
3. Non-Executive Director remuneration
4. Executive KMP remuneration
5. Employee Long-Term Incentive share plans
6. KMP statutory remuneration details for the year ended 30 June 2021 ('FY21')
7. Other transactions with KMP
8. KMP shareholdings

## 1. Persons covered in this remuneration report

### Directors

| Name | Role | Period in role covered by this report |
|---|---|---|
| Gregg Taylor | Independent Non-Executive Chairman | 1 July 2020 onwards |
| Bryan Zekulich[1] | Independent Non-Executive Director and Chair of Audit and Risk Committee | 1 July 2020 – 29 April 2022 |
| Sam Salter | Executive Director and Acting Chief Executive Officer | 3 February 2021 onwards |
| Andrew Ryan | Non-Executive Director | 3 February 2021 onwards |
| Jade Wyatt | Non-Executive Director and Chair of Remuneration and Nominations Committee | 3 February 2021 onwards |
| Elizabeth Smith[1] | Independent Non-Executive Director and Chair of Audit and Risk Committee | 4 April 2022 onwards |
| Dominic O'Hanlon | Non-Executive Director | 16 June 2022 onwards |
| Joshua May | Non-Executive Director | 1 July 2020 – 3 February 2021 |
| Michael Hill | Non-Executive Director | 1 July 2020 – 3 February 2021 |

1 Elizabeth Smith was appointed as a Director on 4 April 2022. Bryan Zekulich stepped down as Chair of the Audit and Risk Committee as a director on 29 April 2022 and Elizabeth Smith was appointed as Chair of the Audit and Risk Committee on that date.

# Remuneration Report continued

### Executive KMP

| Name | Role | Period in role |
|---|---|---|
| Mark Watkin[2] | Chief Executive Officer (CEO) | 1 July 2020 – 18 May 2022 |
| Andrew Demery | Chief Financial Officer (CFO) | 26 August 2020 onwards |
| Sam Salter[3] | Chief Sales and Partnerships Officer (Acting CEO from 18 May 2022 onwards) | 12 July 2021 onwards |

2 Mark Watkin resigned on 18 May 2022 and stepped down as CEO from that date.

3 In addition to Sam Salter's role as a Board Director Sam acted in the executive role as Chief Sales and Partnerships Officer from 12 July 2021 and as acting CEO from 18 May 2022 onwards.

## 2. Principles used to determine remuneration of KMP

### 2.1 Remuneration and Nominations Committee ('RNC')

The Board of BikeExchange has constituted a RNC that determines the principles and objectives of BikeExchange's remuneration plans. The RNC Charter outlines the composition of the Committee, its responsibilities, meeting requirements, reporting procedures and duties of the Committee.

The purpose of the Committee is to assist the Board by making recommendations in respect of: a) the composition, performance and effectiveness of the Board; and b) the Company's remuneration policy. The Committee may delegate all or a portion of its responsibilities to a subcommittee of the Committee. However, the Board retains ultimate responsibility for these matters.

The RNC has two key purposes as follows:

a) a nomination function; the purpose of which is to review and make recommendations to the Board with respect to identifying nominees for directorships and key executive appointments, considering the composition of the Board, ensuring that effective induction and education procedures exist for new Board appointees and key executives, and ensuring that appropriate procedures exist to assess and review the performance of the Chairman, non-executive directors, executives (including executives reporting to the CEO) in Board committees and the Board as a whole; and

b) the remuneration function; the purpose of which is to provide advice, recommendations and assistance to the Board in relation to BikeExchange's remuneration policies and remuneration packages of the CEO and other executive KMP, executive directors and non-executive directors.

The role and responsibilities, composition, structure and membership requirements of the Committee are documented in the RNC Charter approved by the Board and available on the Group's corporate governance site: https://bikeexchangegroup.com.au/investors/corporate-governance/.

The RNC Charter provides that the Committee should comprise, to the extent practicable given the size and composition of the Board from time to time, at least three members, a majority of whom are independent directors.

The current members are Jade Wyatt (Chair), and Gregg Taylor of which only Gregg is considered independent.

### 2.2. Remuneration principles

BikeExchange's remuneration policy is based on the following principles which form the basis of determining all remuneration policies and outcomes:

- fairness;
- market competitiveness;
- linkage to performance, both short and long-term; and
- aligned with shareholder returns.

The RNC is responsible for making all key recommendations in respect of executive remuneration to the Board. The remuneration framework of key executives has been designed to align executive reward to shareholders' interests. The remuneration policy seeks to enhance shareholders' interests by:

- driving sustained growth in shareholder wealth by focusing the executives on key financial and non-financial value creators;
- providing appropriate and competitive reward for contributions made to shareholder wealth;
- attracting and retaining high-calibre executives who can enable BikeExchange to successfully grow its business globally; and
- providing a cogent remuneration structure to reward high performance.

### 2.3. Remuneration advisers

BikeExchange engages with external consultants from time to time to benchmark executive remuneration arrangements with similar organisations in the Australian technology industry and in other overseas markets where it competes for talent.

The Board has not received any remuneration recommendations from external consultants during the year.

## 3. Non-executive director remuneration

Under the Constitution, the Company may determine the maximum aggregate remuneration to be provided to or for the benefit of all non-executive directors as remuneration for their services as non-executive directors. Further, under the ASX Listing Rules, the total amount paid to all non-executive directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company's members at a general meeting.

The maximum aggregate non-executive directors' remuneration is $500,000 per annum and was approved by shareholders at the EGM on 18 January 2021.

The annual directors' fees (including fees for any additional services performed on the Company's sub-committees) currently agreed to be paid by the Company are $120,000 (inclusive of superannuation) to the Chairman and $60,000 (inclusive of superannuation) to each of the other non-executive directors. There are no additional fees payable for being a Chair or member of a Board subcommittee.

In addition, all non-executive directors at the date of the IPO were offered options under the Employee Incentive Plans – IPO Grant as set out in section 5.

Dominic O'Hanlon was appointed to the Board as a non-executive director on 16 June 2022. Mr O'Hanlon will be paid an annual non-executive director fee of $60,000 which Mr O'Hanlon has agreed to receive in shares in lieu of a cash payment (Director Fee Shares).

Additionally, the Company has entered into a consultancy agreement with Flare Ventures Pty Ltd, an entity controlled by Mr O'Hanlon, which will provide corporate executive advisory services to the Company and will be paid an annual fee of $40,000, payable in shares (Adviser Fee Shares) and issued 30 million options (Adviser Options) for the services to be provided under the agreement. The terms of the Adviser Options are for a 12 month period of service prior to vesting, and the exercise price is in a range of $0.03 – $0.09 per share. Further details are contained in the ASX announcement of Mr O'Hanlon's appointment. The Director Fee Shares, Advisor Fee Shares and Adviser Options will be subject to shareholder approval at the next annual general meeting.

# Remuneration Report continued

## 4. Executive KMP remuneration

### 4.1 Service Agreements

A summary of the key contractual terms in the service agreements are set out below:

| Key Term | Description |
| --- | --- |
| **Notice period, termination and termination payments** | Executive KMP's employment contract may be terminated by either party on provision of their specified notice period. The Company may elect to pay the executive KMP in lieu of all or part of any notice period. The executive KMP's employment contract may also be terminated by the Company without notice (or payment in lieu of notice) in the case of serious misconduct.<br><br>To the extent permitted by law, any payment made to the executive KMP in respect of the cessation of the executive's employment, satisfies (in whole or in part) any of the executive's statutory entitlements to payments in lieu of notice but not redundancy pay. |
| **Non solicitation/ restrictions of future activities** | For a period of two years following the termination of the executive KMP's employment, they will be subject to a restraint, which will prohibit the executive KMP from, directly or indirectly:<br><br>a. engaging in any material business or activity which is the same or similar or is in competition with the whole or part of the business activities of BikeExchange;<br><br>b. inducing, soliciting, canvassing, approaching or accepting any approach from any person who was at any time during the 12 months preceding the termination of the executive KMP's employment, a customer, partner, client or supplier of BikeExchange's business with a view to entering into an arrangement that is the same or similar or is in competition with the whole or part of the business activities of BikeExchange;<br><br>c. interfering with the relationships between BikeExchange and its customers, partners, clients, suppliers, referrers, third party investors, financiers, employees or contractors in a manner which is adverse to BikeExchange;<br><br>d. inducing, encouraging or soliciting any of BikeExchange's customers, partners, clients or suppliers with whom the executive KMP has had contact in the 12 months preceding the termination of the executive KMP's employment, to end or restrict their trade relationships with BikeExchange;<br><br>e. doing or saying anything harmful to the reputation of BikeExchange which may lead a person to stop, curtail or alter the terms of its dealings with BikeExchange;<br><br>f. inducing, encouraging or soliciting, or helping to induce, any employee, officer, contractor or agent of BikeExchange to terminate their engagement with BikeExchange; or<br><br>g. seeking to engage, or engaging, the services of any employee, contractor or agent of BikeExchange.<br><br>These restraints are expressed to apply to the whole of Australia and to any area which is within a 50km radius from any premises from which BikeExchange's business is conducted as at the termination of the executive KMP's employment. |
| **Duration** | Executive KMP contracts are open ended in duration. |

Notice periods are as follows:

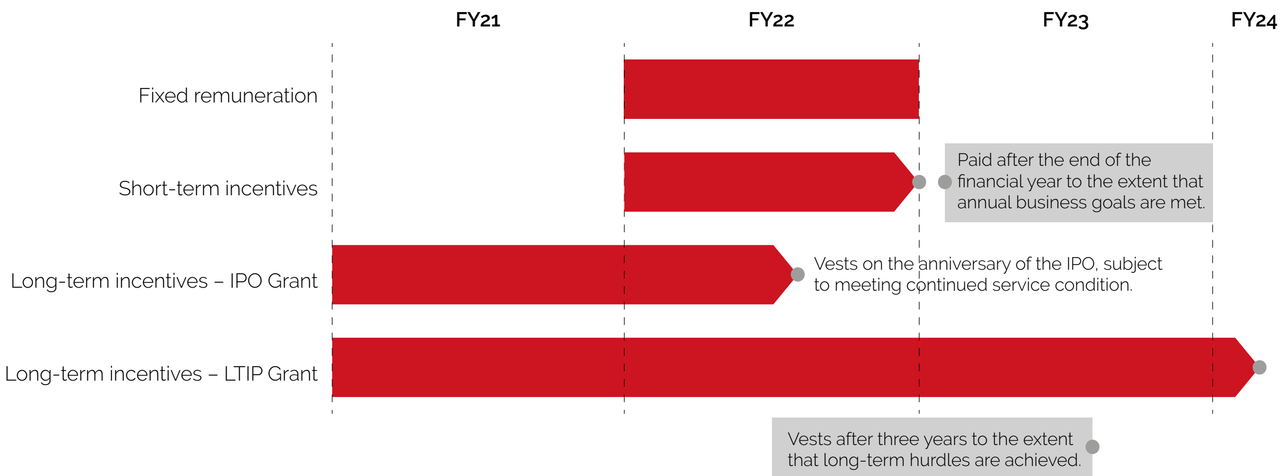
| Name | Role | Period of notice |
|---|---|---|
| Mark Watkin | Chief Executive Officer (CEO) | 6 months |
| Andrew Demery | Chief Financial Officer (CFO) | 6 months |
| Sam Salter | Chief Sales and Partnerships Officer | 6 months |

## 4.2. Remuneration structure and policy

BikeExchange is an ASX-listed company that operates and competes for top executives and specialist talent in the global marketplace and technology sectors. To attract and retain high calibre candidates from within this highly competitive international talent pool, remuneration arrangements need to be attractive and provide an appropriate mix of fixed remuneration, at risk short-term and long-term incentives in line with Australian market practice.

In this context, the Board has developed a remuneration framework that is intended to strike an appropriate balance between the need to compete internationally for talent while still meeting the market and governance expectations of an ASX-listed company. BikeExchange's executive remuneration policy applies to the KMP named in this report and outlines the Company's intentions regarding executive KMP remuneration, including how remuneration is structured, benchmarked and adjusted in response to changes in the circumstances of the Company, and in line with current best-practices.

BikeExchange's executive remuneration structure includes three different components as set out below along with an illustration of the time periods that the components relate to:



# Remuneration Report continued

### (i) Fixed remuneration ('FR')

Fixed remuneration comprises base salary, superannuation contributions, annual and long service leave and other ordinarily paid benefits, allowances and any applicable fringe benefits tax ('FBT'). The Company provides executive KMP's with a mobile phone and laptop for business use and will pay all costs associated with use of those items for business purposes.

The table below provides the fixed remuneration details for the Executive KMPs:

| Name | Base salary (excluding superannuation) | Effective date |
|---|---|---|
| Mark Watkin | $350,000 | 9 February 2021 |
| Andrew Demery | $300,000 | 26 August 2020 |
| Sam Salter | $300,000 | 12 July 2021 |

### (ii) Short-term incentive ('STI')

STIs provide recognition for performance against annual business targets which are set by the Board for executive KMPs at the beginning of the financial year. The FY22 STI opportunities for the executive KMP's were established as a % of base salary. The STI opportunities as a percentage and dollar amount of each executive's fixed remuneration for FY22 are indicated as follows:

| | Target STI | |
|---|---|---|
| Name | % of base salary | $ opportunity (exclusive of superannuation) |
| Mark Watkin | 50% | $175,000 |
| Andrew Demery | 50% | $150,000 |
| Sam Salter | 50% | $150,000 |

The payment of any STI is at the discretion of the Board and is subject to the executive KMP's achievement of certain agreed performance criteria, and the financial performance of the Company.

The outcomes of the FY22 STI were as follows:

| Name | STI awarded | % Awarded of Target |
|---|---|---|
| Mark Watkin | $nil | 0% |
| Andrew Demery | $nil | 0% |
| Sam Salter | $nil | 0% |

No STI was awarded for all executive KMP's which reflects the achievement against both financial and non-financial targets for the FY22 financial year. In particular, the revenue result achieved for the FY22 financial year was below the target set and hence no STI was awarded.

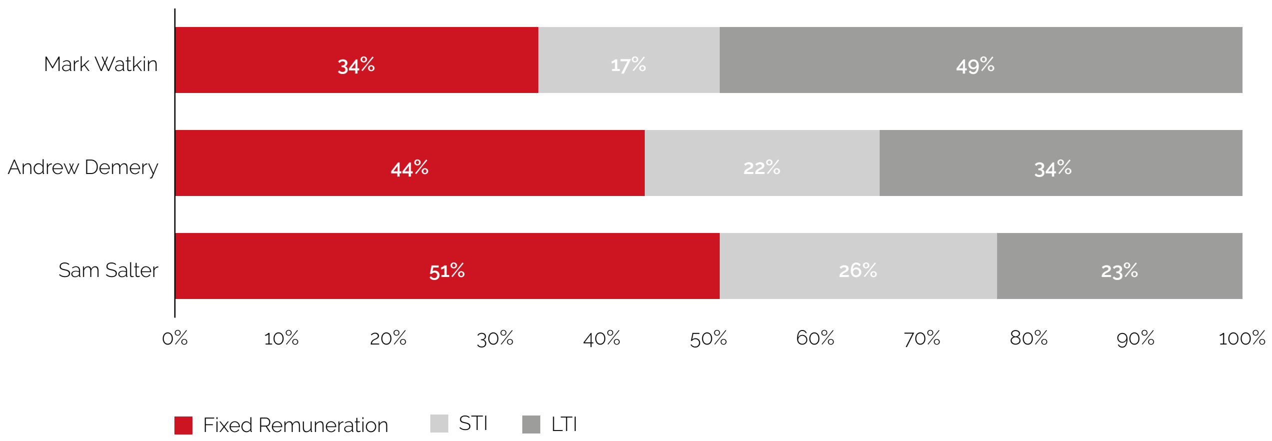
### (iii) Long-term incentive ('LTI')

LTIs ensure alignment of shareholder interests with executive interests, in addition to providing a retention element to BikeExchange's remuneration structure and are delivered through the granting of options. The Group's executive KMPs were offered options under the Employee Incentive Plans – IPO Grant and LTIP Grant as set out in section 5.

## 4.3 FY22 remuneration mix

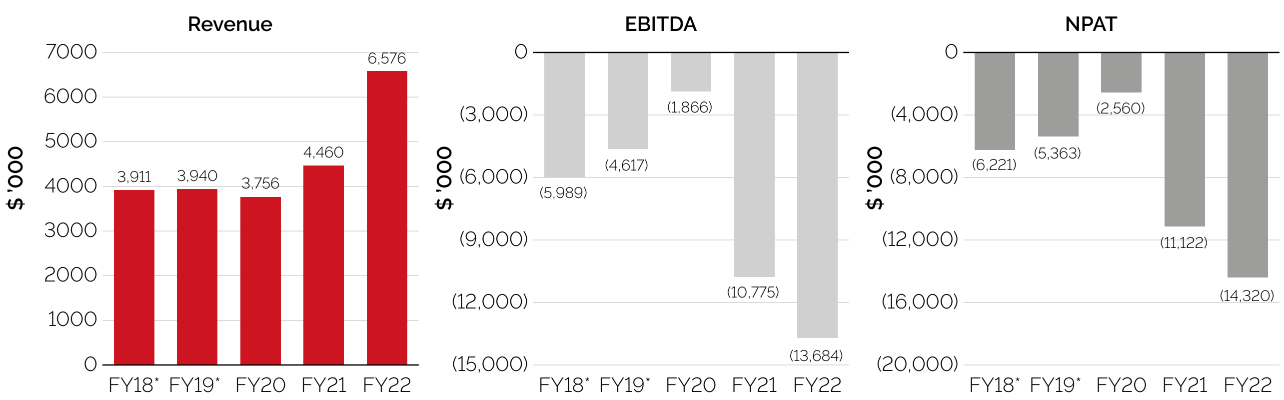
The chart below shows the relative proportion of the various elements of remuneration for the executive KMP's with variable incentive opportunities displayed 'at-target'. More than 49% of the target potential remuneration for all executive KMP's is delivered through variable incentives, which shows the Group's focus on ensuring executive pay reflects business performance and shareholder interests.

**KMP Target Remuneration Mix – FY22**




## 4.4 Financial performance

The Group's financial performance over the last four years is illustrated as follows:

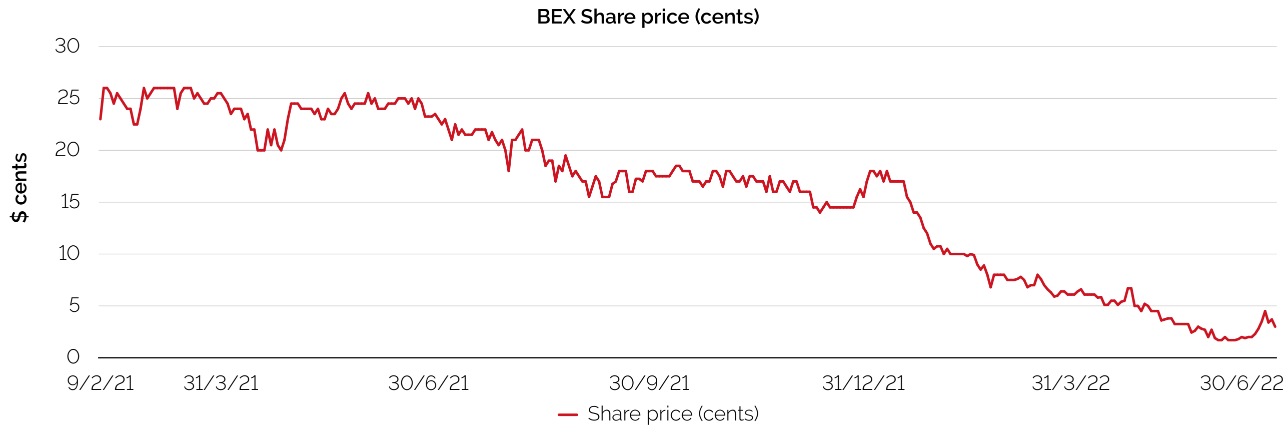



* The Group did not prepare consolidated financial statements prior to FY20. The FY18 and FY19 financial performance is based on the aggregated historical financial information for the BikeExchange Group taken from the IPO Prospectus filed with the ASX on 16 December 2020.

Basic and diluted EPS for FY22 was a loss of 4.8 cents per share (FY21: loss of 5.4 cents per share; FY20: loss of 1.8 cents per share). EPS is not available for years prior to FY20 as consolidated financial information is not available.

# Remuneration Report continued

**Share Price**




## 5. Employee Long-Term Incentive (LTI) plans

As approved by shareholders at the EGM on 18 January 2021, the Company established a new umbrella equity based long-term incentive plan (Employee Incentive Plan) to assist in the attraction, motivation, retention and reward of key management, and other eligible employees.

The aggregate pool of options under the Employee Incentive Plan is limited to an interest in a maximum of 29,299,590 shares, being 10% of the total issued capital in the Company at the date of the IPO (9 February 2021) on an undiluted basis.

### 5.1. Plan Rules

Under the rules of the Employee Incentive Plan (Employee Incentive Plan Rules), the Board has a discretion to offer any of the following awards to senior management, directors or other nominated key employees:

- options to acquire shares (options);
- performance rights to acquire shares; and
- shares, including shares to be acquired under a limited recourse loan funded arrangement, in each case subject to service based conditions and/or performance hurdles (collectively, the Awards).

The terms and conditions of the Employee Incentive Plan are set out in comprehensive rules. A summary of the key rules of the Employee Incentive Plan is set out below:

#### 5.1.1 Eligibility and grant

- The Employee Incentive Plan is open to directors, and any other employees of the Group, as determined by the Board;
- the Board may determine the type and number of Awards to be issued under the Employee Incentive Plan to each participant and other terms of issue of the Awards including vesting hurdles, exercise price, forfeiture conditions and any fees to be paid;
- Options and performance rights granted under the Employee Incentive Plan will only vest and be exercisable if the applicable vesting condition or performance hurdles or both (as applicable) have been satisfied, waived by the Board or are deemed to have been satisfied under these rules;
- each vested option and performance right enable the participant to be issued or to be transferred one share upon exercise (Resulting Share), subject to the Employee Incentive Plan Rules and the terms of any particular offer;

- participants holding options or performance rights are not permitted to participate in new issues of securities by the Company but adjustments may be made to the number of shares over which the options or performance rights are granted and/or the exercise price (if any) to take into account changes in the capital structure of the Company in accordance with the Employee Incentive Plan Rules and the ASX listing rules;
- the Employee Incentive Plan allows for cashless exercise of options; and
- the Employee Incentive Plan limits the number of Awards that the Company may grant without shareholder approval, such that the sum of all Awards on issue (assuming all options and performance rights were exercised) do not at any time exceed in aggregate 10% of the total issued capital of the Company as at the date of the proposed new Awards.

### 5.1.2 Cessation of employment

In relation to vested Awards, if a participant ceases employment or office with any Group:

- all vested options held by the participant will be retained by the participant and continue to remain exercisable until the relevant expiry date for those options;
- all vested performance rights held by the participant which have not been exercised will continue in force and remain exercisable; and
- the participant will be entitled to continue to hold all vested shares or loan funded shares.

In relation to unvested Awards, the Board may determine in its sole and absolute discretion, the manner in which any unvested Awards held by the participant will be dealt with including, but not limited to:

- allowing some or all of those unvested Awards to continue to be held by the participant, and be subject to existing performance hurdles and vesting conditions;
- undertaking a buy back of some or all of the unvested options, performance rights, shares or loan funded shares (as the case may be); or
- requiring that any remaining unvested options, performance rights, shares or loan funded shares automatically lapse or be automatically surrendered (as the case may be) by the participant in accordance with the Employee Incentive Plan Rules.

### 5.1.3 Forfeiture and clawback

The Board may determine any criteria, requirements or conditions which, if met (notwithstanding the satisfaction or waiver of any performance hurdles and vesting conditions) will result in the lapsing of options or performance rights or a participant surrendering shares, loan funded shares or resulting shares.

In addition, where in the reasonable opinion of the Board, a participant has obtained an unfair benefit as a result of an act which constitutes fraud, dishonest or gross misconduct, a breach of his or her duties to the Group, wilful disobedience or any other conduct justifying termination of employment without notice, the Board may do one or more of the following:

- deem all resulting shares, shares and loan funded shares held by the participant be surrendered in accordance with the Employee Incentive Plan Rules;
- deem all options and performance rights held by the participant to be lapsed; and
- clawback any or all of the participant's Awards or resulting shares which have been sold by that participant, requiring that participant to pay requiring the participant repay the net proceeds of the sale.

### 5.1.4 Change of Control

A "change of control" will occur if a person becomes a legal or beneficial owner of 50% of the Company's issued share capital. In the event of a Change of Control Event, and unless the Board determine otherwise in its sole and absolute discretion:

- Awards granted will vest where the vesting conditions and performance hurdles applicable to those Awards have been satisfied, but that vesting will occur only on a pro rata basis based on the period which has elapsed from the grant date to the date of the Change of Control Event when compared to the relevant overall vesting period and based on actual performance;

# Remuneration Report continued

- any options and performance rights which the Board determines will not vest will automatically lapse; and
- any shares and loan funded shares which the Board determines will not vest will automatically be surrendered by the Participant in accordance with the Employee Incentive Plan Rules.

### 5.1.5 Amendment of the rules

As long as the rights of a participant are not materially reduced (other than if the amendment is made primarily to comply with present or future laws applicable to the Employee Incentive Plan), the Board may at any time, in its absolute discretion, amend the Employee Incentive Plan Rules or the terms and conditions upon which Awards have been issued under the Employee Incentive Plan. The Board must provide written notification to participants so affected.

## 5.2. Employee Incentive Plan Share Option Grants

The Company made two grants at the time of the IPO of share options under the Employee Incentive Plan and a further grant to new KMPs joining the business in FY22 as follows:

a) a one off grant of Options to all directors, executive KMP and other key employees in connection with the IPO (IPO Grant); and

b) a long-term incentive grant (LTIP Grants) of options to executive KMP executives and other key employees.

Overall, 18,100,000 options are available to be offered under the Employee Incentive Plan as approved by shareholders at the EGM on 18 January 2021.

### 5.2.1 IPO Grant

The key terms of the IPO Grant are as follows:

| Feature | Description |
|---|---|
| **Grant Date** | 9 February 2021 |
| **Entitlement to Shares** | Each IPO option will enable the participant to be issued one share. |
| **Issue Price** | Nil. |
| **Exercise Price** | $0.26 |
| **Vesting Date** | 8 February 2022 |
| **Expiry Date** | The earlier of:<br>a) 9 February 2028; and<br>b) the date that the participant ceases to be an employee of the Group. |
| **Exercise Period** | The period from the exercise date until 5:00pm (Sydney time) on the expiry date. |
| **Vesting Conditions** | N/A |
| **Trading restrictions** | None |

There were no options granted under this plan in FY22.

The below table provides the options issued to each KMP in FY21.

| Name | Number of options granted | Fair Value per option at grant date ($) | Options vested and unexercised at 30 June 2022 | Fair Value of options at grant date |
|---|---|---|---|---|
| **Directors** | | | | |
| Gregg Taylor | 2,000,000 | 0.126 | 2,000,000 | $252,000 |
| Bryan Zekulich | 1,000,000 | 0.126 | – | $126,000 |
| Sam Salter | 1,000,000 | 0.126 | 1,000,000 | $126,000 |
| Andrew Ryan | 1,000,000 | 0.126 | 1,000,000 | $126,000 |
| Jade Wyatt | 1,000,000 | 0.126 | 1,000,000 | $126,000 |
| **Executive KMPs** | | | | |
| Mark Watkin | 1,300,000 | 0.126 | 1,300,000 | $163,800 |
| Andrew Demery | 500,000 | 0.126 | 500,000 | $63,000 |

### 5.2.2 LTIP Grants

*IPO date Award Grants*

The key terms of the LTIP Grants at the IPO date of 9 February 2021 are as follows:

| Feature | Description |
|---|---|
| **Grant Date** | 9 February 2021 |
| **Entitlement to Shares** | Each LTIP option will enable the participant to be issued one share. |
| **Issue Price** | Nil. |
| **Exercise Price** | $0.45 |
| **Vesting Date** | 8 February 2024 |
| **Expiry Date** | The earlier of:<br>a) 9 February 2028; and<br>b) the date that the participant ceases to be an employee of the Group. |
| **Exercise Period** | The period from the exercise date until 5:00pm (Sydney time) on the expiry date. |
| **Vesting Conditions** | The LTIP options are subject to the following vesting conditions:<br>• one third of the LTIP options will vest on the first anniversary of grant date, subject to the revenue Cumulative Annual Growth Rate (CAGR) of the Group being achieved as set out in the below table in the same line as the first anniversary;<br>• one third of the LTIP options will vest on the second anniversary of grant date, subject to the revenue CAGR of the Group being achieved as set out in the below table in the same line as the second anniversary; and<br>• one third of the LTIP options will vest on the third anniversary of grant date, subject to the revenue CAGR of the Group being achieved as set out in the below table in the same line as the third anniversary. |

# Remuneration Report continued

| Feature | Description | | |
|---|---|---|---|
| **Vesting Conditions** (continued) | **Anniversary** | **CAGR requirement** | **Revenue target** |
| | First | 150% | $6.03m |
| | Second | 225% | $9.05m |
| | Third | 338% | $13.57m |
| **Trading restrictions** | None | | |

There were no grants under this plan in FY22.

The below table provides the options issued to each KMP in FY21:

| Name | Number of options granted | Fair Value per option at grant date ($) | Options vested and unexercised at 30 June 2022 | Fair Value of options at grant date |
|---|---|---|---|---|
| **Executive KMPs** | | | | |
| Mark Watkin | 3,600,000 | 0.092 | – | $331,200 |
| Andrew Demery | 1,800,000 | 0.092 | – | $165,600 |

*FY22 LTIP Grants*

The key terms of the LTIP Grants made in FY22 are as follows:

| Feature | Description |
|---|---|
| **Grant Date** | 24 February 2022 |
| **Entitlement to Shares** | Each LTIP option will enable the participant to be issued one share. |
| **Issue Price** | Nil. |
| **Exercise Price** | $0.45 |
| **Vesting Date** | 8 February 2024 |
| **Expiry Date** | The earlier of:<br>a) 9 February 2028; and<br>b) the date that the participant ceases to be an employee of the Group. |
| **Exercise Period** | The period from the exercise date until 5:00pm (Sydney time) on the expiry date. |
| **Vesting Conditions** | The LTIP options are subject to the following vesting conditions:<br>• half of the LTIP options will be satisfied on the vesting date, subject to the Group revenues of $9.05m being achieved for calendar year 2022; and<br>• half of the LTIP options will be satisfied on the vesting date, subject to the Group revenues of $13.57m being achieved for calendar year 2023. |
| **Trading restrictions** | None |

The below table provides the options issued to each KMP in FY22:

| Name | Number of options granted | Fair Value per option at grant date ($) | Options vested and unexercised at 30 June 2022 | Fair Value of options at grant date |
|---|---|---|---|---|
| **Executive KMPs** | | | | |
| Sam Salter | 1,200,000 | 0.02 | – | $24,000 |

### 5.2.3 Summary of Options Outstanding

The number and value of outstanding options granted to KMP is set out below:

| Name | Number of options granted | Fair Value per option at grant date ($) | Exercise Price ($) | Options vested and outstand-ing at 1 July 2021 | Options vested during the year | Exercised options during the year | Options lapsed during the year | Unvested options at 30 June 2022 | Vested options at 30 June 2022 | Out-standing options at 30 June 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | |
| Gregg Taylor | – | 0.126 | 0.26 | 2,000,000 | (2,000,000) | – | – | – | 2,000,000 | – |
| Bryan Zekulich | – | 0.126 | 0.26 | 1,000,000 | (1,000,000) | – | (1,000,000) | – | – | – |
| Sam Salter | – | 0.126 | 0.26 | 1,000,000 | (1,000,000) | – | – | – | 1,000,000 | – |
| Sam Salter | 1,200,000 | 0.02 | 0.45 | – | – | – | – | 1,200,000 | – | 1,200,000 |
| Andrew Ryan | – | 0.126 | 0.26 | 1,000,000 | (1,000,000) | – | – | – | 1,000,000 | – |
| Jade Wyatt | – | 0.126 | 0.26 | 1,000,000 | (1,000,000) | – | – | – | 1,000,000 | – |
| **Executive KMPs** | | | | | | | | | | |
| Mark Watkin | – | 0.126 | 0.26 | 1,300,000 | (1,300,000) | – | – | – | 1,300,000 | – |
| Mark Watkin | – | 0.092 | 0.45 | 3,600,000 | – | – | – | 3,600,000 | – | 3,600,000 |
| Andrew Demery | – | 0.126 | 0.26 | 500,000 | (500,000) | – | – | – | 500,000 | – |
| Andrew Demery | – | 0.092 | 0.45 | 1,800,000 | – | – | – | 1,800,000 | – | 1,800,000 |

The date of expiry for all options is 8 February 2028.

# Remuneration Report continued

## 6. KMP statutory remuneration details for the year ended 30 June 2022

The following tables have been prepared in accordance with Australian Accounting Standards and section 300(a) of the *Corporations Act 2001*. The table shows details of the nature and amount of each element of remuneration paid or awarded to KMP for services provided during the current and previous financial year while they were KMP (including STI amounts in respect of performance during the year which are paid following the end of the year).

### 2022 KMP Statutory Remuneration Details

| | Short-term Benefits | | | Post Employment Benefits | Termination benefits | Long-term Benefits | Share Based Payments | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Cash STI $ | Other $ | Superannuation $ | Termination benefits | Long service leave $ | IPO options grant $ | LTIP options grant $ | Total $ |
| **Non-Executive Directors** | | | | | | | | | |
| Gregg Taylor | 120,000 | – | – | – | – | – | 154,652 | – | 274,652 |
| Bryan Zekulich[1] | 45,455 | – | – | 4,545 | – | – | 77,326 | – | 127,326 |
| Andrew Ryan | 54,545 | – | – | 5,454 | – | – | 77,326 | – | 137,325 |
| Jade Wyatt | 54,545 | – | – | 5,454 | – | – | 77,326 | – | 137,325 |
| Liz Smith[2] | 15,000 | – | – | – | – | – | – | – | 15,000 |
| Dominic O'Hanlon[3] | – | – | – | – | – | – | – | – | – |
| | **289,545** | **–** | **–** | **15,453** | **–** | **–** | **386,630** | **–** | **691,628** |
| **Executive Directors** | | | | | | | | | |
| Sam Salter | 294,690 | – | 15,000 | 29,509 | – | 810 | 77,326 | 8,994 | 426,329 |
| | **294,690** | **–** | **15,000** | **29,509** | **–** | **810** | **77,326** | **8,994** | **426,329** |
| **Other Key Management Personnel** | | | | | | | | | |
| Mark Watkin[4] | 301,538 | – | 18,432 | 30,961 | 175,000 | (6,927) | 100,524 | (42,648) | 576,880 |
| Andrew Demery | 301,154 | – | 25,384 | 30,156 | – | 804 | 38,663 | 29,947 | 426,108 |
| | **602,692** | **–** | **43,816** | **61,117** | **175,000** | **(6,123)** | **139,187** | **(12,701)** | **1,002,988** |
| **Total KMP Remuneration** | **1,186,927** | **–** | **58,816** | **106,079** | **175,000** | **(5,313)** | **603,143** | **(3,707)** | **2,120,945** |

1 Resigned 29 April 2022.
2 Appointed 4 April 2022.
3 Appointed 16 June 2022.

4 Resigned 18 May 2022. Termination benefits reflect six months notice period paid in cash. Negative value for long service leave and share based payments reflects reversal of prior year accounting charge as the long service leave is not payable and the unvested options lapse on leaving employment.

Other short-term benefits related to movement in the annual leave provision.

## 2021 KMP Statutory Remuneration Details

| | Short-Term Benefits | | | Post Employment Benefits | Long-Term Benefits | Share-Based Payments | | |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Cash STI $ | Other $ | Superannuation $ | Long service leave $ | IPO options grant $ | LTIP options grant $ | Total $ |
| **Non-Executive Directors** | | | | | | | | |
| Gregg Taylor | 62,883 | – | | – | – | 97,348 | – | 160,231 |
| Bryan Zekulich | 33,486 | – | | 3,181 | – | 48,674 | – | 85,341 |
| Sam Salter[2] | 22,831 | – | | 2,169 | – | 48,674 | – | 73,674 |
| Andrew Ryan[2] | 22,831 | – | | 2,169 | – | 48,674 | – | 73,674 |
| Jade Wyatt[2] | 22,831 | – | | 2,169 | – | 48,674 | – | 73,674 |
| Joshua May[1] | 12,833 | – | | – | – | – | – | 12,833 |
| Michael Hill[1] | 10,654 | – | | 1,012 | – | – | – | 11,666 |
| | **188,349** | **–** | | **10,700** | **–** | **292,044** | **–** | **491,093** |
| **Other Key Management Personnel** | | | | | | | | |
| Mark Watkin | 323,369 | 35,000 | 26,445 | 34,261 | 3,814 | 63,276 | 42,648 | 528,813 |
| Andrew Demery | 255,000 | 30,000 | 22,760 | 27,260 | 654 | 24,337 | 21,324 | 381,335 |
| | **578,369** | **65,000** | **49,205** | **61,521** | **4,468** | **87,613** | **63,972** | **910,148** |
| **Total KMP Remuneration** | **766,718** | **65,000** | **49,205** | **72,221** | **4,468** | **379,657** | **63,972** | **1,401,240** |

1 Resigned 3 February 2021.
2 Appointed 3 February 2021.

Other short-term benefits related to movement in the annual leave provision.

# 7. Other transactions with KMP

There are no other transactions with KMP and their related parties.

# Remuneration Report continued

## 8. KMP Shareholdings

The number of shares in the Company held (directly or indirectly) during the financial year by each KMP or their related parties (their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below:

| Name | Balance at 1 July 2021 | Number of shares subscribed for in capital raise | Shares acquired on market | Shares disposed on market | Other movements | Balance at 30 June 2022 |
|---|---|---|---|---|---|---|
| Gregg Taylor | 38,462 | 106,462 | – | – | – | 144,924 |
| Bryan Zekulich | 473,500 | – | – | – | (473,500) | – |
| Sam Salter | 29,956,720 | 5,975,000 | – | – | – | 35,931,720 |
| Andrew Ryan | 50,447,670 | – | – | – | – | 50,447,670 |
| Jade Wyatt | 29,956,720 | 975,000 | – | – | – | 30,931,720 |
| Elizabeth Smith | – | 258,734 | 517,468 | – | – | 776,202 |
| Dominic O'Hanlon | – | – | – | – | – | – |
| Mark Watkin | 2,664,558 | 2,003,048 | 64,798 | – | – | 4,732,404 |
| Andrew Demery | 192,308 | 717,308 | 175,000 | – | – | 1,084,616 |

Other movements include ceasing to be a KMP during the year.

**This concludes the remuneration report, which has been audited.**

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

**Gregg Taylor**
Chairman

31 August 2022

**Sam Salter – Acting CEO**
CEO

# Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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31 August 2022

Board of Directors
BikeExchange Limited
101 Moray Street
South Melbourne VIC 3205

Dear Board Members

**Auditor's Independence Declaration - BikeExchange Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of BikeExchange Limited.

As lead audit partner for the audit of the financial statements of BikeExchange Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants

# Financial Statements

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2022

| | Notes | 30 June 2022 $ | 30 June 2021 Restated $ |
|---|---|---|---|
| Revenue | 5 | 6,576,085 | 4,459,733 |
| Other income | 6 | 218,991 | 251,000 |
| Cost of sales | | (2,034,708) | – |
| Employee benefits expense | | (10,126,048) | (5,807,653) |
| Marketing expenses | | (2,420,712) | (1,635,377) |
| Other operating expenses | 6 | (4,982,849) | (8,041,403) |
| Fair value loss on step acquisition of joint venture | 28 | (926,582) | – |
| Profit/(Loss) on disposal of asset | 6 | 11,455 | (1,670) |
| **(Loss)/Earnings before Interest, Tax, Depreciation and Amortisation** | | **(13,684,368)** | **(10,775,370)** |
| Depreciation and amortisation expense | 6 | (425,779) | (89,188) |
| Finance income | | 10,375 | 53,786 |
| Finance costs | | (46,953) | (147,302) |
| Share of results of equity accounted joint venture | 10 | (173,478) | (163,955) |
| **(Loss) before income tax expense** | | **(14,320,203)** | **(11,122,029)** |
| Income tax expense | 7 | – | – |
| **(Loss) for the year** | | **(14,320,203)** | **(11,122,029)** |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Foreign exchange differences on translation of foreign operations | | (60,645) | 131,823 |
| **Other comprehensive income for the year, net of tax** | | **(60,645)** | **131,823** |
| **Total comprehensive (loss) for the period attributable to members** | | **(14,380,848)** | **(10,990,206)** |
| **Earnings Per Share (cents per share):** | | | |
| Basic | 9 | (4.8) | (5.4) |
| Diluted | 9 | (4.8) | (5.4) |

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

# Consolidated Statement of Financial Position

As at 30 June 2022

| | Notes | 30 June 2022 $ | 30 June 2021 Restated $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 11 | 4,888,822 | 15,924,713 |
| Trade and other receivables | 12 | 1,568,439 | 594,460 |
| Inventories | 13 | 893,906 | – |
| Prepayments | | 484,623 | 170,208 |
| Finance lease receivables | 17 | 43,706 | 119,267 |
| Financial assets | 18 | 46,804 | 281,983 |
| **Total Current Assets** | | **7,926,300** | **17,090,631** |
| **Non-Current Assets** | | | |
| Right-of-use assets | 14 | 2,147,241 | – |
| Property, plant and equipment | 15 | 444,869 | 75,566 |
| Intangible assets | 16 | 5,821,645 | – |
| Finance lease receivables | 17 | – | 40,531 |
| Investment in Equity Accounted Joint venture | 10 | – | 229,008 |
| **Total Non-Current Assets** | | **8,413,755** | **345,105** |
| **Total Assets** | | **16,340,055** | **17,435,736** |
| **LIABILITIES** | | | |
| *Current Liabilities* | | | |
| Trade and other payables | 20 | 5,055,067 | 3,492,943 |
| Deferred income | | 975,603 | 568,558 |
| Financial liabilities | 21 | 201,716 | – |
| Lease liabilities | 22 | 615,273 | 85,615 |
| Provisions | 23 | 306,486 | 344,313 |
| **Total Current Liabilities** | | **7,154,145** | **4,491,429** |
| **Non-Current Liabilities** | | | |
| Lease liabilities | 22 | 1,855,379 | 42,162 |
| Deferred tax liabilities | 19 | – | – |
| Provisions | 23 | 14,424 | 72,471 |
| **Total Non-Current Liabilities** | | **1,869,803** | **114,633** |
| **Total Liabilities** | | **9,023,948** | **4,606,062** |
| **Net Assets** | | **7,316,107** | **12,829,674** |
| **Equity** | | | |
| Share capital | 24 | 56,003,195 | 51,075,469 |
| Other reserves | 25 | (7,473,833) | (11,352,743) |
| Accumulated Deficiencies | | (41,213,255) | (26,893,052) |
| **Total Equity** | | **7,316,107** | **12,829,674** |

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

# Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

| | Notes | Share capital $ | Other reserves $ | Translation reserve $ | Accumulated Deficiencies $ | Total equity $ |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2020 as previously reported** | | 20,571,641 | (11,169,272) | (849,841) | (15,669,697) | (7,117,169) |
| Impact of restatement (see Note 1) | | – | – | – | (101,326) | (101,326) |
| **Balance at 1 July 2020 (restated)** | | 20,571,641 | (11,169,272) | (849,841) | (15,771,023) | (7,218,495) |
| **Total comprehensive income for the year** | | | | | | |
| Profit/(Loss) for the year | | – | – | – | (11,122,029) | (11,122,029) |
| Other comprehensive profit/(loss) for the year | | – | – | 131,823 | – | 131,823 |
| Total | | – | – | 131,823 | (11,122,029) | (10,990,206) |
| **Transactions with owners, recognised directly in equity** | | | | | | |
| Issue of share capital | 24 | 32,118,939 | – | – | – | 32,118,939 |
| Costs of Issuing share capital | 24 | (1,615,111) | – | – | – | (1,615,111) |
| Share-based payments | 29 | – | 534,547 | – | – | 534,547 |
| Total | | 30,503,828 | 534,547 | – | – | 31,038,375 |
| **Balance at 30 June 2021** | | **51,075,469** | **(10,634,725)** | **(718,018)** | **(26,893,052)** | **12,829,674** |
| **Balance at 1 July 2021** | | 51,075,469 | (10,634,725) | (718,018) | (26,893,052) | 12,829,674 |
| Profit/(Loss) for the year | | – | – | – | (14,320,203) | (14,320,203) |
| Other comprehensive profit/(loss) for the year | | – | – | (60,645) | – | (60,645) |
| Total | | – | – | (60,645) | (14,320,203) | (14,380,848) |
| **Transactions with owners, recognised directly in equity** | | | | | | |
| Issue of share capital | 24 | 5,313,740 | – | – | – | 5,313,740 |
| Cost of issuing share capital | 24 | (386,014) | – | – | – | (386,014) |
| Deferred Equity to be issued | 25 | – | 3,190,059 | – | – | 3,190,059 |
| Share-based payments | 29 | – | 749,496 | – | – | 749,496 |
| Total | | 4,927,726 | 3,939,555 | – | – | 8,867,281 |
| **Balance at 30 June 2022** | | **56,003,195** | **(6,695,170)** | **(778,663)** | **(41,213,255)** | **7,316,107** |

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

# Consolidated Statement of Cash Flows

For the Year Ended 30 June 2022

| | Notes | 30 June 2022 $ | 30 June 2021 $ |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Receipts from customers | | 39,557,861 | 30,357,573 |
| Payments to suppliers and employees | | (51,967,114) | (37,126,228) |
| Other revenue | | 184,462 | 251,000 |
| Interest received | | 10,380 | 7,660 |
| Interest paid | | (22,113) | (42,935) |
| **Net cash provided by (used in) operating activities** | 26 | **(12,236,524)** | **(6,552,930)** |
| **Cash Flows From Investing Activities** | | | |
| Payments for intangible assets | | (397,634) | |
| Payments for property, plant and equipment assets | | (140,980) | (72,756) |
| Proceeds from sale of property, plant and equipment | | – | 8,874 |
| Payments for subsidiaries (net of cash acquired) | 27,28 | (1,757,456) | 613,146 |
| Pre-acquisition loans to subsidiaries | | (493,937) | – |
| Payments for JV funding | | (678,817) | (644,959) |
| Payment of security deposit | | – | (21,468) |
| **Net cash used in investing activities** | | **(3,468,824)** | **(117,163)** |
| **Cash Flows From Financing Activities** | | | |
| Repayment of loans with related parties | | (60,078) | (753,400) |
| Proceeds from loans with third parties | | – | 2,100,000 |
| Proceeds from loans with related parties | | – | 50,000 |
| Proceeds from share issue | | 5,183,101 | 21,491,416 |
| Payments for leases | | (382,878) | (79,804) |
| Receipts from leases | | 81,131 | – |
| Costs related to share capital issuance | | (8,611) | (1,307,277) |
| Payments for other financial liabilities | | (128,853) | – |
| **Net cash (used)/provided by financing activities** | | **4,683,812** | **21,500,935** |
| **Net increase/(decrease) in cash held** | | **(11,021,536)** | **14,830,842** |
| Cash and cash equivalents at the beginning of the financial period | | 15,924,713 | 1,123.127 |
| Effects of exchange rates changes | | (14,355) | (29,256) |
| **Cash and cash equivalents at the end of the financial period** | 11 | **4,888,822** | **15,924,713** |

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

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2022

## Note 1. General Information

### a) Information About the Entity

BikeExchange Limited (the Company or parent entity) is a company limited by shares incorporated and registered in Australia. The address of the Company's registered office is shown on page 101. The financial statements cover BikeExchange Ltd as a Group and the entities it controlled at the end of, or during the year (referred to as the Group).

For the purposes of preparing the financial statements, the Company is a for-profit entity.

The principal activities of the Group are the provision of a dedicated online bicycle marketplace, throughout four regions including Australia, Europe, North America and Colombia, as well as bicycle logistics services in North America. BikeExchange has over 1,500 retailers and over 1,500 brands globally available on the marketplace platforms providing ease, convenience and choice for consumers.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2022. The directors have the power to amend and reissue the financial statements.

## Note 2. Summary of 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').

The financial statements have been prepared on the basis of historical cost as explained in the accounting policies in this note. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*. The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of these financial statements, the results and financial position of the Company are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the Group financial statements.

### Going Concern

The financial statements have been prepared on a going concern basis.

As of 30 June 2022, the Group had net assets of $7,316,107 and net current assets of $772,155 with no significant debt or capital commitments. As the Group has invested capital raised to accelerate the growth of the Group, including undertaking strategic merger & acquisition activity, the losses incurred by the Group increased to $14,320,203 and the Group reported negative cash flows from operations of $12,236,524 for the year ended 30 June 2022.

The directors have prepared projected cash flow information for the twelve months from the date of signing of these financial statements taking into consideration the future expectations of trading performance and other funding initiatives. The continued funding of ongoing operations is dependent upon the following assumptions:

- Achieving forecast revenue growth across all revenue streams; and
- Funding through a convertible note issue or other funding initiatives within the first half of FY23.

# Notes to the Consolidated Financial Statements continued

Should the ability of the Group to obtain funding through a convertible note issue or other funding initiatives be delayed and/or forecast revenue targets not be met, there are plans in place to manage the liquidity of the Group until further funding can be secured, including:

- Reduction in marketing activities, including offline marketing activities and digital marketing costs;
- Deferment of capital expenditure such as significant technology projects;
- Reduce employment related expenses through reduction or deferring payment of discretionary remuneration, temporary reductions in Board and Executive remuneration packages, and should it become necessary headcount reductions in non-essential roles;
- Reducing and/or deferring other operating expenses where appropriate, including corporate administration and technology costs.

The Directors have plans to raise further capital and are in advanced discussions with potential debt partners around providing further funding to the Group under a convertible note arrangement. This additional funding will support the Group's liquidity in the event of lower than forecast revenues, as well as enable the Group to invest in a significant proposed technology project designed to improve sales conversion rates on the platform.

The successful outcome of any funding initiatives is not guaranteed and is subject to agreeing suitable commercial terms, as well as approval by the Board, and existing shareholders if required under applicable legislation/listing rules.

The directors remain focused on the Group's liquidity, and expect to manage business operations in the forecast period whilst maintaining adequate liquidity through continuing to carefully manage cash investment into operations.

Based on the above factors, and notably the expectation that the Group will achieve revenue growth targets and secure additional funding, the Directors are of the opinion that the use of the going concern assumption is appropriate. In the event that the Group is unable to achieve successful outcomes in relation to the matters listed above, a material uncertainty would exist that would cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

## New or amended Accounting Standards and Interpretations Adopted

In the current year The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- AASB 2020-8 Amendments to Australian Accounting Standards – *Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-3 Amendments to Australian Accounting Standards – *COVID-19-Related Rent Concessions beyond 30 June 2021*.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised AASB Standards that have been issued but are not yet effective:

- AASB 2014-10 Amendments to Australian Accounting Standards – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, AASB 2015-10 Amendments to Australian Accounting Standards – *Effective Date of Amendments* to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – *Effective Date of Amendments* to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2020-1 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-Current* and AASB 2020-6 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date*
- AASB 2020-3 Amendments to Australian Accounting Standards – *Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates*

The issued but not yet effective standards above are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions. The Group anticipates applying these new standards in the year they become effective.

# Note 2. Summary of Significant Accounting Policies (continued)

## Restatement of Prior Year Financial Statements

The Group has identified that VAT input credits claimed on a portion of e-Commerce transactions in Europe for the period between July 2016 and May 2021 had been overstated. As a consequence, e-Commerce revenues have been overstated and the related VAT liabilities have been understated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

### Consolidated statement of profit or loss and other comprehensive income

| Consolidated | Previously reported 2021 $ | Restatement $ | Restated 2021 $ |
|---|---|---|---|
| Revenue | 4,605,767 | (146,034) | 4,459,733 |
| Other operating expenses | (8,039,406) | (1,997) | (8,041,403) |
| Loss before interest, tax, depreciation and amortisation | (10,627,339) | (148,031) | (10,775,370) |
| Finance costs | (140,328) | (6,974) | (147,302) |
| Loss before income tax | (10,967,024) | (155,005) | (11,122,029) |
| **Loss for the year** | **(10,967,024)** | **(155,005)** | **(11,122,029)** |
| Total comprehensive loss for the period | (10,839,744) | (155,005) | (10,994,749) |
| Loss attributable to BikeExchange Ltd | (10,967,024) | (155,005) | (11,122,029) |
| **Total comprehensive loss attributable to BikeExchange Ltd** | **(10,839,744)** | **(155,005)** | **(10,994,749)** |

| | 30 June 2021 $ |
|---|---|
| Basic Earnings Per share restatement | (0.1) |
| Diluted Earnings Per share restatement | (0.1) |

### Consolidated statement of financial position

| | Previously reported 30 June 2021 $ | Restatement $ | Restated 30 June 2021 $ |
|---|---|---|---|
| Trade and other payables | 3,241,155 | 251,788 | 3,492,943 |
| Total current liabilities | 4,239,641 | 251,788 | 4,491,429 |
| Total liabilities | 4,354,274 | 251,788 | 4,606,062 |
| Net assets | 13,081,462 | (251,788) | 12,829,674 |
| Accumulated deficiencies | (26,636,721) | (256,331) | (26,893,052) |
| Other reserves | (11,357,286) | 4,543 | (11,352,743) |
| Total equity | 13,081,462 | (251,788) | 12,829,674 |

# Notes to the Consolidated Financial Statements continued

### Consolidated statement of changes in equity

| Consolidated | Previously reported 2021 ($'000) | Restatement ($'000) | Restated 2021 ($'000) |
|---|---|---|---|
| **Accumulated deficiencies** | | | |
| Balance at 1 July 2020 | (15,669,697) | (101,326) | (15,771,023) |
| Loss for the year | (10,967,024) | (155,005) | (11,122,029) |
| Total | (10,967,024) | (155,005) | (11,122,029) |
| **Balance at 30 June 2021** | **(26,636,721)** | **(256,331)** | **(26,893,052)** |
| **Translation reserve** | | | |
| Balance at 1 July 2020 | (849,841) | – | (849,841) |
| OCI (loss) for the year | 127,280 | 4,543 | 131,823 |
| Total | 127,280 | 4,543 | 131,823 |
| **Balance at 30 June 2021** | **(722,561)** | **4,543** | **(718,018)** |
| **Total equity** | | | |
| Balance at 1 July 2020 | (7,117,169) | (101,326) | (7,218,495) |
| Loss for the year | (10,967,024) | (155,005) | (11,122,029) |
| Total comprehensive loss | (10,839,744) | 4,543 | (10,835,201) |
| **Balance at 30 June 2021** | **13,081,462** | **(251,788)** | **12,829,674** |

## Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BikeExchange Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

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.

# Note 2. Summary of Significant Accounting Policies (continued)

## Reverse Acquisition Accounting

On 3 February 2021, BikeExchange Limited (formerly RPro Holdings Ltd), the legal parent and legal acquirer, completed the acquisition of BikeExchange Holding Pty Limited and its controlled entities. The acquisition did not meet the definition of a business combination in accordance with AASB 3 *Business Combinations*. Instead the acquisition has been accounted for using the principles of reverse acquisition accounting in AASB 3 *Business Combinations*. Accordingly, the consolidated financial statements have been prepared as if BikeExchange Holdings Pty Ltd has acquired BikeExchange Ltd, not vice versa as represented by the legal position. These financial statements present the results of the BikeExchange Holdings Pty Ltd Group for the years ended 30 June 2022 and 30 June 2021 with BikeExchange Ltd treated as being acquired on 5 February 2021, with results of BikeExchange Ltd included from that date. Further details are set out in Note 27.

## Revenue from Contracts with Customers

The Group is in the business of providing dedicated e-Commerce bicycle marketplaces, connecting bike enthusiasts to retailers and suppliers. Revenue from contracts with customers is recognised when the associated performance obligations from contracts with customers is satisfied. This may occur at a point in time or progressively over time. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the satisfactory completion of its performance obligations.

### e-Commerce Revenue

The Group has concluded that it is the agent for its e-Commerce revenue arrangements because the supplier controls the goods before transferring them directly to the end customer and not the Group. The Group facilitates transactions between buyers and sellers but is not a party to that transaction. e-Commerce revenue is the net amount of commission and other fees that the Group is entitled to retain in return for its services as the agent in facilitating the transaction. Revenue is recognised at a point in time being when the performance obligation for service as an agent is satisfied, which is typically at the point the goods are dispatched by the supplier.

### Subscriptions

Subscription fees are charged in relation to the provision of e-Commerce retail stores for retailers on the BikeExchange Platform. Subscription fees are charged on a monthly basis. Subscription fee revenue is recognised over the period that the website hosts the e-Commerce store for the retailer.

### Logistics

Revenue for bicycle logistics is recognised when a delivery is fully completed and the performance obligation is satisfied.

### Media and Other Revenue

Media and other revenue is recognised on the satisfactory completion of associated performance obligations, which are typically based on either time periods (e.g. for sponsorship campaigns) or as impressions are displayed on the Group's network of websites. Revenue for bicycle logistics is recognised when a delivery is fully completed and the performance obligation is satisfied. Sale of goods revenue is recognised at a point in time, which is typically at the point the goods are collected or delivered to the customer.

All revenue is stated net of the amount of taxes.

## Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the CEO. Management has determined the reporting segments based on the reports reviewed by the CEO that are used to make strategic decisions which are set out in Note 4.

# Notes to the Consolidated Financial Statements continued

## Other Income

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants in the periods presented relate to various Government COVID-19 related support schemes, including JobKeeper as set out in Note 6.

## Income Tax

### Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

## Deferred Tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

### Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

## Foreign Currencies

The Group's financial statements are presented in Australian Dollars, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

# Note 2. Summary of Significant Accounting Policies (continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

## Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of BikeExchange 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 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.

## Investment in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss before profit before tax and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments with original maturities of three months or less, net of outstanding bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the statement of financial position.

## Accounts Receivable and Other Debtors

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due).

# Notes to the Consolidated Financial Statements continued

## Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable direct labour costs, and allocated administrative overheads incurred in bringing the inventories to their present location and condition.

Cost is calculated using the weighted average cost method. Net realisable value is reviewed and determined on the basis of each inventory line's normal selling pattern. Net realisable value represents the estimated selling price less all estimated costs of completion and all costs to be incurred in marketing, selling and distribution.

## PP&E – Equipment

Each class of PP&E is carried at cost less, where applicable, accumulated depreciation and any impairment losses.

Equipment, leasehold improvements and equipment under finance lease, and motor vehicles are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, leasehold improvements and equipment under finance lease. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the term of the lease using the straight-line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

- Motor Vehicles 5 years
- Other Equipment 2-5 years

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

## Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. There are no indefinite lived intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

The following estimated useful lives are used in the calculation of amortisation:

- Software and licences Shorter of 5 years or licence term

# Note 2. Summary of Significant Accounting Policies (continued)

## Internally-Generated Intangible Assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### Right of use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets for property leases are depreciated on a straight-line basis over the lease term unless the estimated useful life of the assets is shorter.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on impairment of non-financial assets.

## Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

# Notes to the Consolidated Financial Statements continued

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Lease Liabilities (see Note 22).

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

## Financial Instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

## Financial Assets

### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group's financial assets consist of cash and trade receivables that do not contain a significant financing component. Trade receivables that do not contain a significant financing component are measured at the transaction price as disclosed in Note 5.

In order for a financial asset to be classified and measured at amortised cost, or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at fair value through profit or loss.

For the financial periods covered by these financial statements the Group only had financial assets at amortised cost.

# Note 2. Summary of Significant Accounting Policies (continued)

## Financial Assets at Amortised Cost (Debt Instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method less provisions for expected credit losses. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or the expected credit loss changes.

The Group's financial assets at amortised cost includes trade receivables, term deposits and other receivables.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either a) the Group has transferred substantially all the risks and rewards of the asset, or b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Financial assets – Note 18
- Trade receivables – Note 12

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# Notes to the Consolidated Financial Statements continued

## Financial Liabilities

### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate, and subsequently measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

### Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

### Financial liabilities at amortised cost (loans and borrowings)

This is the category of financial liabilities that is relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 34.

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

## Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

# Note 2. Summary of Significant Accounting Policies (continued)

## 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 within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and 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 within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

## Share-based Payment Transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

## Goods and Services Tax and Other Similar Taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) and Sales Taxes, except where the amount of GST or Sales Taxes incurred is not recoverable from the taxation authority. In these circumstances, the GST or Sales Taxes are recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST and Sales Taxes included. The net amount of GST and Sales Taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST and Sales Taxes components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## 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.

Notes to the Consolidated Financial Statements continued

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill 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.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

## Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### Employee Benefits Provision

As discussed in Note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### 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.

### Recognition and Recovery of Deferred Tax Assets

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

### Impairment of Goodwill and Intangible Assets

Goodwill is 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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Significant judgement is required in determining the recoverable amount of each cash generating unit and asset as set out in Note 16.

### Share-based Payments

Significant judgement is required in determining the fair value of equity settled share-based payments and the estimates of the achievement of performance conditions attached to employee share option plans as set out in Note 29.

# Note 4. Segmental Reporting

The Group principally operates in the following four geographic business segments, each of which generate independent cashflows and are separately reported to the CEO for the purposes of assessing performance and allocating resources:

- Australia and New Zealand: Operations are headquartered in Melbourne, Australia. This segment also includes any costs/assets from the Group's holding companies being BikeExchange Ltd (domiciled in Australia), BikeExchange Holdings Pty Ltd (domiciled in Australia) and BikeExchange Pte Ltd (domiciled in Singapore).
- Europe: Operations are headquartered in Wurzburg, Germany. This office supports the Group's websites that offer services to customers in Germany, Belgium and the Netherlands.
- North America: Operations are headquartered in Asheville, NC, USA. This office supports the Group's websites that offer services to customers in the USA and Canada and the Group's logistics services provided under the Kitzuma brand.
- Colombia: This segment includes the BikeExchange Colombia S.A.S and Bicico S.A.S. which operates from Medellin Colombia, and principally services the Colombian market with e-commerce marketplaces and operation of retail bicycle stores.
- The unallocated segment contains any items that are not able to be allocated to any individual segment, as well as one-off costs related to the Group's IPO in FY21.

| 2022 | Australia and New Zealand $ | Europe $ | North America $ | Colombia $ | Unallocated $ | Total $ |
|---|---|---|---|---|---|---|
| Total Transaction Value | 5,864,526 | 19,600,821 | 4,323,538 | 1,144,837 | – | 30,933,722 |
| **Revenue** | **1,793,278** | **2,727,575** | **1,788,145** | **267,087** | **–** | **6,576,085** |
| **EBITDA** | **(2,975,778)** | **(2,183,877)** | **(4,501,788)** | **(282,984)** | **(3,739,941)** | **(13,684,368)** |
| Finance income | – | – | – | – | 10,375 | 10,375 |
| Finance costs | – | – | – | – | (46,953) | (46,953) |
| Depreciation and amortisation expense | (143,558) | (22,029) | (251,736) | (8,456) | – | (425,779) |
| Share of results of associates and joint venture | – | – | – | (173,478) | – | (173,478) |
| Income tax expense | – | – | – | – | – | – |
| **(Loss)/Profit for the year** | **(3,119,336)** | **(2,205,906)** | **(4,753,524)** | **(464,918)** | **(3,776,519)** | **(14,320,203)** |
| Segment Assets | 7,904,430 | 1,186,011 | 5,523,076 | 1,726,538 | – | 16,340,055 |
| Segment Liabilities | (2,960,915) | (2,101,930) | (3,424,099) | (537,004) | – | (9,023,948) |

# Notes to the Consolidated Financial Statements continued

| 2021 | Australia and New Zealand $ | Europe Restated $ | North America $ | Colombia $ | Unallocated $ | Total Restated $ |
|---|---|---|---|---|---|---|
| Total Transaction Value | 5,120,142 | 15,376,253 | 3,645,701 | 1,165,253 | – | 25,307,349 |
| **Revenue** | **1,538,383** | **2,166,371** | **754,979** | **–** | **–** | **4,459,733** |
| **EBITDA** | **(3,634,645)** | **(826,241)** | **(1,645,080)** | **–** | **(4,669,404)** | **(10,775,370)** |
| Finance income | – | – | – | – | 53,786 | 53,786 |
| Finance costs | – | – | – | – | (147,302) | (147,302) |
| Depreciation and amortisation expense | (9,168) | (9,570) | (70,450) | | – | (89,188) |
| Share of results of associates and joint venture | – | – | – | (163,955) | – | (163,955) |
| Income tax expense | – | – | – | – | – | – |
| **(Loss)/Profit for the year** | **(3,643,813)** | **(835,811)** | **(1,715,530)** | **(163,955)** | **(4,762,920)** | **(11,122,029)** |
| Segment Assets | 15,636,133 | 1,062,956 | 461,767 | 229,008 | 45,872 | 17,435,736 |
| Segment Liabilities | (2,149,999) | (1,602,798) | (853,265) | – | – | (4,606,062) |

Total Transaction Value (TTV) comprises revenues generated from display/media sales, retail subscriptions and other online sales, and the gross merchandise value for e-Commerce transactions that go across the platform (reported revenue only includes the Group's commissions on e-commerce transactions). TTV includes 50% of the TTV of BikeExchange Colombia S.A.S prior to becoming a subsidiary on 2 March 2022, representing the Group's economic share up to that date.

In the management reporting to the CEO, TTV is provided which gives insights to its management and directors to assist them understand the volume and value of e-commerce transactions the Group has initiated and driven the underlying sales via the marketplace platform.

As TTV captures the economic value of activity on the platform, the Group consider it a better representation of the gross orders transacted via the BikeExchange websites.

Gains/losses on the disposal of assets and investments and impairment of investments/loans in other entities are reported at an aggregated level to the CEO and therefore are not allocated to an individual segment. Likewise, finance income, expense and financial liabilities are reported on a consolidated level and therefore not allocated to any individual segment.

## Note 5. Revenue from Contracts with Customers

| | 2022 $ | 2021 Restated $ |
|---|---|---|
| Revenues from types of goods and services: | | |
| • e-Commerce commission revenue | 1,977,355 | 1,606,312 |
| • Subscriptions | 2,918,976 | 2,465,242 |
| • Logistics | 1,187,963 | – |
| • Media and other services revenue | 491,791 | 388,179 |
| **Total revenue from contracts with customers** | **6,576,085** | **4,459,733** |

e-Commerce commission revenue, Logistics and Media and other services revenue is recognised at a point in time when a revenue generating transaction occurs. Subscription revenues are recognised evenly over the period to which they relate.

| | 2022 $ | 2021 Restated $ |
|---|---|---|
| Disaggregated by geographic markets | | |
| • Australia and New Zealand | 1,793,278 | 1,538,383 |
| • Europe | 2,727,575 | 2,166,371 |
| • North America | 1,788,145 | 754,979 |
| • Colombia | 267,087 | – |
| **Total revenue from contracts with customers** | **6,576,085** | **4,459,733** |

# Notes to the Consolidated Financial Statements continued

## Note 6. Other Income and Expenses

### Other income

Other income comprises of the following Government Grants and other income:

| | 2022 $ | 2021 Restated $ |
|---|---|---|
| JobKeeper Grant | – | 156,000 |
| Australian State Government incentives | – | 25,000 |
| Cashflow Boost Grant | – | 70,000 |
| US Government COVID-19 Incentives | 184,462 | – |
| Short-term sub-lease income | 34,529 | – |
| | 218,991 | 251,000 |
| **Expenses** | | |
| Depreciation and amortisation of non-current assets: | | |
| • Owned Property, Plant and Equipment | 76,093 | 25,056 |
| • Right-of-Use Assets | 326,487 | 64,132 |
| • Intangible Assets | 23,199 | – |
| | 425,779 | 89,188 |
| Finance costs: | | |
| • interest on debt and borrowings | 17,428 | 143,609 |
| • interest on lease liabilities | 29,525 | 3,693 |
| | 46,953 | 147,302 |
| Included in other operating expenses: | | |
| • expenses relating to the Group's IPO process in FY21 (see Note 27) | – | 4,666,102 |
| • expenses relating to short-term leases | 171,276 | 161,197 |
| • Net foreign exchange gains | 8,466 | 57,770 |
| • bad debts written off | 178,367 | 182,568 |
| Included in employee expenses: | | |
| • defined contribution superannuation expense | 272,755 | 148,800 |
| • equity-settled share-based payments | 749,496 | 534,547 |
| Gain/(loss) on disposal of assets | 11,455 | (1,670) |

# Note 7. Income Tax

The components of tax expense comprise:

| | 2022 $ | 2021 Restated $ |
|---|---|---|
| **Current tax** | | |
| In respect of the current year | (2,988,707) | (1,352,794) |
| Under/(over) provision for prior year | – | – |
| Less: Tax losses not recognised | 2,988,707 | 1,352,794 |
| **Deferred tax** | | |
| In respect of the current year | 39,252 | 701,884 |
| Under/(over) provision for prior year | – | – |
| Less: Unrecognised temporary differences | (39,252) | (701,884) |
| **Income tax expense** | – | – |

The prima facie tax on surplus/(deficit) from ordinary activities before income tax is reconciled to the income tax expense as follows:

| | 2022 $ | 2021 Restated $ |
|---|---|---|
| (Loss) before tax | (14,320,203) | (11,122,029) |
| Prima facie tax on (loss) from ordinary activities at 25% (FY21: 26%) | (3,580,051) | (2,891,728) |
| Add tax effect of: | | |
| • non-deductible expenses | 594,365 | 924,211 |
| • non-assessable income | – | (24,700) |
| • different tax rates in foreign jurisdictions | (150,969) | (102,763) |
| • Under/(over) provision of current tax liability in prior year | – | – |
| • Under/(over) provision of deferred tax in prior year | – | – |
| • tax losses carried forward for which no deferred tax asset is recognised | 3,136,655 | 2,094,980 |
| | – | – |

Deductible temporary differences for which no deferred tax assets have been recognised are attributable to the following:

| | 2022 $ | 2021 $ |
|---|---|---|
| Provisions | 36,709 | 83,137 |
| Accruals | 167,017 | 249,671 |
| Other expenditure | (163,349) | 369,076 |
| Property, Plant and Equipment | (1,125) | – |
| | 39,252 | 701,884 |

# Notes to the Consolidated Financial Statements continued

Income tax is based on a tax rate of 25% for the year ended 30 June 2022 and 26% for the year ended 30 June 2021.

In additional to the deductible temporary differences above, each of the entities in the Group has brought forward tax losses. Management is undertaking a process to quantify the tax losses that are available to the Group that can be offset against profits generated through the Group's future activities. These losses have not been recognised as a deferred tax asset due to uncertainty over the amount and timing of generation of sufficient taxable profits to utilise them against.

No amounts of tax were recognised directly in equity.

## Note 8. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 9. Earnings Per Share

| | 2022 $ | 2021 Restated $ |
|---|---|---|
| Loss after income tax attributable to the owners of BikeExchange Limited | (14,320,203) | (11,122,029) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 298,576,461 | 207,699,512 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 298,576,461 | 207,699,512 |

| | Cents | Cents |
|---|---|---|
| Basic Earnings Per Share | (4.8) | (5.4) |
| Diluted Earnings Per Share | (4.8) | (5.4) |

Share options are excluded from calculation of dilutive earnings per share as they were anti-dilutive.

There are no adjustments in relation to the effects of all dilutive potential ordinary shares due to the current loss-making position of the Group.

## Note 10. Interests in a Joint Venture

The Group had a 50% interest in shares in BikeExchange Colombia S.A.S, a joint venture which operates the Group's BikeExchange websites in Colombia until 2nd March 2022 when the Group acquired the remaining 50% interest as set out in Note 28. The Group's interest in BikeExchange Colombia S.A.S. was accounted for using the equity method in the consolidated financial statements up until the acquisition date. Summarised financial information of the joint venture, based on its financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

| | 2022 $ | 2021 $ |
|---|---|---|
| **Summarised Statement of Profit and Loss and Other Comprehensive Income:** | | |
| Revenue | 366,450 | 666,080 |
| Profit/(loss) for the year | (346,956) | (267,776) |
| Other comprehensive income | – | – |
| Total comprehensive income for the year | (346,956) | (267,776) |
| Group's share of profit/(loss) for the year | (173,478) | (133,888) |
| Group's share of profit/(loss) for the year recognised in the consolidated financial statements | (173,478) | (163,955) |

NB – the amounts for FY22 reflect the period from 1 July 2022 to 1 March 2022 after which the Group consolidated BikeExchange Colombia S.A.S. in the financial statements.

| | 2022 $ | 2021 $ |
|---|---|---|
| **Summarised Statement of Financial Position:** | | |
| Cash and Cash Equivalents | – | 96 |
| Other Current Assets | – | 764,190 |
| Total Current Assets | – | 764,286 |
| Total Non-Current Assets | – | 3,432 |
| Total Assets | – | 767,718 |
| Current Financial Liabilities | – | (803,729) |
| Other Current Liabilities | – | (450,885) |
| Total Current Liabilities | – | (1,254,614) |
| Non-Current Financial Liabilities | – | – |
| Other Non-Current Liabilities | – | – |
| Total Non-Current Liabilities | – | – |
| Total Liabilities | – | (1,254,614) |
| Net Assets/(Liabilities) | – | (486,896) |
| **Equity** | | |
| Share capital | – | 204,651 |
| Retained earnings | – | (691,547) |
| Total Equity/(Deficit) | – | (486,896) |
| Group's carrying amount of the investment | – | 229,008 |

# Notes to the Consolidated Financial Statements continued

The figures above represent 100% of the results of the business except where they specifically relate to the Group's share of profits of the carrying amount of the investment.

The joint venture had no other contingent liabilities or commitments as at 30 June 2021.

## Note 11. Cash and Cash Equivalents

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash on hand | – | – |
| Cash at bank | 4,888,822 | 15,924,713 |
| | 4,888,822 | 15,924,713 |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

### Note 11.(a) Reconciliation of Cash

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash at bank and on hand | 4,888,822 | 15,924,713 |
| | 4,888,822 | 15,924,713 |

## Note 12. Trade and Other Receivables

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Current:** | | | |
| *Debt instruments at amortised cost* | | | |
| Trade receivables | | 1,381,789 | 525,351 |
| Less: Allowance for expected credit losses | Note 12.(a) | (358,701) | (155,595) |
| | | 1,023,088 | 369,756 |
| Other receivables | | 545,351 | 224,704 |
| | | 1,568,439 | 594,460 |

### Note 12.(a) Provision for Allowance for Expected Credit Losses

| | 2022 $ | 2021 $ |
|---|---|---|
| Movements in the provision for expected credit losses of receivables are as follows: | | |
| Opening balance | 155,595 | 14,679 |
| Additional provisions recognised | 178,367 | 182,568 |
| Additional provisions from acquisition of business | 128,019 | – |
| Receivables written off during the year as uncollectable | (99,390) | (41,652) |
| Foreign Currency exchange differences | (3,890) | – |
| Unused amounts reversed | – | – |
| Closing balance | 358,701 | 155,595 |

# Note 12. Trade and Other Receivables (continued)

### Credit Risk

The average credit period on sales of services is 30 days. No interest is charged on outstanding trade receivables.

The following table details the Group's accounts receivable and other debtors exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality. The ageing of trade receivables is set out below.

| | 2022 $ | 2021 $ |
|---|---|---|
| Within initial terms | 691,007 | 331,828 |
| Past due but not impaired | | |
| < 30 days | 107,707 | – |
| 31–60 days | 93,946 | 13,728 |
| 61–90 days | 46,782 | 15,357 |
| 91+ days | 83,646 | 8,843 |
| | 1,023,088 | 369,756 |

# Note 13. Inventories

| | 2022 $ | 2021 $ |
|---|---|---|
| Finished goods at cost and net realisable value | | |
| At Cost | 866,144 | – |
| Less: Provision for obsolescence | (39,606) | – |
| Net realisable value | 826,538 | – |
| Raw materials and work in progress at cost | 67,368 | – |
| | 893,906 | – |

# Notes to the Consolidated Financial Statements continued

## Note 14. Right-of-use assets

Right of use assets relate to office and warehouse premises.

| | 2022 $ | 2021 $ |
|---|---|---|
| At cost | 2,354,100 | – |
| Less accumulated depreciation | (206,859) | – |
| | 2,147,241 | – |
| **Movements in carrying amounts:** | | |
| Carrying amount at beginning | – | – |
| Additions | 2,794,946 | – |
| Modifications (reductions) to leases | (400,732) | – |
| Less: depreciation expense | (326,487) | – |
| Exchange differences | 79,514 | – |
| Carrying amount at end | 2,147,241 | – |

## Note 15. Property, Plant and Equipment

| | 2022 $ | 2021 $ |
|---|---|---|
| **Motor Vehicles** | | |
| At cost | 329,477 | 91,299 |
| Less accumulated depreciation | (97,170) | (86,731) |
| | 232,307 | 4,568 |
| **Other Property, Plant and Equipment** | | |
| At cost | 304,625 | 443,847 |
| Less accumulated depreciation | (92,063) | (372,849) |
| | 212,562 | 70,998 |
| Total written down amount | 444,869 | 75,566 |

# Note 15. Property, Plant and Equipment (continued)

## Movements in Carrying Amounts:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Motor Vehicles** | | |
| Carrying amount at beginning | 4,568 | 6,499 |
| Additions | 227,792 | – |
| Acquisition of business | 10,420 | – |
| Disposals | – | – |
| Less: depreciation expense | (15,785) | (1,931) |
| Exchange differences | 5,312 | – |
| Carrying amount at end | 232,307 | 4,568 |
| **Other Property, Plant and Equipment** | | |
| Carrying amount at beginning | 70,998 | 22,604 |
| Additions | 140,980 | 72,306 |
| Acquisition of business | 66,286 | – |
| Disposals | (5,007) | – |
| Less: depreciation expense | (60,308) | (23,125) |
| Exchange differences | (387) | (787) |
| Carrying amount at end | 212,562 | 70,998 |
| Total written down amount | 444,869 | 75,566 |

Management considered the recoverable amount of Property, Plant & Equipment under AASB 136 *Impairment of Non-Current Assets* as at 30 June 2022 and determined that there was no resultant impairment.

## Assets Pledged as Security

The carrying amount of the Group's plant and equipment included an amount of $nil at 30 June 2022 (2021: $nil) pledged as security.

# Notes to the Consolidated Financial Statements continued

## Note 16. Intangibles

| | 2022 $ | 2021 $ |
|---|---|---|
| **Software** | | |
| At cost | 678,863 | 277,300 |
| Less accumulated amortisation | (296,728) | (277,300) |
| Carrying Amount at End | 382,135 | – |
| **Goodwill** | | |
| At cost | 5,439,510 | – |
| Less accumulated impairment | – | – |
| Carrying Amount at End | 5,439,510 | – |
| Total written down amount | 5,821,645 | – |

### Movements in Carrying Amounts:

| | 2022 $ | 2021 $ |
|---|---|---|
| **Software** | | |
| Carrying amount at beginning | – | – |
| Additions | 397,634 | – |
| Disposals | – | – |
| Less: amortisation expense | (23,199) | – |
| Exchange Differences | 7,700 | – |
| Carrying Amount at End | 382,135 | – |
| **Goodwill** | | |
| Carrying amount at beginning | – | – |
| Additions | 5,412,741 | – |
| Disposals | – | – |
| Less: accumulated impairment | – | – |
| Exchange Differences | 26,769 | – |
| Carrying Amount at end | 5,439,510 | – |
| Total written down amount | 5,821,645 | – |

Software included in intangible assets is purchased from 3rd parties and supports features and functionality on the websites operated by the Group. Goodwill arises from acquisitions made during the year – see Note 28.

# Note 16. Intangibles (continued)

## Impairment Testing and Key Assumptions

Goodwill is allocated to the Group's cash generating units (CGUs) and tested annually to determine whether they have suffered any impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

A cash generating unit level summary of the goodwill allocation is presented below.

| | 2022 $ | 2021 $ |
|---|---|---|
| North America – Kitzuma | 4,890,155 | – |
| Colombia | 549,355 | – |
| | 5,439,510 | – |

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

A fair value less cost to sell valuation method has been employed in determining the recoverable amounts of the Kitzuma CGU. This method is predicated on cash flow projections which necessitates the adoption of assumptions and estimates. The key assumptions and estimates used in management's calculations primarily relate to:

- five year cash flow forecasts sourced from internal budgets and long-term forecasts;
- a terminal value growth rate of 2.5% applied to the period beyond the five year cash flow forecasts; and
- post-tax discount rate of 14.5%, used to discount the cash flows to present value.

Each of these assumptions and estimates are based on a 'best estimate' at the time of performing the valuation. However, increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount of the CGU to fall below the carrying amount, resulting in an impairment loss being recognised.

The cash flow projections have been:

- derived from management forecasts based on next year's budgeted result, with the remaining years based on management forecasts; and
- compiled using a combination of past experience, current performance and market position as well as structural changes and economic factors which have been derived based on external data and internal analysis.

Given the recent nature of the BikeExchange Colombia acquisition, the recoverable amounts for Colombia has been based on fair values less costs to sell supported with reference to the transaction price.

## Impact of possible changes in key assumptions

The directors and management have considered and assessed reasonably possible changes for other key assumptions. An increase in the discount rate of 3%, or a reduction in the assumed cumulative annual revenue growth rate from FY24 onwards by 21% (at constant EBITDA margin) would cause the headroom of fair value less cost to sell over the carrying value of the Kitzuma CGU in the impairment model to be reduced to nil.

# Notes to the Consolidated Financial Statements continued

## Note 17. Finance Lease Receivables

| | 2022 $ | 2021 $ |
|---|---|---|
| **Current:** | | |
| Finance Lease receivable | 43,706 | 119,267 |
| **Non-Current:** | | |
| Finance Lease receivable | – | 40,531 |
| | 43,706 | 159,798 |

Finance lease receivables relate to the sub-lease of surplus office space held under finance leases and expires during the FY23 year.

## Note 18. Financial Assets

| | 2022 $ | 2021 $ |
|---|---|---|
| **Current:** | | |
| *Debt instruments at amortised cost* | | |
| Term deposits | 46,804 | 46,700 |
| Loans to related parties | – | 235,283 |
| Total current financial assets | 46,804 | 281,983 |

Loans to related parties in FY21 are to BikeExchange Colombia S.A.S. (50% owned by the Group) which were for short-term working capital and are expected to be repaid rather than being part of the Group's net investment in the Joint Venture. The loans are payable on demand and carry interest at 6%.

## Note 19. Tax

| | 2022 $ | 2021 $ |
|---|---|---|
| **Current:** | | |
| Current tax payable | – | – |
| **Non-Current:** | | |
| *Deferred tax assets* | | |
| • accruals | – | – |
| • employee provisions | – | – |
| • carried forward tax losses | – | – |
| | – | – |
| *Deferred tax liability* | | |
| • property, plant and equipment | – | – |
| | – | – |
| Net deferred tax asset/(liability) | – | – |
| Movement in deferred tax charged to statement of comprehensive income | – | – |

## Note 20. Trade and Other Payables

| | 2022 $ | 2021 Restated $ |
|---|---|---|
| **Current:** | | |
| *Financial liabilities at amortised cost* | | |
| Trade creditors | 1,764,065 | 1,106,317 |
| Accrued expenses | 2,509,253 | 1,835,284 |
| Other payables | 781,749 | 551,342 |
| | 5,055,067 | 3,492,943 |

# Notes to the Consolidated Financial Statements continued

## Note 21. Financial Liabilities

| | 2022 $ | 2021 $ |
|---|---|---|
| **Current:** | | |
| Interest bearing financial liabilities at amortised cost | | |
| Insurance premium funding | 125,215 | – |
| Loans from related parties | 76,501 | – |
| | 201,716 | – |

The company has entered into an agreement with Arteva funding to finance the directors and officers insurance premiums.

The company has an interest bearing loan from a related party, being the previous BikeExchange Colombia S.A.S. Joint Venture partner, which is repayable on demand.

### Financing arrangements

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

| | 2022 $ | 2021 $ |
|---|---|---|
| **Total facilities:** | | |
| • Related Party Loans & Insurance premium funding | 201,716 | – |
| | 201,716 | – |
| Used at the reporting date: | | |
| • Related Party Loans & Insurance premium funding | 201,716 | – |
| | 201,716 | – |
| **Unused at the reporting date:** | | |
| • Related Party Loans & Insurance premium funding | – | – |
| | – | – |

# Note 22. Lease Liabilities

| | 2022 $ | 2021 $ |
|---|---|---|
| **Current:** | | |
| Lease liabilities | 615,273 | 85,615 |
| **Non-Current:** | | |
| Lease liabilities | 1,855,379 | 42,162 |
| | 2,470,652 | 127,777 |

## Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

# Note 23. Provisions

| | 2022 $ | 2021 $ |
|---|---|---|
| **Current:** | | |
| Make good provisions | 45,661 | – |
| Provision for annual leave | 260,825 | 321,406 |
| Provision for long service leave | – | 22,907 |
| | 306,486 | 344,313 |

## 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. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

| | 2022 $ | 2021 $ |
|---|---|---|
| **Non-Current:** | | |
| Provision for long service leave | 14,424 | 30,447 |
| Make good provisions | – | 42,024 |
| | 14,424 | 72,471 |

# Notes to the Consolidated Financial Statements continued

Movements in provisions (excluding those relating to employee liabilities) are as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Carrying amount at the start of the year | 42,024 | 45,243 |
| Additional provisions recognised | 723 | 703 |
| Amounts used | – | – |
| Unused amounts reversed | – | – |
| Foreign Currency Exchange Movements | 2,914 | (3,922) |
| Carrying amount at the end of the year | 45,661 | 42,024 |

## Note 24. Issued Capital

| | 2022 $ | 2022 Shares |
|---|---|---|
| **Movement in ordinary share capital** | | |
| Balance at 1 July 2020 | 20,571,641 | 141,734,027 |
| Issue of shares – debt to equity conversion | 4,800,000 | 38,436,320 |
| Issue of shares – capital raising | 1,500,000 | 13,521,950 |
| Issue of shares – in respect of the reverse acquisition of BikeExchange Ltd (parent company) | 5,818,939 | 22,380,534 |
| Issue of shares – in respect of the initial public offering | 20,000,000 | 76,923,076 |
| Costs of issuance of share capital | (1,615,111) | – |
| Balance at 30 June 2021 | 51,075,469 | 292,995,907 |
| Issue of shares – in respect of acquisition of BikeExchange Colombia S.A.S. | 430,573 | 6,624,204 |
| Issue of shares – capital raising | 4,883,167 | 244,159,024 |
| Costs of issuance of share capital | (386,014) | – |
| Balance at 30 June 2022 | 56,003,195 | 543,779,135 |

The company does not have a limited amount of authorised capital and issued shares do not have a par value. Fully paid ordinary shares carry one vote per share and carry a right to dividends.

In addition, a further 90,250,000 shares were issued for consideration of $1,805,000 in July 2022 as a subsequent event.

# Note 25. Reserves

| | 2022 $ | 2021 $ |
|---|---|---|
| Foreign Currency Translation Reserve | (778,663) | (718,018) |
| **Other reserves** | | |
| Common Control Reserve | (11,169,272) | (11,169,272) |
| Share-Based Payments Reserve | 1,284,043 | 534,547 |
| Deferred equity to be issued Reserve | 3,190,059 | – |
| | (6,695,170) | (10,634,725) |
| | (7,473,833) | (11,352,743) |

## Foreign Currency Translation Reserve

The reserve is used to recognise exchange differences arising from 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.

## Common-Control Reserve

The common control reserve represents the excess arising in the value of the BikeExchange share capital issued over the book value of the non-controlling interest of 35% of BikeExchange DE Vertriebs GmbH and 37% of BikeExchange Inc which was owned by non-controlling interests was acquired on 30 June 2020. This excess was recorded in the common control reserve (within other reserves) as this an equity transaction between entities under common control.

There were no movements in the common control reserve during the current and previous financial year.

| | 2022 $ | 2021 $ |
|---|---|---|
| Balance at 1 July and 30 June | (11,169,272) | (11,169,272) |

## Share-based Payments Reserve (Within Other Reserves)

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in the share-based payments reserve during the current and previous financial year are set out below:

| | 2022 $ | 2021 $ |
|---|---|---|
| Balance at 1 July | 534,547 | – |
| Share-based payment expense for the year | 749,496 | 534,547 |
| Balance at 30 June | 1,284,043 | 534,547 |

# Notes to the Consolidated Financial Statements continued

## Deferred equity to be Issued Reserve (Within Other Reserves)

The reserve is used for shares for which consideration has been received at the balance sheet date where share capital has not yet been issued and deferred consideration shares for acquisitions. Movements in the share capital to be issued reserve during the current and previous financial year are set out below:

| | 2022 $ | 2021 $ |
|---|---|---|
| Balance at 1 July | – | – |
| Deferred shares in respect of Kitzuma acquisition (Note 28) | 2,890,139 | – |
| Cash share capital received but not issued during the year | 299,920 | – |
| Balance at 30 June | 3,190,059 | – |

Shares for the above cash received were issued in July 2022 (see Note 38) as part of the completion of the Group's capital raise.

## Note 26. Statement of Cashflows

Reconciliation of (loss)/profit from ordinary activities after tax to net cash provided by (used in) operating activities

| | 2022 $ | 2021 $ |
|---|---|---|
| (Loss)/Profit for the year after income tax | (14,320,203) | (11,122,029) |
| Non-cash items: | | |
| • depreciation | 99,292 | 89,188 |
| • amortisation | 326,487 | – |
| • fair value loss on step acquisition | 926,582 | – |
| • interest expense | 24,188 | 97,392 |
| • interest received | – | (46,126) |
| • Profit/(Loss) on Disposal of Asset | (11,455) | 1,670 |
| • share-based payments | 749,496 | 534,547 |
| • non-cash IPO transaction costs | – | 2,807,245 |
| • share of JV losses and other non-cash items | 173,478 | 163,955 |
| Changes in assets and liabilities: | | |
| • (increase)/decrease in trade and other receivables | (662,661) | (234,759) |
| • (increase)/decrease in inventories | (359,186) | – |
| • (increase)/decrease in prepayments | (181,132) | (135,476) |
| • increase/(decrease) in trade and other payables | 1,029,645 | 1,104,723 |
| • increase/(decrease) in provisions | (31,055) | 186,740 |
| Net cashflows provided by (used in) operating activities | (12,236,524) | (6,552,930) |

# Note 26. Statement of Cashflows (continued)

## Changes in Liabilities Arising From Financing Activities

| | Other Financial Liabilities $ | Loans from related parties $ | Lease Liabilities $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2020 | 753,286 | 4,806,936 | 226,768 | 5,786,990 |
| Net cash from/(used in) financing activities | 2,100,000 | 50,000 | – | 2,150,000 |
| Issue of Shares on Conversion | – | (4,808,584) | – | (4,808,584) |
| Repayment of Loans | (678,940) | (98,862) | (79,804) | (857,606) |
| Financial liabilities eliminated on acquisition of subsidiaries | (2,100,000) | – | – | (2,100,000) |
| Finance Costs | (24,322) | 49,988 | 3,692 | 29,358 |
| Termination of leases | – | – | – | – |
| Acquisition of leases | – | – | – | – |
| Foreign Currency Exchange Movements | (50,024) | 522 | (22,879) | (72,381) |
| Balance at 30 June 2021 | – | – | 127,777 | 127,777 |
| Net cash from/(used in) financing activities | – | – | – | – |
| Repayment of Loans | (128,853) | (60,078) | (382,878) | (571,809) |
| Financial liabilities acquired on acquisition of subsidiaries | – | 135,816 | – | 135,816 |
| Finance Costs | 3,630 | – | 29,525 | 33,155 |
| Termination of leases | – | – | (406,803) | (406,803) |
| Acquisition of leases/liabilities | 250,438 | – | 3,030,719 | 3,281,157 |
| Foreign Currency Exchange Movements | – | 763 | 72,312 | 73,075 |
| Balance at 30 June 2022 | 125,215 | 76,501 | 2,470,652 | 2,672,368 |

Notes to the Consolidated Financial Statements continued

# Note 27. Reverse Acquisition Accounting

On 3 February 2021, BikeExchange Limited (formerly RPro Holdings Limited), the legal parent and legal acquirer, completed the acquisition of BikeExchange Holdings Pty Ltd (previously Move Drive Pty Ltd) and its controlled entities (BEHPL Group).

The acquisition did not meet the definition of a business combination in accordance with AASB 3 *Business Combinations* as prior to the acquisition BikeExchange Ltd was an investment holding company and did not meet the definition of a business. However, the Group has elected to apply the principles of reverse acquisition accounting in AASB 3 *Business Combinations* given the substance of the transaction is that the BEHPL Group contained all the significant trading activity of the combined Group and BikeExchange Ltd was a was an investment company used to facilitate listing on the ASX. Accordingly, the consolidated financial statements have been prepared as if BEHPL Group has acquired BikeExchange Limited, not vice versa as represented by the legal position.

The impact of the reverse acquisition accounting on each of the consolidated primary statements is as follows:

## Statement of Profit or Loss and Other Comprehensive Income

- The 30 June 2021 statement of profit or loss and other comprehensive income comprise 12 months of BEHPL Group and 147 days of BikeExchange Ltd (from 5 February 2021).

### Statement of Changes in Equity

- The 30 June 2021 statement of changes in equity comprises BEHPL Group's equity balance at 1 July 2020, its loss for the period and transactions with equity holders for the 12 months. It also comprises BikeExchange Limited's transactions with equity holders in the past 147 days from the acquisition date and the equity balances of BikeExchange Limited and BEHPL Group as at 30 June 2021.

### Statement of Cash Flows

- The 30 June 2021 statement of cash flows comprise 12 months of BEHPL Group and 147 days of BikeExchange Limited.

### Fair Value of Consideration

The accounting acquisition is measured at the fair value of the equity instruments that would have been given by BEHPL to BikeExchange Limited to give the owners of BikeExchange Limited the same percentage holding in the new Group at the date of the transaction.

BikeExchange Limited is the legal acquirer of BEHPL Group in this transaction and the actual consideration for the acquisition was the issue by BikeExchange Limited of 193,692,297 fully paid ordinary shares to the shareholders of the BEHPL Group.

In accordance with reverse asset acquisition accounting principles the accounting consideration is deemed to have been given by BEHPL Group in the form of equity instruments issued to BikeExchange Limited shareholders (equal to the number of shares held by the pre-acquisition shareholders of BikeExchange Ltd). The acquisition date fair value of this consideration has been determined with reference to the IPO share price of $0.26 (being the fair value of the issued shares) multiplied by the number of shares in BikeExchange Limited immediately prior to the acquisition of 22,380,534 being $5,818,539.

# Note 27. Reverse Acquisition Accounting (continued)

## Fair Value of Assets Acquired

As BikeExchange Limited is deemed to be the acquiree for accounting purposes, the carrying values of its assets and liabilities are required to be recorded at fair value for the purposes of the acquisition. No adjustments were required to the historical values to effect this change.

| | $ |
|---|---|
| **Consideration** | |
| 22,380,534 vendor shares in BikeExchange Limited | 5,818,539 |
| **Fair Value of BikeExchange Limited at acquisition:** | |
| Cash | 594,974 |
| Loan receivable from BikeExchange Pte Limited | 2,150,630 |
| Other current assets | 917,149 |
| Trade and other payables | (651,059) |
| Fair Value of Net Assets Acquired | 3,011,694 |
| Excess of consideration provided over the fair value of net assets | 2,806,845 |

As the activities of BikeExchange Limited would not constitute a business based on the requirements of AASB 3, the transaction has been accounted for as a share-based payment under AASB 2. The excess of the deemed consideration over the fair value of BikeExchange Limited, as calculated in accordance with the reverse acquisition accounting principles and with AASB 2, is considered to be a payment for services received (including IPO related and transaction costs paid prior to the acquisition date) and has been expensed. This amount is included within the IPO and related costs in FY21 as set out in Note 6.

# Note 28 . Business Combinations

## a) Kitzuma Corp

On 22 December 2021, BikeExchange Limited, completed the acquisition of Kitzuma Corp (Kitzuma). Kitzuma is a bicycle logistics business based in North Carolina, USA providing a specialist bike delivery service from retailers to consumers across the USA. The acquisition will enable the Group to provide e-Commerce sales and delivery to retailers and brands in North America.

The Group acquired a 100% effective interest in Kitzuma Corp for USD $3.375 million, comprising 19,931,993 new BikeExchange Limited shares to be issued (at a price of 14.5 cents per share) and $1,566,676 paid in cash. The Group controls Kitzuma Corp as it has the sole rights to appoint directors and direct the operations of the business post acquisition. Funding provided to Kitzuma ahead of completion of the transaction is also included as purchase price consideration. The BikeExchange shares are treated as deferred consideration with 19,931,993 BikeExchange Limited shares to be issued. The vendors of Kitzuma can receive up to 50% of the BikeExchange Limited deferred shares 12 months after completion, with the remaining 50% to be received no earlier than 24 months after completion (with BikeExchange having the option to require the vendors to receive the deferred shares 5 years after the completion date).

# Notes to the Consolidated Financial Statements continued

The provisional fair values of the assets acquired are set out below:

| | $ |
|---|---|
| **Consideration** | |
| Cash | 1,566,676 |
| Shares | 2,890,139 |
| Pre-acquisition related party loans acquired | 253,833 |
| **Total Consideration** | **4,710,648** |
| **Assets Acquired** | |
| Property, Plant and Equipment | 10,550 |
| Trade and Other Receivables | 68,874 |
| Trade and Other Payables | (258,931) |
| **Net identifiable assets acquired** | **(179,507)** |
| Excess of consideration provided over the fair value of net assets | 4,890,155 |
| **Net Assets Acquired** | **4,710,648** |

The share consideration reflects the deferred consideration of 19,931,993 BikeExchange Limited shares to be issued at a price of 14.5 cents per share on the date of acquisition (22 December 2021).

The equity deferred consideration has been recognised within other reserves and will be transferred to share capital on the issuance of the shares to the vendors.

The financial liabilities acquired represent funding provided by BikeExchange to Kitzuma for working capital ahead of the completion of the acquisition.

The goodwill is attributable to Kitzuma's workforce and synergy benefits expected to be created by this acquisition. The fair value of the net assets acquired are provisional and an assessment to value the acquired intangible assets separately from goodwill will be completed within the 12 months from the acquisition date.

Goodwill is not expected to be deductible for tax purposes.

## b) BikeExchange Colombia

On 2 March 2022, BikeExchange Limited, completed the acquisition of the remaining 50% of BikeExchange Colombia S.A.S. that the Group did not own, and 100% of BICICO S.A.S., both businesses in Colombia.

Pursuant to AASB3, the transaction is treated as a step-acquisition which occurs when the buyer in a business combination has a previously held equity interest in a target and acquires an additional interest in the target that results in the buyer obtaining control. In a step acquisition scenario, the acquirer is required to revalue its existing stake to 'fair value' and recognise a gain/(loss) for the difference to the previously held equity interest.

| | $ |
|---|---|
| **Consideration** | |
| Cash | 200,000 |
| Shares | 430,573 |
| **Purchase Consideration** | **630,573** |
| Fair value of pre-existing 50% stake | 304,099 |
| **Total Consideration** | **934,672** |

# Note 28. Business Combinations (continued)

The share consideration reflects the issuance of 6,624,204 BikeExchange Limited shares at a price of 6.5 cents per share on the date of acquisition (2 March 2022).

In accordance with the accounting policy above, the Group has re-measured its previously held equity interest in BikeExchange Colombia S.A.S (BECOL). at the acquisition date fair value immediately prior to the business combination. The Group has recognised a net loss on the step acquisition of A$926,581, being the difference between the acquisition-date fair value of its existing 50% ownership in BECOL., the carrying value of its investment in BECOL as a joint venture and the impact of fair valuing financial assets held by the BikeExchange Group where BECOL was the counterparty to nil at acquisition. This loss has been recognised as 'net loss on step acquisition of joint venture' in the consolidated income statement.

| | $ |
|---|---|
| **Consideration** | |
| Fair value of previously held interest | 304,099 |
| Less: carrying value of BECOL joint venture equity investment | (596,161) |
| Less: financial assets written down to nil on acquisition | (634,520) |
| **Net loss on step acquisition** | **(926,582)** |

| | $ |
|---|---|
| **Assets Acquired** | |
| Property, Plant and Equipment | 65,912 |
| Cash | 9,220 |
| Trade and Other Receivables | 574,780 |
| Inventory | 531,704 |
| Trade and Other Payables | (619,483) |
| Financial Liabilities – Current | (135,816) |
| Provisions – current | (14,232) |
| **Net identifiable assets acquired** | **412,085** |
| Excess of consideration provided over the fair value of net assets | 522,586 |
| **Net Assets Acquired** | **934,671** |

The goodwill is attributable to BikeExchange Colombia's workforce and synergy benefits expected to be created by this acquisition. The fair value of the net assets acquired are provisional and an assessment to value the acquired intangible assets separately from goodwill will be completed within the 12 months from the acquisition date.

Goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs for these acquisitions amounting to $389,000 have been excluded from the total consideration and have been recognised as an expense in the period ended 30 June 2022, within the 'other operating expenses' line item in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements continued

## Note 29. Share-based Payments

The Group has an Employee Incentive Plan that issues share options to incentivise employees and key management personnel.

In accordance with the terms of the plan, as approved by shareholders at an EGM on 9 January 2021, employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The share-based payment expense for the year was $749,496 (2021: $534,457). During the financial year 7,850,000 options were granted (2021: 16,833,333).

The following table illustrates the number of options and weighted average exercise prices ('WAEP') of, and movements in, share options during the year:

| | Number | | WAEP ($) | |
|---|---|---|---|---|
| **Movement in share options** | **2022** | **2021** | **2022** | **2021** |
| Balance at the beginning of the year | 16,833,333 | – | 0.347 | – |
| Options granted during the year | 7,850,000 | 16,833,333 | 0.450 | 0.347 |
| Forfeited during the year | (1,616,667) | – | (0.332) | – |
| Exercised during the year | – | – | – | – |
| Expired during the year | – | – | – | – |
| Balance at the end of the year | 23,066,666 | 16,833,333 | 0.383 | 0.347 |

There are 8,100,000 options vested and exercisable at 30 June 2022 (2021: Nil). The weighted average remaining contractual life of options outstanding at the end of the financial year was 5.6 years (2020: 6.6 years).

The range of exercise prices for options outstanding at the end of the year was $0.26 to $0.45 (2021: $0.26 to $0.45). The weighted average share price during the year was $0.058 (FY21: period from 9 February 2021 (listing date) to 30 June 2021: $0.243)

The aggregate of the estimated fair values of the options granted during the year is $1,858,067. The inputs into the fair value model are as follows:

| Key Valuation Assumptions | 2022 | 2021 |
|---|---|---|
| Dividend yield (%) | 0.50% | 0.50% |
| Expected Volatility (%)* | 80% | 55% |
| Risk free interest rate (%) | 1.81% | 0.28% |
| Expected Life of share options (years) | 5 | 6 |
| Underlying Share Price | $0.08 | $0.26 |
| Model Used | Black Scholes | Black Scholes |

* The expected volatility was determined based on the historic volatility of a basket of similar companies.

# Note 30. Commitments

## Capital Commitments

The Group had no contractual capital commitments at any balance sheet date.

| | 2022 $ | 2021 $ |
|---|---|---|
| **Other commitments – minimum lease payments** | | |
| Minimum lease payments due not later than one year | 736,053 | 85,615 |
| Minimum lease payments due later than one year but not later than five years | 1,998,119 | 42,162 |
| Total minimum lease commitments | 2,734,172 | 127,777 |

# Note 31. Related Party Disclosures

The Group's related parties are as follows:

## a) Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel. The Group defines this as all directors as well as the Group CEO and Group CFO.

## b) Other Related Parties'

Other related parties include close family members of key management personnel, and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

### Parent Entity

BikeExchange Ltd is the parent entity and ultimate parent entity.

### Subsidiaries and Joint Ventures

Disclosures relating to key management personnel are set out in Note 32 and the remuneration report included in the Directors' Report.

### Transactions with Related Parties

Marketplacer Pty Ltd is a related party of the group. Marketplacer and the Group have some common directors, being Gregg Taylor and Andrew Ryan. In addition, Jason Wyatt (spouse of Jade Wyatt) is the Executive Chairman of Marketplacer and Sam Salter and Jason Wyatt were the co-founders of Marketplacer.

During the year, group entities entered into transactions with related parties who are not members of the group that were recorded in other operating expenses:

| | 2022 $ | 2021 $ |
|---|---|---|
| Marketplacer Pty Ltd | 845,625 | 744,322 |

The above transactions relate to Licencing and IT fees charged by Marketplacer Pty Ltd for the use of the Marketplacer platform in accordance with the Licencing Agreement between Marketplacer Pty Ltd and the group. Other transactions with Marketplacer Pty Ltd throughout the reporting period include the recharge of professional fees and rent at cost to BikeExchange Pty Ltd which were incurred on the Groups behalf by Marketplacer Pty Ltd which are not included in the above amounts. All transactions were charged on an arms length basis between Marketplacer Pty Ltd and the Group.

Loans from related parties are set out in Note 21.

# Notes to the Consolidated Financial Statements continued

## Note 32. Key Management Personnel Disclosures

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Short-term benefits | 1,245,743 | 880,923 |
| Post-employment benefits | 106,079 | 72,221 |
| Other long-term benefits | (5,313) | 4,468 |
| Termination Benefits | 175,000 | – |
| Share-based payments | 599,436 | 443,628 |
| | 2,120,945 | 1,401,240 |

## Note 33. Contingent Liabilities

A complaint has been filed in the United States General Court of Justice (North Carolina – Superior Court Division) against the Group's subsidiary Kitzuma Corp.

The complaint has been filed on behalf of Tribike Transport LLC and alleges the use of the plaintiff's confidential and proprietary information by certain founders of the Kitzuma business in the operation of Kitzuma Corp. The plaintiff is seeking unspecified monetary damages and the prevention of alleged further infringement by the Company through a preliminary and permanent injunction.

The Group believes the allegations are without merit and will vigorously defend against the complaint. The Group has engaged US counsel and is seeking advice on the defence of the claims. The business remains unaffected while the legal proceedings are in progress.

Notwithstanding that the Group has incurred operating losses in every jurisdiction in which it operates, for the respective periods 30 June 2018, 2019, 2020, & 2021 as at the date of these financial statements, certain required tax filings have not been lodged with the respective taxation authorities.

As a result of the incomplete tax filings, there may be a potential for the respective taxation authorities to levy penalties and interest upon the BikeExchange group of companies for failing to lodge the tax filings within the prescribed period (notwithstanding the fact that the group has incurred operating losses).

Should such penalties and interest be levied, the directors intend to seek remission of the penalties and interest. The directors consider this matter to meet the definition of a contingent liability, and is estimated to be in the range of $0.2m to $0.3m in respect of the US business and is not considered material in respect of other jurisdictions the Group operates in.

Aside from the items referred to above the Group has no other material contingent liabilities.

# Note 34. Financial Risk Management

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Group's senior management oversees the management of these risks and considers the financial risks and the appropriate financial risk governance framework for the Group. The Group's senior management reviews the Group's activities regularly to ensure that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

| Financial assets | 2022 $ | 2021 $ |
|---|---|---|
| Cash and cash equivalents | 4,888,822 | 15,924,713 |
| Other Financial assets | 46,804 | 281,983 |
| Interest bearing financial receivables at amortised cost: | | |
| • Finance lease receivables | 43,706 | 159,798 |
| Financial assets at amortised cost: | | |
| • trade and other receivables | 1,381,789 | 525,351 |
| Total financial assets | 6,361,121 | 16,891,845 |

| Financial liabilities | 2022 $ | 2021 Restated $ |
|---|---|---|
| Financial liabilities at amortised cost: | | |
| • trade and other payables | 1,764,065 | 1,106,317 |
| Interest bearing financial liabilities at amortised cost: | | |
| • lease liabilities | 2,470,652 | 127,777 |
| • Insurance premium funding | 125,215 | – |
| • loans from related parties | 76,501 | – |
| Total financial liabilities | 4,436,433 | 1,234,094 |

# Notes to the Consolidated Financial Statements continued

## a) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 14 to 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Group's senior management has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

### Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Details with respect to credit risk of trade and other receivables are provided in Note 12.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality as set out in Note 12.

Credit risk related to balances with banks and other financial institutions is managed by the CFO in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least BBB. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Cash and cash equivalents: | | |
| • AA rated | 4,017,195 | 14,966,825 |
| • A rated | 337,968 | 512,734 |
| • BBB rated | 10,039 | 75,995 |
| • not rated | 523,620 | 369,159 |
| | 4,888,822 | 15,924,713 |

Financial institutions that are not rated predominantly comprises of Fidor Bank AG (in Germany) and other payment processing providers who the Group uses to process receipts from consumers and payments to retailers for e-commerce transactions. The amounts held in these financial accounts are held for a short period of time until the cash is transferred either to suppliers for payments or to the Group's AA, A or BBB rated bank accounts.

# Note 34. Financial Risk Management (continued)

## b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liability. The Group does not hold any derivative financial liabilities directly.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timings of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

### Financial liability and Financial Asset Maturity Analysis

| | Maturing in | | | |
|---|---|---|---|---|
| | 1 year or less | | Over 1 to 5 years | |
| **Financial Instruments** | **2022 $** | **2021 Restated $** | **2022 $** | **2021 $** |
| **Financial Assets** | | | | |
| Cash and cash equivalents | 4,888,822 | 15,924,713 | – | – |
| Receivables | 1,381,789 | 525,351 | – | – |
| Lease Receivables | 43,706 | 119,267 | – | 40,531 |
| Other Financial Assets | 46,804 | 281,983 | – | – |
| Total anticipated inflows | 6,361,121 | 16,851,314 | – | 40,531 |
| **Financial Liabilities** | | | | |
| Payables | 1,764,065 | 1,106,317 | – | – |
| Lease liabilities | 615,273 | 85,615 | 1,855,379 | 42,162 |
| Interest bearing borrowings | 201,716 | – | – | – |
| Total expected outflows | 2,581,054 | 1,191,932 | 1,855,379 | 42,162 |
| Net inflows/(outflows) on financial instruments | 3,780,067 | 15,659,382 | (1,855,379) | (1,631) |

# Notes to the Consolidated Financial Statements continued

## c) Market Risk

### (i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that expose the Group to interest rate risk are limited to borrowings, listed shares, and cash and cash equivalents.

*Sensitivity Analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

| | Increase in rates | | Decrease in rates | |
|---|---|---|---|---|
| **Year ended 30 June 2022** | **Profit** | **Equity** | **Profit** | **Equity** |
| 1% change in interest rates | (2,131) | (2,131) | 2,131 | 2,131 |
| **Year ended 30 June 2021** | **Profit** | **Equity** | **Profit** | **Equity** |
| 1% change in interest rates | (27,801) | (27,801) | 27,801 | 27,801 |

## Fair Value

### Fair Value Estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (i.e. trade receivables, loan liabilities), are to be held until maturity.

# Note 34. Financial Risk Management (continued)

| Financial Instruments | 2022 Carrying Amount $ | 2022 Fair Value $ | 2021 Carrying Amount $ | 2021 Fair Value $ |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | 4,888,822 | 4,888,822 | 15,924,713 | 15,924,713 |
| Receivables | 1,023,088 | 1,023,088 | 369,756 | 369,756 |
| Lease Receivables | 43,706 | 43,706 | 159,798 | 159,798 |
| Other Financial Assets | 46,804 | 46,804 | 281,983 | 281,983 |
| Total assets | 6,002,420 | 6,002,420 | 16,736,250 | 16,736,250 |
| **Financial Liabilities** | | | | |
| Payables | 1,764,065 | 1,764,065 | 1,106,317 | 1,106,317 |
| Interest bearing borrowings | 201,716 | 201,716 | – | – |
| Lease liabilities | 2,470,652 | 2,470,652 | 127,777 | 127,777 |
| Total liabilities | 4,436,433 | 4,436,433 | 1,234,094 | 1,234,094 |

The fair values disclosed in the above table for cash and cash equivalents, trade and other receivables, and trade and other payables which are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave, which is outside the scope of AASB 9.

# Note 35. Auditor's Remuneration

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Group and company:

| | 2022 $ | 2021 $ |
|---|---|---|
| **Audit Services** | | |
| Audit or Review of the Financial Statements | 172,200 | 220,000 |
| Audit of the Aggregated Historical Financial statements related to the IPO | – | 210,000 |
| | 172,200 | 430,000 |
| **Other Assurance Services** | | |
| Review of accounts relating to acquisition of subsidiaries | 15,000 | – |
| Investigating Accountants Report related to the IPO | – | 190,000 |
| | 15,000 | 190,000 |
| **Other Services** | | |
| Tax Due Diligence related to the IPO/acquisitions | 15,809 | 200,000 |
| Other Tax Compliance Services | – | 90,000 |
| | 15,809 | 290,000 |
| Total | 203,009 | 910,000 |

# Notes to the Consolidated Financial Statements continued

## Note 36. Interests in Subsidiaries

The legal parent of the Group at 30 June 2022 is BikeExchange Ltd (a public company registered in Australia). As set out in Note 27 these financial statements are prepared based on reverse acquisition accounting in FY21 for the Company's acquisition of BikeExchange Holdings Pty Ltd and BikeExchange Pte Ltd in the year which are considered the accounting acquirers.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the Group's accounting policy which are in accordance with the International Financial Reporting Standards:

| | | Ownership Interest | |
|---|---|---|---|
| **Name** | **Country of Incorporation** | **2022 %** | **2021 %** |
| BikeExchange Holdings Pty Ltd | Australia | 100 | 100 |
| BikeExchange Australia Pty Ltd | Australia | 100 | 100 |
| BikeExchange Pte Ltd | Singapore | 100 | 100 |
| BikeExchange Inc | USA | 100 | 100 |
| BikeExchange DE Vertriebs GmbH | Germany | 100 | 100 |
| BikeExchange Ltd | Ireland | – | 100 |
| Kitzuma Corp | USA | 100 | – |
| BikeExchange Colombia S.A.S. | Colombia | 100 | 50 |
| BICICO S.A.S | Colombia | 100 | – |

BikeExchange Ltd (Ireland) was liquidated in FY22. BikeExchange Colombia S.A.S. was 50% owned and equity accounted as a joint venture until 2 March 2022 when the Group acquired the remaining 50% of the shares as set out in Note 28. See Note 28 for acquisition of Kitzuma Corp.

# Note 37. Parent Entity Information

Set out below is the supplementary information about the legal parent entity, BikeExchange Ltd. This information reflects the standalone company and is not prepared using the reverse acquisition accounting principles in FY21. Therefore the comparative statement of financial position and net profit/loss presented prior to 5 February 2021 is not reflected in the consolidated financial statements.

## Statement of Profit and Loss and Other Comprehensive Income

| | Parent | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Loss after income tax | (64,774,201) | (2,488,967) |
| **Total Comprehensive income** | **(64,774,201)** | **(2,488,967)** |

## Statement of Financial Position

| | Parent | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Total current assets | 4,054,535 | 20,571,067 |
| Total assets | 12,503,615 | 70,931,064 |
| Total current liabilities | (1,311,231) | (940,625) |
| Total liabilities | (1,311,231) | (940,625) |
| **Equity** | | |
| Issued capital | 77,518,565 | 72,231,916 |
| Share-based payments reserve | 1,284,043 | 594,547 |
| Accumulated losses | (67,610,224) | 2,836,023 |
| **Total equity** | **11,192,384** | **69,990,440** |

## Other Parent Company Information

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

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

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

## Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- 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.

Notes to the Consolidated Financial Statements continued

## Note 38. Events Occurring After the Statement of Financial Position Date

Aside from the matters below there have been no events after the end of the financial year that would materially affect the financial statements.

The Company issued 90,250,000 shares in July 2022 to raise $1,805,000 (net of issue costs).

# Directors' Declaration

The directors declare that:

a) 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;

b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity, and

d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the directors

**Gregg Taylor**
Director

Melbourne
31 August 2022

# Independent Auditor's Report

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## Independent Auditor's Report to the Members of BikeExchange Limited

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of BikeExchange Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- 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.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $14,320,203 and negative cash flows from operations totaling $12,236,524 for the year ended 30 June 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Evaluating management's assessment of the Group's ability to continue as a going concern;
- Challenging the underlying assumptions reflected in management's cashflow forecast;
- Assessing the historical accuracy of the cashflow forecasts;
- Inquiring with management and the board as to knowledge of events and conditions that may impact the Group's ability to pay debts as and when they fall due; and
- Assessing the appropriateness of the disclosures in Note 2 to the financial statements.

Deloitte.

*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 for 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| Carrying value of Goodwill arising from the acquisiton of Kitzuma Corp<br><br>Following the acquisiton of Kitzuma Corp on 22 December 2021, the Group has recognised goodwill in respect of this acquisition of $4.9 million as disclosed in Note 28.<br><br>Management conducts an impairment test annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of goodwill. This is performed through a 'fair value less costs to sell' valuation methodology. In determining the fair value less costs to sell, management is required to exercise judgement to determine the future cash flow projections, which include:<br>• Forecast cash flows from operations<br>• Growth rates attributed to future cash flows;<br>• Discount rate used to present value the future cash flows.<br><br>Given the judgements and assumptions applied we consider this to be a key audit matter. | Our procedures included, but were not limited to:<br><br>• Evaluating the appropriateness of management's identification of the Group's CGU's to which goodwill is allocated;<br>• Evaluating the 'fair value less costs to sell' discounted cash flow model developed by management to assess the recoverable amount of the goodwill including challenging management with respect to the following key assumptions:<br>- forecast cash flows;<br>- growth rates attributed to future cash flows;<br>- discount rate used to present value the future cash flows.<br>• In conjunction with our internal valuation specialists:<br>- assessing the reasonableness of key valuation model inputs including discount rates;<br>- testing the mathematical accuracy of the model; and<br>- assessing the reasonableness of the implied revenue multiple against comparable businesses.<br>• Performing a range of sensitivity analyses on a number of key assumptions including changes to forecast cash flows, growth rates and discount rates.<br><br>We also assessed the adequacy of the disclosure in Note 16 to the financial statements. |
| Accounting for the step-acquisition of BE Columbia S.A.S and acquisition of BICICO S.A.S (provisionally accounted at 30 June 2022)<br><br>On 2 March 2022, the Group completed the acquisition of the remaining 50% of BikeExchange Columbia S.A.S (step-acquisition). Concurrently, as part of the same transaction, the Group acquired 100% of BICICO S.A.S. Both businesses operate in Columbia.<br><br>Accounting for the step-acquisition of BE Colombia S.A.S required management judgement in relation to determining the allocation methodology to ascribe the transaction price to each business for the purposes of the step acquisition accounting.<br><br>Given the judgements and assumptions applied we consider this to be a key audit matter. | Our procedures included, but were not limited to:<br><br>• Evaluating management's assessment of the transaction in accordance with the relevant accounting standards;<br>• Assessing management's allocation of the transaction price in relation to the acquisition; and<br>• Assessing management's determination of the fair value gain/loss arising from the step-acqusition.<br><br>We also assessed the adequacy of the disclosure in Note 28 to the financial statements. |

# Independent Auditor's Report continued

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 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 Group's ability 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 have 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's 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, actions taken to eliminate threats or safeguards applied.

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 on pages 22 to 37 of the Director's Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of BikeExchange Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants
Melbourne, 31 August 2022

# Shareholder Information

The shareholder information set out below was applicable as at 24 August 2022.

## Distribution of equitable securities

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

| | Holders of ordinary shares | | Holders of options over ordinary shares | |
|---|---|---|---|---|
| **Holding Ranges** | **Number** | **%** | **Number** | **%** |
| 1 to 1,000 | 21 | 0.00% | – | – |
| above 1,000 up to and including 5,000 | 318 | 0.16% | – | – |
| above 5,000 up to and including 10,000 | 129 | 0.16% | – | – |
| above 10,000 up to and including 100,000 | 459 | 2.60% | 5 | 1.59% |
| above 100,000 | 217 | 97.08% | 14 | 98.41% |
| **Totals** | **1,144** | **100.00%** | **19** | **100.00%** |
| Holders with less than a marketable parcel | 657 | 0.82% | | |

## 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 | |
|---|---|---|
| **Holder Name** | **Number Held** | **% Shares Held** |
| BOND STREET CUSTODIANS LIMITED <SALTER – D79836 A/C> | 60,000,000 | 9.46% |
| EMERSON RYAN PTY LTD | 50,447,670 | 7.96% |
| GTR VENTURES PTY LTD <GTR VENTURES NO 1 A/C> | 48,052,357 | 7.58% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 33,699,073 | 5.32% |
| SALTSAM PTY LTD <SALTER FAMILY A/C> | 30,128,971 | 4.75% |
| SURFWAX PTY LTD <JASON WYATT FAMILY A/C> | 25,128,971 | 3.96% |
| R&L WARD HOLDINGS PTY LTD <R&L WARD HOLDINGS S/F A/C> | 20,000,000 | 3.15% |
| 10X CAPITAL MANAGEMENT LIMITED | 15,000,000 | 2.37% |
| METECH SUPER PTY LTD <METECH NO2 SUPER A/C> | 15,000,000 | 2.37% |
| DEASIL MANAGEMENT PTY LTD <WEINMAN SUPER FUND A/C> | 15,000,000 | 2.37% |
| WSG HOLDINGS PTY LTD <GSJ UNIT A/C> | 14,878,845 | 2.35% |
| BNP PARIBAS NOMINEES PTY LTD BARCLAYS <DRP A/C> | 14,100,000 | 2.22% |
| IDEUM SAS | 13,624,204 | 2.15% |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 12,574,786 | 1.98% |
| CITICORP NOMINEES PTY LIMITED | 12,378,443 | 1.95% |
| SMARTEQUITY EIS PTY LTD <BIKEEXCHANGE EXECUTIVE A/C> | 9,224,655 | 1.45% |
| BOMBORA INVESTMENT MANAGEMENT PTY LTD <BOMBORA SPEC INV GROWTH A/C> | 8,250,000 | 1.30% |
| HIGH TIDE SUPER FUND PTY LTD <HIGH TIDE SUPER FUND A/C> | 7,934,951 | 1.25% |
| BOMBORA INVESTMENT MANAGEMENT PTY LIMITED <SPECIAL INV GROWTH FUND> | 7,376,639 | 1.16% |
| HEAGRA PTY LIMITED <GS & HR CAMPBELL SF A/C> | 6,000,000 | 0.95% |
| Totals | 418,799,565 | 66.05% |
| **Total issued capital** | **634,029,135** | **100.00%** |

### Unquoted equity securities

| Unquoted equity securities | Holders | Issued number |
|---|---|---|
| Options over ordinary shares issued | 20 | 18,770,513 |
| Ordinary shares held in escrow | 15 | 135,853,292 |

### Substantial holders

Substantial holders in the company are set out below

| | Ordinary shares | |
|---|---|---|
| **Holder Name** | **Number Held** | **% Shares Held** |
| BOND STREET CUSTODIANS LIMITED <SALTER – D79836 A/C> | 60,000,000 | 9.46% |
| EMERSON RYAN PTY LTD | 50,447,670 | 7.96% |
| GTR VENTURES PTY LTD <GTR VENTURES NO 1 A/C> | 48,052,357 | 7.58% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 33,699,073 | 5.32% |

## Voting rights

The voting rights attached to ordinary shares set out to below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon poll each share shall have one vote.

There are no other classes of equity securities.

### Restricted securities

| Class | Expiry date | Shares |
|---|---|---|
| Ordinary shares – Compulsory Escrow 12 months | Feb-22 | 3,312,102 |
| Ordinary shares – Compulsory Escrow 24 months | Feb-23 | 129,208,783 |
| Ordinary shares – Voluntary Escrow 12 months | Feb-22 | 3,312,102 |
| Ordinary shares – Voluntary Escrow 24 months | Feb-23 | 20,305 |

## Buy-Back

### Share buy-back

The Company does not have a current on-market buy-back.

## Use of cash

Since the date of listing on the ASX to the end of the reporting period BikeExchange used its cash on hand assets readily convertible into cash in a way consistent with its business objectives.

# Corporate Directory

## Company's registered office

**BikeExchange Limited**
Level 5, 126 Phillip Street
Sydney NSW 2000

## Company's principal place of business

**Central House**
101 Moray Street
South Melbourne VIC 3205

## Share Registry

**Automic Pty Ltd**
Level 5126 Phillip Street
Sydney NSW 2000

## Auditor

**Deloitte Touche Tohmatsu**
477 Collins Street
Melbourne VIC 3000

## Stock exchange listing

BikeExchange Limited shares are listed on the Australian Securities Exchange (ASX code: BEX)

## Website and Investor Relations

www.bikeexchangeroup.com.au
investorrelations@bikeexchange.com.au

**www.colliercreative.com.au** #BIK0004

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