Appendix 4D
BikeExchange Ltd
ABN 24 625305 240

Results for Announcement to the Market

Half-year ended 31 December 2022

(Previous corresponding period: Half-year ended 31 December 2021)

		31 December 2022 A$	31 December 2021 A$
Revenue from contracts with customers from continuing operations	Up 77% to	**4,357,108**	2,465,721
(Loss) / Profit for the half-year after tax	Up 81% to	**(11,813,364)**	(6,518,720)
Net (loss) / profit for the half-year attributable to members	Up 81% to	**(11,876,769)**	(6,565,467)

The Directors have not proposed the payment of an interim or final dividend in respect of the half year (2021: $Nil).

	31 December 2022	31 December 2021
Net tangible assets backing per ordinary share (cents per share)	**0.12**	1.70

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the 31 December 2022 Financial Report.

HALF-YEAR REPORT 31 DECEMBER 2022

Lodged with the ASX under Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2022 Financial Statements for BikeExchange Limited.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by BikeExchange Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 half year ended 31 December 2022.

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 half year ended 31 December 2022. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The following persons were directors of the company during the half year and up to the date of this report unless otherwise stated:

- Gregg Taylor
- Elizabeth Smith
- Sam Salter
- Dominic O'Hanlon
- Andrew Ryan
- Jade Wyatt (resigned 31 August 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 efficient, technology driven platforms to connect consumers with retailers of bicycle products and accessories through a convenient, transparent and efficient user experience. Revenues from the platforms include e-commerce commission and sale of goods revenue, and subscriptions from retailers on the platform. The Group also operates bicycle logistics services through the Kitzuma operations in North America and bicycle retail stores through its operations in Colombia.

Use of non-IFRS measures

The Directors believe the additional information on non-International Financial Reporting Standards (IFRS) 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' and 'Lookthrough Revenue'.

Directors' Report continued

Results of Operations

The Group continued to deliver on it's e-commerce growth strategy with a focus on onboarding quality sellers, driving performance via inventory management and ecommerce conversion driven by technology improvements and customer service.

Market

Both global markets and the bike industry underwent a period of significant change over the past 12 months. While H1 2022 was impacted by COVID-19 and supply shortages, H1 2023 trended towards oversupply and a normalization of consumer demand across all markets.

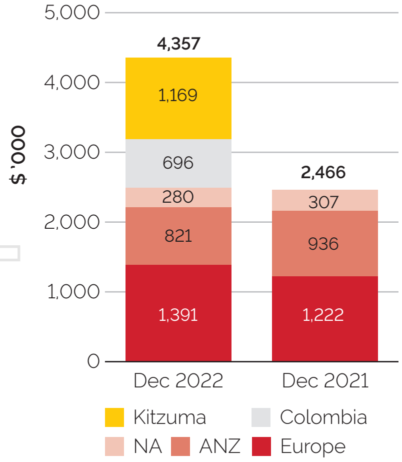
Revenue

Driven by the addition of the Kitzuma and Colombia businesses, as well as the increase in BEX eCommerce transactional growth, lookthrough TTV was up 16% to $16.1m, (from $13.8m). Overall Group Net Revenues increased by 77% to $4.4m.

Underpinned by the signing of a significant number of new brand, distributor and bike retailers, ecommerce growth was achieved through an improved return on advertising spend, conversion rates up 13% to 0.23%, Average Order Values up 12% to $722 (from $645) and Average Commission rates up to 7.7% from 7.5%, each of which are considered key health indicators for our marketplace business.

Overall, the group achieved its highest ever H1 ecommerce results and its best ever trading days during November 2022 despite a normalization in consumer demand post covid across all markets. Europe was again the most significant contributor to the group results with TTV growing 17% on PCP.

Net Revenue by Business Unit



Cost

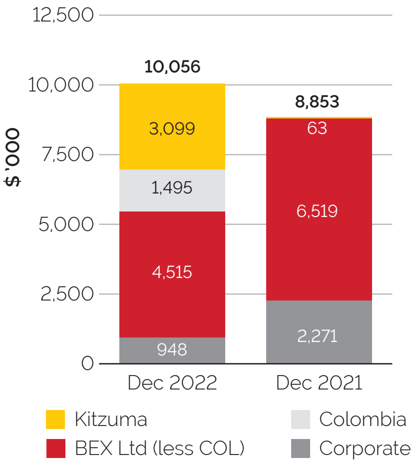
Total costs across the core BEX[1] regions Europe, Australia and North America reduced by $2m versus PCP primarily as a result of employment cost reductions ($1.8m) associated with centralization, automation and an overall focus on investing in technology and consumer experience rather than employee headcount. Additionally marketing related costs reduced by $0.2m as a result of improvements in marketing efficiency and return on advertising spend.

The Kitzuma and Colombian businesses added $4.6m in aggregated total costs.

Across the group, total employment costs reduced by $1.4m vs PCP despite the Kitzuma and Colombia acquisitions which added $948k and $312k to employment costs respectively.

Corporate costs reduced by $1.3m versus PCP as a result of savings in professional costs, executive share options and STI remuneration.

Total Cost excl. Impairment



1. BEX-BikeExchange eCommerce business units.

Directors' Report continued

Impairment Adjustment

There were two impairment adjustments included in the H1 FY23 results.

1. Kitzuma Door to Door Bike delivery Goodwill and related assets

At the time of acquisition, Kitzuma was a very high growth business with significant growth potential. Whilst the business continued to achieve strong revenue growth post acquisition, it required significant capital investment to reach the scale required to generate positive cash flows from operations.

At acquisition, the Directors believed the Company would be able to comfortably raise the necessary capital to fund this growth. However, changes in market dynamics over the past 12 months have made it much harder for BEX to raise capital. On 31st October 2022, the Directors announced that Kitzuma door deliveries would pause during the slow winter months, during which an operational and funding review of the business was completed. The review confirmed that significant ongoing investment was required in FY23 and beyond and given the Company's current capital position, the Directors made the decision to not restart bike deliveries on 27 February 2023. Boxed delivery and warehouse/3PL services will continue to operate.

This decision has led to the Directors to fully write-down the goodwill and write down the related bike delivery assets to their recoverable amount resulting in impairment losses of $5.3m being recognised and an overall EBITDA loss of $7.1m,

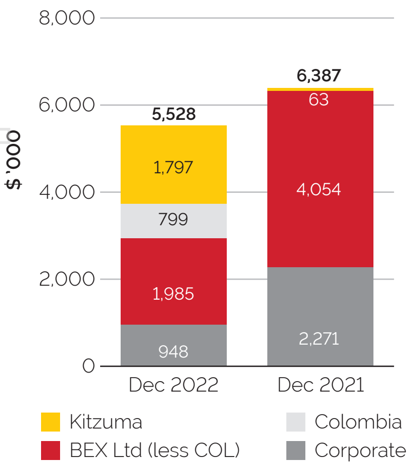
2. Colombia Business Goodwill

Colombia experienced difficult trading conditions and incurred an EBITDA loss of $1.2m for the half year which includes $0.4m of impairment losses. Whilst the focus remains on continuing to reduce operating losses in the region, the goodwill in the business has been written down to reflect current trading conditions.

EBITDA by Business Unit

The EBITDA loss by business unit is summarised below:

EBITDA loss by Business Unit Loss excl. Impairment



Normalised EBITDA

In order to provide more information to shareholders in relation to how costs are being reduced and the impact of this on future profitability, the company is reporting the Normalised EBITDA from underlying operations in addition to statutory EBITDA results.

Normalised EBITDA includes profits or losses from business operations that are planned to continue but exclude one off goodwill impairments, restructuring costs, and share options expenses.

Normalised EBITDA has improved by $1.8m versus PCP to $3.9m (versus $5.7m in PCP), after removing impairment losses of Colombia and Kitzuma as well as non-recurring employment and other costs.

$A Thousands	Dec 2022	Dec 2021	Variance $	Variance %
Group TTV	16,077	13,445	2,632	20%
Revenue	4,357	2,466	1,891	77%
Other Income	171	–	171	–
Cost of sales	(2,302)	–	(2,302)	–
Employment costs	(3,972)	(5,421)	1,449	(27%)
Marketing Costs	(873)	(900)	27	(3%)
Other Operating Costs	(2,909)	(2,532)	(377)	15%
Impairment Losses	(5,710)	–	(5,710)	–
Total Costs	(15,766)	(8,853)	(6,913)	78%
EBITDA	(11,238)	(6,387)	(4,851)	76%
Normalisation adjustments:				
Impairment Losses	5,710	–	5,710	–
Non recurring employment costs	439	–	439	–
Non recurring other costs	64	–	64	–
Kitzuma door delivery	1,086	–	1,086	–
Executive share options expense	24	709	(685)	(97%)
Total non recurring costs	7,323	709	6,614	933%
Underlying BikeExchange EBITDA	(3,915)	(5,678)	1,763	(31%)

Directors' Report continued

Financing activities

The Group successfully raised $5.8 million of capital (after costs) from professional and sophisticated investors as well as a Share Purchase Plan (SPP) to fund the ongoing operations of the business.

Other items

Depreciation and amortisation increased by $463k on pcp to $508k, reflecting the depreciation of finance leased assets relating to the addition to the Kitzuma business. Net finance costs increased by $64k on pcp to $67k reflecting the additional finance costs on leased assets.

Outlook

Q3 FY23 trading into February 2023 is showing positive trends with overall e-commerce volumes above the prior year as well as positive development of key marketplace health indicators: conversion rates, average order value and commission rates.

The business continues to focus its efforts on the pathway to profitability across all regions and lines of business globally with clear strategies to:

1. Grow the seller base of Retail Stores, Brands and Distributors by taking advantage of opportunity in the current market as a result of inventory oversupply and integrating the sellers to drive an attractive product and price mix onto BEX.
2. Execute on marketing, merchandising strategies to drive traffic online and drive on-page conversion via improved functionality and customer service teams.
3. Launch our new consumer storefront & seller integration platforms in H2 FY23 to drive BEX ecommerce performance outcomes via improved conversion metrics.

BEX is investing in technology and developing bike industry specific foundational IP assets that can help it generate scale and enterprise value. The new consumer platform upgrades the BEX technology stack to a best-in-class composable commerce architecture which not only enhances the experience for users via search, content payments, AI driven recommendations and personalization, but more importantly, provides the business with the in-house technology skills and ownership, paving the foundation for extension into new functionality, services and markets.

The reduction in the operating cost base, combined with the investment in technology is expected to significantly accelerate BikeExchange's progress towards profitability.

The Directors' have plans to raise further capital and are in active discussions with a number of wholesale investors around providing further funding to the Group. This proposed funding will be used to fund operations including working capital and investment in technology.

Events subsequent to the balance sheet date

There are no other matters or circumstances which have occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years apart from the decision not to restart Kitzuma bike deliveries.

Dividends

There were no dividends paid, recommended or declared during the half year (2021: nil). There is no dividend reinvestment plan operated by the Company.

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 on page 09.

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 dollar.

This report is signed in accordance with a resolution of the directors made pursuant to s. 306 (3) of the *Corporations Act 2001*.

Gregg Taylor
Director

Melbourne
27 February 2023

Auditor's Independence Declaration

Deloitte.

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27 February 2023

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

Dear Board Members

Auditor's Independence Declaration to the directors of 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 review of the financial statements of BikeExchange Limited and its subsidiaries for the half-year ended 31 December 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 review; and

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

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2022

	Notes	31 December 2022 $	31 December 2021 $
Revenue	3	4,357,108	2,465,721
Other income		170,723	–
Cost of sales		(2,302,080)	–
Employee benefits expense		(3,972,361)	(5,420,937)
Marketing expenses		(872,603)	(900,162)
Other operating expenses		(2,889,495)	(2,532,107)
Impairment losses	6	(5,710,276)	–
Profit/(Loss) on Disposal of Assets		(19,492)	–
(Loss)/Earnings before Interest, Tax, Depreciation and Amortisation		**(11,238,476)**	**(6,387,485)**
Depreciation and amortisation expense		(508,234)	(45,379)
Finance income		12,711	6,683
Finance costs		(79,365)	(9,437)
Share of results of equity accounted joint venture	7	–	(83,102)
(Loss) before income tax expense		**(11,813,364)**	**(6,518,720)**
Income tax expense		–	–
(Loss) for the half year		**(11,813,364)**	**(6,518,720)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translation of foreign operations		(63,405)	(46,747)
Other comprehensive income for the half year, net of tax		**(63,405)**	**(46,747)**
Total comprehensive (loss) for the period attributable to members		**(11,876,769)**	**(6,565,467)**
Earnings Per Share (cents per share):			
Basic	5	(1.7)	(2.2)
Diluted	5	(1.7)	(2.2)

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2022 and 30 June 2022

	Notes	31 December 2022 $	30 June 2022 $
ASSETS			
Current Assets			
Cash and cash equivalents		3,797,146	4,888,822
Trade and other receivables		1,489,888	1,568,439
Inventory		526,657	893,906
Prepayments		528,387	484,623
Finance lease receivables		–	43,706
Financial assets		136,698	46,804
Total Current Assets		**6,478,776**	**7,926,300**
Non-Current Assets			
Right-of-use assets	8	2,194,140	2,147,241
Property, plant and equipment		457,594	444,869
Intangible assets	9	273,322	5,821,645
Total Non-Current Assets		**2,925,056**	**8,413,755**
Total Assets		**9,403,832**	**16,340,055**
LIABILITIES			
Current Liabilities			
Trade and other payables		(4,529,164)	(5,055,067)
Deferred income		(620,380)	(975,603)
Financial liabilities		(64,719)	(201,716)
Lease liabilities		(742,231)	(615,273)
Provisions		(237,186)	(306,486)
Total Current Liabilities		**(6,193,680)**	**(7,154,145)**
Non-Current Liabilities			
Lease liabilities		(1,856,464)	(1,855,379)
Provisions		(8,246)	(14,424)
Total Non-Current Liabilities		**(1,864,710)**	**(1,869,803)**
Total Liabilities		**(8,058,390)**	**(9,023,948)**
Net Assets		**1,345,442**	**7,316,107**
Equity			
Share capital		62,144,652	56,003,195
Other reserves		(7,772,591)	(7,473,833)
Accumulated Deficiencies		(53,026,619)	(41,213,255)
Total Equity		**1,345,442**	**7,316,107**

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

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2022

	Share capital $	Other reserves $	Translation reserve $	Accumulated deficiencies $	Total equity $
Balance at 1 July 2021 as previously reported	**51,075,469**	**(10,634,725)**	**(718,018)**	**(26,893,052)**	**12,829,674**
Total comprehensive income for the half year					
Profit/(Loss) for the half year	–	–	–	(6,518,720)	(6,518,720)
Other comprehensive profit/(loss) for the half year	–	–	(46,747)	–	(46,747)
Total	**–**	**–**	**(46,747)**	**(6,518,720)**	**(6,565,467)**
Transactions with owners, recognised directly in equity					
Deferred equity to be issued	–	2,890,139	–	–	2,890,139
Share-based payments	–	709,110	–	–	709,110
Total	**–**	**3,599,249**	**–**	**–**	**3,599,249**
Balance at 31 December 2021	**51,075,469**	**(7,035,476)**	**(764,765)**	**(33,411,772)**	**9,863,456**
Balance at 1 July 2022	**56,003,195**	**(6,695,170)**	**(778,663)**	**(41,213,255)**	**7,316,107**
Profit/(Loss) for the half year	–	–	–	(11,813,364)	(11,813,364)
Other comprehensive profit/(loss) for the half year:	–	–	(63,405)	–	(63,405)
Total	**–**	**–**	**(63,405)**	**(11,813,364)**	**(11,876,769)**
Issue of share capital	6,329,632	–	–	–	6,329,632
Cost of issuing share capital	(488,095)	–	–	–	(488,095)
Deferred equity issued	299,920	(299,920)	–	–	–
Share-based payments	–	64,567	–	–	64,567
Total	**6,141,457**	**(235,353)**	**–**	**–**	**5,906,104**
Balance at 31 December 2022	**62,144,652**	**(6,930,523)**	**(842,068)**	**(53,026,619)**	**1,345,442**

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

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	Notes	31 December 2022 $	31 December 2021 $
Cash Flows from Operating Activities			
Receipts from customers		19,410,820	17,053,316
Payments to suppliers and employees		(25,145,357)	(22,257,159)
Other Revenue		174,263	–
Interest received		13,908	6,684
Interest paid		(32,783)	(2,905)
Net cash used in operating activities		**(5,579,149)**	**(5,200,064)**
Cash Flows from Investing Activities			
Payments for loans with third parties		–	(493,833)
Payments for intangible assets		(64,001)	–
Payments for property, plant and equipment assets		(43,913)	(52,643)
Proceeds from sale of property, plant and equipment		27,923	–
Payments for subsidiaries (net of cash acquired)		–	(1,566,676)
Payments for JV Funding		–	(583,452)
Payment of security deposit		(17,297)	(23,697)
Payments for investments		–	–
Net cash used in investing activities		**(97,288)**	**(2,720,301)**
Cash Flows from Financing Activities			
Proceeds from share issue		5,914,714	–
Payments for leases		(478,200)	(53,430)
Receipts from leases		48,063	39,650
Payments for other financial liabilities		(146,700)	–
Costs related to share capital issuance		(769,335)	–
Net cash (used)/provided by financing activities		**4,568,542**	**(13,780)**
Net decrease in cash held		**(1,107,895)**	**(7,934,145)**
Cash and cash equivalents at the beginning of the financial period		4,888,822	15,924,713
Effects of exchange rates changes		16,219	(22,281)
Cash and cash equivalents at the end of the financial period		**3,797,146**	**7,968,287**

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

Notes to the Financial Statements

For the period ended 31 December 2022

Note 1. General Information

(a) Statement of Compliance

BikeExchange Limited is an Australian Public Company limited by shares, incorporated and domiciled in Australia.

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2022 annual financial report for the financial year ended 30 June 2022. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and amended Accounting Standards that are effective for the current period

In the current half-year, the Group has applied the below amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) that are effective for the Group's annual reporting period that began on 1 July 2022.

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (to the extent the editorial amendments are applicable to the current reporting period).

The impact of the above pronouncements is discussed below.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments

Amends numerous Standards to effect of number of minor changes, as set out below. The amendments apply to annual reporting periods beginning on or after 1 January 2022 (apart from the amendments to AASB 16 which affect the Illustrative Examples which accompanying but are not part of the Standard and so do not have an effective date).

Annual Improvements

The annual improvements amend the following standards:

- AASB 1 *First-time Adoption of International Financial Reporting Standards* to permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS Accounting Standards
- AASB 9 *Financial Instruments* to clarify that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf
- AASB 16 *Leases* to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor
- AASB 141 *Agriculture* to remove the requirement to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique.

The application of the amendments did not have a material impact on the Group's consolidated financial statements, as the amendments either do not affect the Group's existing accounting policies, or apply to situations, transactions and events that the Group does not undertake.

Notes to the Financial Statements continued

Note 1. General Information (continued)

Amendments to AASB 3 *Business Combinations*

The amendments update AASB 3 so that it refers to the Conceptual Framework for Financial Reporting. They also add to AASB 3 a requirement that, for obligations within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies AASB 137 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of Interpretation 21 Levies, the acquirer applies Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments in the current period have not impacted the accounting for business combinations which have occurred during the half-year.

Property, Plant and Equipment — Proceeds before Intended Use

The amendments to AASB 116 *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. AASB 116 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others or for administrative purposes.

The amendments have been applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management or on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The application of the amendments have not materially impacted on the Group's accounting policies in respect of the construction of assets.

Onerous Contracts — Cost of Fulfilling a Contract

The amendments to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of the amendments did not have a material impact on the Group's consolidated financial statements.

Other amendments

In addition to the above pronouncements, the Group has also applied the amendments in AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and other amendments* that are effective for annual periods beginning on or after 1 January 2022. These amendments are minor editorial corrections and did not have any impact on the Group's consolidated financial statements.

Note 1. General Information (continued)

Going Concern

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

As of 31 December 2022, the Group had net assets of $1,345,442 and net current assets of $285,096, with no significant capital commitments that have not been provided for. Whilst the loss for the half year ended 31 December 2022 was higher than for the p.c.p, this was largely attributable to impairment writedowns. The operating loss of $6,103,088 before impairment expense was lower than the p.c.p of $6,518,720 due to revenue growth and a significant restructure in Q4 FY22. The full benefits of this structure are not expected to come into effect until Q3 FY23.

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 raising of new capital via share issue or other funding initiatives within the second half of FY23.

Should the ability of the Group to obtain funding via share 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 including 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; and
- 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 discussions with investors around providing further funding to the Group via the issue of shares. This additional funding will support the Group's liquidity in the event of lower than forecast revenues, as well as enable the Group to continue to invest in the 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 may 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.

Notes to the Financial Statements continued

Note 2. Segment 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 Limited (domiciled in Australia) and BikeExchange Pte Limited (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 California, USA. This office supports the Group's websites that offer services to customers in the USA and Canada and the Group's logistics, warehousing and shipping label 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.

Half year ended 31 December 2022	Australia and New Zealand $	Europe $	North America $	Colombia $	Unallocated $	Total $
Total Transaction Value	**2,206,017**	**9,542,646**	**3,098,203**	**1,230,356**	**–**	**16,077,222**
Revenue	**820,870**	**1,390,917**	**1,449,045**	**696,276**	**–**	**4,357,108**
EBITDA	**(1,449,369)**	**(955,745)**	**(7,609,927)**	**(1,223,435)**	**–**	**(11,238,476)**
Finance income	–	–	–	–	12,711	**12,711**
Finance costs	–	–	–	–	(79,365)	**(79,365)**
Depreciation and amortisation expense	(72,697)	(12,847)	(407,305)	(15,385)	–	**(508,234)**
Share of results of associates and joint venture	–	–	–	–	–	**–**
Income tax expense	–	–	–	–	–	**–**
Loss for the half year	**(1,522,066)**	**(968,592)**	**(8,017,232)**	**(1,238,820)**	**(66,654)**	**(11,813,364)**
Segment Assets	3,590,458	1,926,776	2,975,531	911,067	–	**9,403,832**
Segment Liabilities	(1,997,695)	(2,624,875)	(3,016,626)	(419,194)	–	**(8,058,390)**

Note 2. Segment Reporting (continued)

Half year ended 31 December 2021	**Australia and New Zealand $**	**Europe $**	**North America $**	**Colombia $**	**Unallocated $**	**Total $**
Total Transaction Value	3,577,540	8,132,754	1,734,878	388,206	–	**13,833,378**
Revenues	**936,235**	**1,222,197**	**307,289**	**–**	**–**	**2,465,721**
EBITDA	**(3,765,576)**	**(835,298)**	**(1,786,611)**	**–**	**–**	**(6,387,485)**
Finance income	–	–	–	–	6,683	**6,683**
Finance costs	–	–	–	–	(9,437)	**(9,437)**
Depreciation and amortisation expense	(31,096)	(10,496)	(3,787)	–	–	**(45,379)**
Share of results of associates and joint venture	–	–	–	(83,102)	–	**(83,102)**
Income tax expense	–	–	–	–	–	**–**
Loss for the half year	**(3,796,672)**	**(845,794)**	**(1,790,398)**	**(83,102)**	**(2,754)**	**(6,518,720)**

30 June 2022						
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)

Total Transaction Value (TTV) includes 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). Prior year 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 allocated to individual segments. Finance income, expense and financial liabilities are reported on a consolidated level and therefore not allocated to any individual segment.

Notes to the Financial Statements continued

Note 3. Revenues From Contracts with Customers

	31 December 2022 $	31 December 2021 $
Revenues from types of goods and services:		
• e-commerce commission revenue	974,528	896,394
• Owned goods revenue	773,687	3,776
• Subscriptions	1,373,500	1,419,179
• Logistics	1,169,270	146,372
• Media and other services revenue	66,123	–
Total revenue from contracts with customers	4,357,108	2,465,721

e-commerce commission revenue, owned goods, 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.

	31 December 2022 $	31 December 2021 $
Disaggregated by geographic markets		
• Australia and New Zealand	820,870	936,235
• Europe	1,390,917	1,222,197
• North America	1,449,045	307,289
• Columbia	696,276	–
Total revenue from contracts with customers	4,357,108	2,465,721

Note 4. Dividends

There were no dividends paid or declared to equity holders during or since the half year ended 31 December 2022. There were no dividends paid during the comparative period.

Note 5. Earnings Per Share

	31 December 2022 $	31 December 2021 $
Loss after income tax attributable to the owners of BikeExchange Limited	(11,813,364)	(6,518,720)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	696,428,881	292,995,907
Weighted average number of ordinary shares used in calculating diluted earnings per share	696,428,881	292,995,907

	Cents	Cents
Basic Earnings Per Share	(1.7)	(2.2)
Diluted Earnings Per Share	(1.7)	(2.2)

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 6. Impairment losses

	31 December 2022 $	31 December 2021 $
Kitzuma		
Goodwill	5,099,766	–
Intangibles – Software	136,163	–
Right of use assets	19,511	–
Property plant and equipment	30,056	–
Subtotal impairment losses	5,285,496	–
Colombia		
Goodwill	424,780	–
Subtotal impairment losses	424,780	–
Total impairment losses	5,710,276	–

Notes to the Financial Statements continued

Note 6. Impairment losses (continued)

Kitzuma

At the time of its acquisition, Kitzuma was a very high growth business with significant upside potential. Whilst the Kitzuma business continued to achieve strong revenue growth post acquisition, this growth was requiring significant capital investment to reach a scale where it would generate strong cash flows from operations. At the time of acquisition, the Directors of BikeExchange believed the Company would be able to comfortably raise the necessary capital to fund this growth. However, since the time of acquisition, changes in market dynamics have made it much harder for BEX to raise capital. On 31st October 2022, the Directors announced that Kitzuma deliveries would be paused during the slow European winter period, whilst an operational and funding review of the Business was undertaken. This review confirmed that the Bike delivery business would require significant ongoing investment in FY23 and beyond. Having regard to the Company's current capital position, on 27 February 2023, the Directors made a decision to not restart bike deliveries. This decision has led to the Directors determining that the goodwill and other assets relating to Kitzuma bike deliveries are impaired. The write-down of the above bike delivery assets to their recoverable amount has resulted in an impairment loss of $5,285,496 being recognised in the profit and loss.

Colombia

Colombia experienced difficult trading conditions and incurred an EBITDA loss of $798,655 for the half year. Whilst the focus remains on continuing to reduce operating losses in the region, the goodwill in the business has been written down to reflect current trading conditions which resulted in an impairment loss of $424,780.

Note 7. 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 11. The Group's interest in BikeExchange Colombia S.A.S. is 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:

	Notes	31 December 2022 $	31 December 2021 $
Summarised Statement of Profit and Loss and Other Comprehensive Income:			
Revenue		–	296,390
Profit/(loss) for the period		–	(166,204)
Total comprehensive income for the period		–	(166,204)
Group's share of profit/(loss) for the period		–	(83,102)
Group's share of profit/(loss) for the period recognised in the consolidated financial statements	Note (a)	–	(83,102)

Note 7. Interests in a Joint Venture (continued)

	Notes	31 December 2022 $	31 December 2021 $
Summarised Statement of Financial Position:			
Cash and Cash Equivalents		–	15,960
Other Current Assets		–	1,086,653
Total Current Assets		–	1,102,613
Total Non-Current Assets		–	3,701
Total Assets		–	1,106,314
Current Financial Liabilities		–	(1,315,593)
Other Current Liabilities		–	(419,155)
Total Current Liabilities		–	(1,734,748)
Non-Current Financial Liabilities		–	–
Other Non-Current Liabilities		–	–
Total Non-Current Liabilities		–	–
Total Liabilities		–	(1,734,748)
Net Assets/(Liabilities)		–	(628,434)
Equity			
Share capital		–	196,271
Retained earnings		–	(824,706)
Total Equity/(Deficit)		–	(628,435)
Group's carrying amount of the investment	Note (a)	–	598,208

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.

Note a) The Group had loan funded the Joint venture for the period ended 31 December 2021 and loans that were quasi-equity in nature have been included within the carrying value of the Group's investment.

Notes to the Financial Statements continued

Note 8. Right-of-Use Assets

	31 December 2022 $	30 June 2022 $
At cost	2,779,167	2,354,100
Less accumulated depreciation/impairment	(585,027)	(206,859)
Total written down amount	2,194,140	2,147,241

Right-of-use relate to office and warehouse premises.

Note 9. Intangible Assets

	Notes	31 December 2022 $	30 June 2022 $
Software			
At Cost		772,655	678,863
Less accumulated amortisation/impairment		(499,333)	(296,728)
Carrying amount at end		273,322	382,135
Goodwill			
At cost		5,524,546	5,439,510
Less accumulated impairment	6	(5,524,546)	–
Carrying amount at end		–	5,439,510
Total written down amount		273,322	5,821,645

Intangible assets comprise of Goodwill arising on the acquisition of Kitzuma and the group's remaining 50% in shares in Bike Exchange Colombia S.A.S on 2nd March 2022, and software intangible assets.

Note 10. 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 and the complaint is currently in the discovery phase of legal proceedings.

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 is vigorously defending the complaint. The Group has engaged US counsel and is defending the claims. The Directors are of the view that any potential damages resulting from the complaint are unlikely to be material, and note that the costs of defence are expected to be in the range of US $0.1 million to $0.2 million.

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

Note 10. Contingent Liabilities (continued)

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 $0.2 million to $0.3 million 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 11. Events Occurring After the Statement of Financial Position Date

On 27 February 2023, following a review of the Kitzuma business including the large working capital requirements, the Group announced its decision not to restart bike deliveries. This event did materially affect the financial statements as the goodwill and related bike delivery assets were reviewed and written down to their recoverable amount resulting in total impairment losses of $5,285,496 for the Half Year ended 31 December 2022 relating to the Kitzuma bike delivery business. Please also refer to the Directors report and Note 6 for further information

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on page 10 to 24 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The basis of preparation confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer, and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

Gregg Taylor
Director

Melbourne
27 February 2023

Independent Auditor's Review Report

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Independent Auditor's Review Report to the members of BikeExchange Limited

Conclusion

We have reviewed the half-year financial report of BikeExchange Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and, the directors' declaration as set out on pages 10 to 25.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual 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 review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Independent Auditor's Review Report continued

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, where it is described that there are events or conditions which indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants
Melbourne, 27 February 2023

Corporate Directory

Company's registered office

BikeExchange Limited

Level 5, 126 Phillip Street
Sydney NSW 2000

Company's principal place of business

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101 Moray Street
South Melbourne VIC 3205

Share registry

Automic Pty Ltd

Level 5, 126 Phillip Street
Sydney NSW 2000

Auditor

Deloitte Touche Tohmatsu

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Melbourne VIC 3000

Stock exchange listing

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

Website and investor relations

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