

**National Tyre & Wheel Limited and its controlled entities**  
**Appendix 4D**  
**Half-year report**



**1. Company details**

Name of entity:	National Tyre & Wheel Limited
ABN:	97 095 843 020
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

**2. Results for announcement to the market**

	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>	<i>Change</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>%</i>
Revenues from ordinary activities	212,403	80,446	164.0%
Net profit from ordinary activities attributable to shareholders	9,722	2,514	286.7%
	<i>Cents</i>	<i>Cents</i>	<i>Change</i>
			<i>%</i>
Basic earnings per share	8.67	2.44	255.3%
Diluted earnings per share	8.53	2.42	252.5%
<i>Dividends</i>			
	<i>Cents</i>	<i>Cents</i>	<i>Change</i>
			<i>%</i>
Interim dividend - fully franked	3.00	1.25	140.0%
Record date for determining entitlement to the interim dividend	15 March 2021		
Payment date for the interim dividend	9 April 2021		

*Comments*

An explanation of the above figures is contained within the 'Review of operations' section of the Directors' Report, which is part of the attached Interim Report.

**3. Net tangible assets**

	<b>Reporting Period</b>	<b>Prior Period</b>
	<b>Cents</b>	<b>Cents</b>
Net tangible assets <sup>1</sup> per ordinary security	56.30	44.84

<sup>1</sup> Net tangible assets includes the right-of-use assets and lease liabilities required to be accounted for in adopting AASB 16 Leases.

**4. Control gained over entities**

Tyres4U Pty Ltd and Tyres4U (NZ) Ltd were incorporated during the half-year period, which acquired the business assets of Tyres4U in Australia and New Zealand.

**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

Refer to note 8 in the attached Interim Report.

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**7. Dividend reinvestment plans**

The dividend reinvestment plan ('DRP') dated 6 November 2017 is in operation. The DRP rules can be downloaded from the NTAW website: <https://www.ntaw.com.au>.

For participation in the DRP, an election notice must be received by the Share Registry no later than the business day after the record date for the dividend.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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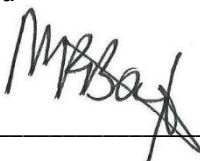
**10. Attachments**

*Details of attachments (if any):*

The Interim Report of National Tyre & Wheel Limited for the half-year ended 31 December 2020 is attached.

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**11. Signed**

Signed  \_\_\_\_\_

Murray Boyte  
Chairman

Date: 23 February 2021



# **National Tyre & Wheel Limited and its controlled entities**

**ABN 97 095 843 020**

**Interim Report - 31 December 2020**

# National Tyre & Wheel Limited and its controlled entities

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31 December 2020



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## National Tyre & Wheel Limited and its controlled entities

### Directors' report

31 December 2020



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of National Tyre & Wheel Limited (referred to hereafter as the 'Company', 'NTAW' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

#### Directors

The following persons were directors of National Tyre & Wheel Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Murray Boyte	Non-Executive Chairman
Peter Ludemann	Chief Executive Officer and Managing Director
Terry Smith	Executive Director
Bill Cook	Non-Executive Director
Robert Kent	Non-Executive Director

#### Principal activities

The principal activity of the Group during the financial half-year ended 31 December 2020 was the distribution and marketing of motor vehicle tyres, wheels, tubes and related products throughout Australia, New Zealand and South Africa.

NTAW is the holding company for the following operating subsidiaries:

- Exclusive Tyre Distributors Pty Ltd ("ETD");
- Exclusive Tyre Distributors (NZ) Limited ("ETDNZ");
- Dynamic Wheel Co Pty Limited ("DWC");
- M.P.C. Mags and Tyres Pty Ltd ("MPC");
- Statewide Tyre Distribution Pty Ltd ("Statewide");
- Top Draw Tyres Proprietary Limited t/a Tyrelife Solutions ("TLS");
- Tyres4UPty Ltd ("T4UAU");
- Tyres4U (NZ) Ltd ("T4UNZ"); and
- Tyreright Operations Pty Ltd (currently a dormant entity).

Apart from the Tyres4U acquisition, detailed below, which substantially altered the scale and diversity of the Group's activities, there have been no other significant changes in the nature of the Group's activities during this period.

#### Dividends

Dividends paid during the half-year were as follows:

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Final dividend	-	2,573
Special dividend	-	1,080
Interim dividend	-	-
	<hr/>	<hr/>
	-	<b>3,653</b>

At the date of signing these financial statements, the Company has declared a fully franked interim dividend of 3.00 cents per share with a record date of 15 March 2021 and a payment date of 9 April 2021. The total dividend payable is \$3,426,000. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2020 and will be recognised in subsequent financial reports.

### **Review of operations**

On 4 August 2020, NTAW completed the acquisition of the Tyres4U businesses in Australia and New Zealand (collectively "Tyres4U"). This acquisition substantially altered the scale and diversity of the Group's activities in the tyre and wheel industries in both countries.

The positive changes to the financial performance of the Group in the half-year ended 31 December 2020 compared to the prior corresponding period can be attributed to:

- increases in volume, revenue and gross margin plus the contribution from Tyres4U;
- a reduction in promotional costs throughout the Group; and
- contribution from Tyres4U, representing on trend growth in NZ and a material improvement in performance in Australia.

The following factors contributed to these outcomes:

- a reduction in the intensity of price competition in most segments;
- moving to near sourced manufacture of some key products;
- adding the Blacklion range in the passenger tyre segment;
- decisions to scale back certain promotional activity due to uncertain market conditions;
- the contribution made by the Industrial Tyre Services business acquired by Statewide in March 2020;
- new wheel products, promotional activity and inventory management all contributing to growth in wheel market share in NZ, NSW, WA and SA;
- favourable movement in the value of the Australian Dollar relative to the US Dollar;
- robust rural economic activity driving demand for truck and agricultural tyres; and
- consumer demand exceeding the level that was expected having regard to the disruption caused by the pandemic .

The full impact of these contributing factors was diminished by:

- a reduced contribution from TLS, the Company's 50% owned subsidiary in South Africa, due to economic setbacks arising from the pandemic being particularly severe in that market;
- lower volume and revenue from original equipment customers in Victoria as factories were forced to close during pandemic lockdowns;
- shipping delays due to container and ship shortages resulting in some lost sales, offset by some gains with competitors experiencing similar problems;
- costs incurred in expanding the Statewide business to the East Coast of Australia; and
- T4UAU replacing one of its just in time suppliers with other suppliers.

The Tyres4U acquisition resulted in a gain on bargain purchase of \$1.1m, being the favourable difference between the fair value of net tangible assets acquired and the consideration paid.

The acquisition of Tyres4U resulted in the distribution footprint of the Group expanding to 30 warehouse operations, comprising 22 in Australia, 5 in New Zealand and 3 in South Africa. By 31 December 2020, the Group employed over 500 people, up from less than 200 in December 2019. Ignoring minor accessories, the Group now imports over 2.4 million tyres and wheels per annum.

### **Results highlights**

NTAW has reported total revenue of \$212.4m (1H20: \$80.5m) for the half-year, an increase of \$131.9m (164.0%) on the prior year resulting from the Tyres4U acquisition in August 2020 and improved trading conditions throughout the Group.

NTAW's statutory profit for the Group after providing for income tax and non-controlling interest amounted to \$9.8m (1H20: \$2.5m).

NTAW has a strong balance sheet with net assets of \$83.9m at 31 December 2020 (Jun-20: \$68.8m). The net debt position was \$18.2m (Jun-20: net cash of \$13.6m, prior to the acquisition of Tyres4U) and a 'net debt to equity + debt' ratio of 15.0%.

**Key operating metrics**

	1H21	1H20
Gross profit margin	28.4%	27.0%
Operating costs as % of total revenue	18.6%	19.1%
Reported EBITDA <sup>1</sup> margin	9.8%	7.9%
Operating EBITDA <sup>2</sup> margin	7.2%	6.2%

1 EBITDA means earnings before interest, tax, depreciation and amortisation.

2 Refer to reconciliation between Reported EBITDA and Operating EBITDA below.

NTAW has reported a gross profit margin of 28.4% and an Operating EBITDA margin of 7.2%, with both margins being greater than that achieved in the prior comparative period. The increased gross profit margin in the half-year was derived from less discounting and the AUD/USD exchange rate being more favourable than expected.

**Key financial results**

\$'000	1H21	1H20
Sales revenue <sup>1</sup>	212,403	80,446
Gross profit	60,249	21,689
Reported EBITDA	20,769	6,363
Operating EBITDA	15,369	5,000
NPATA attributable to NTAW <sup>2</sup>	10,225	3,072

1 Revenue from sale of goods only, excluding interest income and other revenue.

2 NPATA excludes non-controlling interest and amortisation on a tax effected basis.

**Operating EBITDA**

The Group has reported an EBITDA of \$20.8m (1H20: \$6.4m). The result for 1H21 includes a gain on bargain purchase of \$1.1m related to the Tyres4U acquisition and \$1.4m of acquisition costs incurred during the half-year.

Accounting of lease expenses under AASB 16 *Leases* resulted in \$5.0m of lease expenses (1H20: \$1.5m) being classified "below" EBITDA, largely as depreciation (of the right-of-use assets recognised on the Statement of financial position).

Unrealised foreign exchange gain on foreign exchange contracts and foreign currency denominated suppliers of \$0.7m (1H20: loss of \$0.1m) was recognised in the half-year.

After taking into account the above items, an Operating EBITDA of \$15.4m was earned in 1H21 (1H20: \$5.0m) as shown in the following table:

\$'000	1H21	1H20
<b>Net profit after tax</b>	<b>9,832</b>	<b>2,506</b>
Depreciation and amortisation	6,645	2,313
Finance costs (net)	1,158	375
Income tax expense	3,134	1,169
<b>Reported EBITDA</b>	<b>20,769</b>	<b>6,363</b>
Gain on bargain purchase	(1,058)	-
Acquisition costs	1,418	-
Impact on Occupancy costs due to adopting AASB 16	(5,021)	(1,469)
Unrealised foreign exchange (gains) / losses	(739)	106
<b>Operating EBITDA</b>	<b>15,369</b>	<b>5,000</b>

**Financial Position**

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

	<b>31 December 2020</b>	<b>30 June 2020</b>
Total assets (\$'000)	250,280	125,195
Net assets (\$'000)	83,883	68,845
Net (debt) / cash (\$'000)	(18,165)	13,636
Shares on issue ('000)	114,207	102,891
Declared dividends per security (cents)	3.00	1.25

Significant balance movements during the financial year were as follows:

- Net debt has increased \$31.8m and 11.3m shares were issued as a result of the Tyres4U acquisition;
- Total assets have significantly increased due to the expanded operations of the Group; and
- An interim dividend of 3.00 cents has been declared in respect of the half-year (1H20: 1.25 cents). No final dividend was declared for FY2020 due to the Tyres4U acquisition in August 2020 and the subsequent further working capital investment.

**Outlook**

The pandemic presents unusual challenges to predicting future performance. Economic growth appears to have returned to Australia and New Zealand. Demand for the Group's products has exceeded expectations formed as recently as July 2020 and the Group has benefitted from strength in Australia's rural economy. The less positive outlook in South Africa will not have a material impact on the Group's performance, even in the most pessimistic scenario.

At a micro level, the Group is benefiting from various strategic and tactical initiatives. Growth in volume and revenue from 4WD, wheels, agricultural tyres and some passenger tyres has continued despite various lockdowns and the disruption caused by the pandemic.

The following actions have or will be taken in 2H21:

- T4UAU is being separated into discrete business units comprising Tyres4U Commercial (truck, bus, agricultural and off-the-road tyres), Solid Plus (industrial tyres) and Tyreright (retail stores);
- Tyres4U will continue to distribute non-exclusive brands and other group products via various channels;
- T4UAU and ETD will share the distribution of the GT Radial/Giti brand of passenger and light truck tyres in Australia; and
- T4UAU and MPC will merge their original equipment supply operations.  
These structural changes are designed to focus on improving customer experiences and sales in the market segments relevant to each business unit.
- The changes have resulted in some redundancies that will reduce people costs in 2H21;
- Operating entities in the Group will share corporate services provided by NTAUW including People and Culture, Marketing, Logistics, Finance & Administration, Customer Experience & Insights and IT/Innovation. New people are being employed to deliver these shared services and these changes will increase people costs in 2H21, offsetting savings made by departures;
- The Group has begun work on installing an Enterprise Resource Planning package capable of maintaining existing customer facing IT systems. Costs associated with this project will increase by Q4 of FY21 with the major milestones expected to be completed in FY22-23;
- Marketing expenses will increase in response to relatively strong consumer demand and positive sentiment;
- Following a review of sales & operations planning, a new procurement process common to all operating entities will be implemented in 2H21, seeking improvements in inventory management;
- Four separate office and warehouse premises in Sydney will be consolidated into one location. Work on a new building to accommodate the blending of Tyres4U and ETD in Melbourne has commenced. Feasibility studies are continuing with a view to amalgamating duplicated warehouse operations in other capital cities. While these warehouse changes will not have a material impact on 2H21 performance, they will reduce costs and improve service levels in FY22 and beyond;
- More intense focus will be brought to bear upon operating subsidiaries cross-selling each other's products where it will enhance our customer's experience; and
- A comprehensive employee survey will be undertaken to align cultural imperatives throughout the Group.



When NTAW listed on the ASX in December 2017, it announced its intention to seek diversity and scale. Having achieved that objective, the Group is now focused on building a new platform for growth that will respond to important changes that are occurring in the tyre and wheel industry. Opportunities arise from changes in:

- the vehicle fleet (particularly electric and autonomous vehicles);
- consumer product preferences and purchase pathways;
- distribution channels (particularly the opportunities for traditional tyre specialty retailers); and
- technologies impacting data analytics, service levels and information flows.

The Group is well capitalised with substantial marketing, sales and distribution capabilities, existing value adding services as well as an extraordinary amount of industry experience and know how. The new growth platform will involve more innovation (generational investment in IT and new talent), continuing focus on market segments in which a leading position can be obtained and the delivery of customer experiences that set a benchmark for the industry.

The outlook for the Group based on the actions described above and the successful pursuit of this vision is positive.

#### **Significant changes in the state of affairs**

Apart from the acquisition of the Tyres4U businesses in Australia and New Zealand detailed above, there were no significant changes in the state of affairs of the Group during the half-year.

#### **Matters subsequent to the end of the financial year**

Apart from the dividend declared as disclosed above, no other matter or circumstance has arisen since 31 December 2020 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.

#### **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.

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

On behalf of the directors



\_\_\_\_\_  
Murray Boyte  
Chairman

23 February 2021  
Brisbane

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

### Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2020, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*;  
and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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



PITCHER PARTNERS



WARWICK FACE  
Partner

Brisbane, Queensland  
23 February 2021

**National Tyre & Wheel Limited and its controlled entities**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**



	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Revenue from contracts with customers</b>	4	212,403	80,446
Other income	5	1,238	63
Gain on bargain purchase		1,058	-
<b>Expenses</b>			
Cost of goods sold		(152,154)	(58,757)
Employee benefits and other related costs		(26,254)	(8,684)
Depreciation and amortisation	6	(6,645)	(2,313)
Professional fees and insurance		(3,926)	(662)
Occupancy		(3,551)	(548)
Marketing		(1,813)	(2,591)
Other		(6,195)	(2,849)
Finance	6	(1,195)	(430)
<b>Profit before income tax expense</b>		12,966	3,675
Income tax expense		(3,134)	(1,169)
<b>Profit after income tax expense for the half-year</b>		<b>9,832</b>	<b>2,506</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		304	57
Other comprehensive income for the half-year, net of tax		304	57
<b>Total comprehensive income for the half-year</b>		<b>10,136</b>	<b>2,563</b>
Profit for the half-year is attributable to:			
Non-controlling interest		110	(8)
Owners of National Tyre & Wheel Limited		9,722	2,514
<b>Profit after income tax expense for the half-year</b>		<b>9,832</b>	<b>2,506</b>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		110	(8)
Owners of National Tyre & Wheel Limited		10,026	2,571
<b>Total comprehensive income for the half-year</b>		<b>10,136</b>	<b>2,563</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	8.67	2.44
Diluted earnings per share	9	8.53	2.42

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

**National Tyre & Wheel Limited and its controlled entities**  
**Statement of financial position**  
**As at 31 December 2020**



	Note	31 Dec 2020 \$'000	30 June 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		22,246	25,859
Trade and other receivables		61,622	23,215
Inventories		96,677	41,487
Other current assets		3,492	1,580
<b>Total current assets</b>		<u>184,037</u>	<u>92,141</u>
<b>Non-current assets</b>			
Property, plant and equipment		10,638	3,615
Right-of-use assets		35,850	11,800
Intangible assets		16,216	16,739
Other receivables		171	-
Deferred tax		3,368	900
<b>Total non-current assets</b>		<u>66,243</u>	<u>33,054</u>
<b>Total assets</b>		<u>250,280</u>	<u>125,195</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		71,929	24,930
Borrowings		2,500	-
Lease liabilities		10,276	3,298
Provisions		10,756	3,652
Derivative financial instruments		1,752	943
Current tax liability		2,496	902
<b>Total current liabilities</b>		<u>99,709</u>	<u>33,725</u>
<b>Non-current liabilities</b>			
Borrowings		37,912	12,223
Lease liabilities		26,854	9,172
Provisions		1,922	1,230
<b>Total non-current liabilities</b>		<u>66,688</u>	<u>22,625</u>
<b>Total liabilities</b>		<u>166,397</u>	<u>56,350</u>
<b>Net assets</b>		<u>83,883</u>	<u>68,845</u>
<b>Equity</b>			
Issued capital	7	70,130	65,272
Reserves		(511)	(859)
Retained earnings		11,100	1,378
Equity attributable to the owners of National Tyre & Wheel Limited		<u>80,719</u>	<u>65,791</u>
Non-controlling interest		3,164	3,054
<b>Total equity</b>		<u>83,883</u>	<u>68,845</u>

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

**National Tyre & Wheel Limited and its controlled entities**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2020**



	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2019	65,272	182	-	1,912	3,377	70,743
Initial adoption of AASB 16	-	-	-	(146)	-	(146)
<b>Balance at 1 July 2019 - restated</b>	<b>65,272</b>	<b>182</b>	<b>-</b>	<b>1,766</b>	<b>3,377</b>	<b>70,597</b>
Profit after income tax expense for the half-year	-	-	-	2,514	(8)	2,506
Other comprehensive income for the half-year, net of tax	-	57	-	-	-	57
Total comprehensive income for the year	-	57	-	2,514	(8)	2,563
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	-	13	-	-	13
Dividends paid (note 8)	-	-	-	(3,653)	-	(3,653)
<b>Balance at 31 December 2019</b>	<b>65,272</b>	<b>239</b>	<b>13</b>	<b>627</b>	<b>3,369</b>	<b>69,520</b>
Balance at 1 July 2020	65,272	(914)	55	1,378	3,054	68,845
Profit after income tax expense for the half-year	-	-	-	9,722	110	9,832
Other comprehensive income for the half-year, net of tax	-	304	-	-	-	304
Total comprehensive income for the year	-	304	-	9,722	110	10,136
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued as consideration in acquisition	4,858	-	-	-	-	4,858
Share-based payments	-	-	44	-	-	44
<b>Balance at 31 December 2020</b>	<b>70,130</b>	<b>(610)</b>	<b>99</b>	<b>11,100</b>	<b>3,164</b>	<b>83,883</b>

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

**National Tyre & Wheel Limited and its controlled entities**  
**Statement of cash flows**  
**For the half-year ended 31 December 2020**



	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		228,611	93,098
Payments to suppliers and employees		(215,036)	(87,055)
Interest received		37	55
Interest and other finance costs paid		(1,195)	(250)
Income taxes paid		(1,706)	(982)
		<u>10,711</u>	<u>4,866</u>
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	11	(36,496)	-
Payments for property, plant and equipment		(1,467)	(864)
Proceeds from disposal of property, plant and equipment		195	70
Transfers from term deposits		(141)	-
		<u>(37,909)</u>	<u>(794)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		34,272	-
Repayment of borrowings		(6,084)	(837)
Repayment of lease liabilities		(4,618)	(1,409)
Dividends paid	8	-	(3,653)
		<u>23,570</u>	<u>(5,899)</u>
<b>Net cash from/(used in) financing activities</b>			
Net increase/(decrease) in cash and cash equivalents		(3,628)	(1,837)
Cash and cash equivalents at the beginning of the half-year		25,859	19,554
Effects of exchange rate changes on cash and cash equivalents		15	(10)
		<u>22,246</u>	<u>17,717</u>
<b>Cash and cash equivalents at the end of the half-year</b>			

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

**Note 1. General information**

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

National Tyre & Wheel Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

30 Gow Street  
Moorooka QLD 4105

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2021.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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').

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

*Rounding of amounts*

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

**New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Directors are of the opinion that there is one reportable segment in the Group as the CODM reviews results, assesses performance and allocates resources at a Group level.

As the information reported to the CODM is the consolidated results of the Group, the segment results are shown throughout these financial statements and are not duplicated here.

**Note 4. Revenue from contracts with customers**

	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods and services revenue	212,403	80,446
	<b>212,403</b>	<b>80,446</b>

*Disaggregation of revenue*

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

Australia	175,403	64,036
New Zealand	30,605	8,605
South Africa	6,395	7,805
	<b>212,403</b>	<b>80,446</b>

During the half-years ended 31 December 2020 and 31 December 2019, all revenue from sale of goods and services was recognised as the goods were transferred and services performed at a point in time.

**Note 5. Other income**

Government assistance payments – COVID-19	974	-
Other income	264	63
	<b>1,238</b>	<b>63</b>



Note 6. Expenses

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	996	181
Motor vehicles	134	157
Leasehold improvements	-	11
Right-of-use assets	4,910	1,281
Total depreciation	<u>6,040</u>	<u>1,630</u>
<i>Amortisation</i>		
Importation rights	267	404
Customer relationships	256	279
Other	82	-
Total amortisation	<u>605</u>	<u>683</u>
Total depreciation and amortisation	<u>6,645</u>	<u>2,313</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable for lease liabilities	549	188
Interest and finance charges paid/payable for financial liabilities	646	242
Finance costs expensed	<u>1,195</u>	<u>430</u>

**Note 7. Issued capital**

	<b>31 Dec 2020</b>	<b>30 June 2020</b>	<b>31 Dec 2020</b>	<b>30 June 2020</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>114,207,216</u>	<u>102,891,313</u>	<u>70,130</u>	<u>65,272</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 2019	<u>102,891,313</u>		<u>65,272</u>
Balance	30 June 2020	<u>102,891,313</u>		<u>65,272</u>
Shares issued as consideration in acquisition (note 11)	4 August 2020	11,315,903	\$0.4293	4,858
Balance	31 December 2020	<u><b>114,207,216</b></u>		<u><b>70,130</b></u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

*Shares issued as consideration*

Shares issued as part of the consideration of the Tyres4U acquisition (refer to note 11 for further details) were issued at an issue price based on the volume weighted average price ("VWAP") over the 5 business days prior to the date of the execution of the acquisition agreement (17 July 2020).

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

**National Tyre & Wheel Limited and its controlled entities**  
**Notes to the financial statements**  
**31 December 2020**



**Note 8. Dividends**

Dividends paid during the financial year were as follows:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Final dividend	-	2,573
Special dividend	-	1,080
Interim dividend	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u><b>3,653</b></u>

At the date of signing these financial statements, the Company has declared a fully franked interim dividend of 3.00 cents per share with a record date of 15 March 2021 and a payment date of 9 April 2021. The total dividend payable is \$3,426,000. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2020 and will be recognised in subsequent financial reports.

**Note 9. Earnings per share**

Profit after income tax	9,832	2,506
Non-controlling interest	<u>(110)</u>	<u>8</u>
Profit after income tax attributable to the owners of National Tyre & Wheel Limited	<u><b>9,722</b></u>	<u><b>2,514</b></u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	112,116,234	102,891,313
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>1,845,000</u>	<u>1,037,554</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><b>113,961,234</b></u>	<u><b>103,928,867</b></u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	8.67	2.44
Diluted earnings per share	8.53	2.42

**Note 10. Related party transactions**

During the half-year, the Group leased business premises owned by closely related parties of key management personnel. One lease expires on 30 May 2023 and has two 5-year renewal options and the other lease ended during October 2019. Rent payments for the half-year totalled \$88,259 (2019: \$128,310), with \$Nil outstanding at 31 December 2020 (2019: \$Nil).

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

**Note 11. Business combinations**

On 4 August 2020, the Group acquired 100% of the business assets and operations of Tyres4U in Australia and New Zealand. Total consideration for the acquisition was \$48,678,000, including \$43,820,000 in cash consideration and \$4,858,000 in Company shares, issued at time of the acquisition. The acquired business assets were incorporated in newly incorporated subsidiaries, Tyres4U Pty Ltd and Tyres4U (NZ) Ltd. The acquired business has contributed revenue of \$117,009,000 and profit before tax of \$3,614,000 to the Group from the date of acquisition to 31 December 2020. If the acquisition occurred on 1 July 2020, the full half-year contribution would have been revenue of \$140,696,000 and profit before tax of \$3,730,000. The acquisition resulted in a gain on bargain purchase being recognised as the vendors accepted the purchase consideration less than the fair value of the business assets. Transaction costs of \$1,418,000 were incurred during the half-year in relation to the acquisition. These costs are included in Professional fees and insurance expenditure in the Statement of profit or loss and other comprehensive income. To assist with the acquisition, the Company renegotiated its debt facilities with Commonwealth Bank of Australia increasing the total debt facility to \$68,500,000 with total amount owing under this facility at 31 December 2020 being \$40,412,000. The assets and liabilities assumed in the above business combination have been accounted for on a provisional basis at half-year end.

Details of the acquisition are as follows:

	<b>Fair value \$'000</b>
Cash and cash equivalents	7,324
Trade and other receivables	32,563
Inventories	48,643
Other financial assets	59
Other assets	1,659
Property, plant & equipment	6,875
Right-of-use assets	28,307
Deferred tax asset	2,302
Trade and other payables	(41,901)
Lease liabilities	(28,625)
Provisions	(7,470)
<b>Net assets acquired</b>	<b>49,736</b>
Gain on bargain purchase	(1,058)
<b>Acquisition-date fair value of total consideration</b>	<b>48,678</b>
<b>Representing:</b>	
Cash paid	43,820
Shares issued (note 7)	4,858
<b>Total consideration</b>	<b>48,678</b>
<b>Cash used to acquire business, net of cash acquired:</b>	
Total consideration	48,678
Less: cash and cash equivalents acquired	(7,324)
Less: shares issued	(4,858)
<b>Net cash used</b>	<b>36,496</b>

**Note 12. Events after the reporting period**

Apart from the dividend declared as disclosed in note 8, no other matter or circumstance has arisen since 31 December 2020 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.

**National Tyre & Wheel Limited and its controlled entities**  
**Directors' declaration**  
**31 December 2020**



In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read "Murray Boyte", written over a horizontal line.

Murray Boyte  
Chairman

23 February 2021  
Brisbane

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## Independent Auditor's Review Report to the Shareholders of National Tyre & Wheel Limited

### Report on the Half-Year Financial Report

We have reviewed the half-year financial report of National Tyre & Wheel Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of National Tyre & Wheel Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) 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 Financial Report* section of our report. We are independent of the Company 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 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.

### Responsibility of the Directors for the 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.

Brisbane Sydney Newcastle Melbourne Adelaide Perth



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### Auditor's Responsibility for the Review of the 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 2020 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.



PITCHER PARTNERS



WARWICK FACE  
Partner

Brisbane, Queensland  
23 February 2021