

**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 2021
Previous period:	For the half-year ended 31 December 2020

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

	<i>31 Dec 2021</i>	<i>31 Dec 2020</i>	<i>Change</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>%</i>
Revenues from ordinary activities	251,488	212,403	18.4%
Net profit from ordinary activities attributable to shareholders	5,461	9,722	(43.8%)
	<i>Cents</i>	<i>Cents</i>	<i>Change</i>
			<i>%</i>
Basic earnings per share	4.74	8.67	(45.3%)
Diluted earnings per share	4.60	8.53	(46.0%)
<i>Dividends</i>			
	<i>Cents</i>	<i>Cents</i>	<i>Change</i>
			<i>%</i>
Interim dividend - fully franked	3.00	3.00	0.0%
Record date for determining entitlement to the interim dividend	14 March 2022		
Payment date for the interim dividend	8 April 2022		

*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 per ordinary security	55.31	56.30

**4. Control gained over entities**

Black Rubber (comprising Black Rubber Pty Ltd and Black Rubber Sydney Pty Ltd) was acquired during the period.

**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 2021 is attached.

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**11. Signed**

Signed



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Murray Boyte  
Chairman

Date: 22 February 2022



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

**ABN 97 095 843 020**

**Interim Report - 31 December 2021**

# National Tyre & Wheel Limited and its controlled entities

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31 December 2021



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## National Tyre & Wheel Limited and its controlled entities

### Directors' report

31 December 2021



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 2021 ("1H22").

#### 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	Managing Director and Chief Executive Officer
Terry Smith	Non-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 2021 was the distribution and marketing of motor vehicle tyres, wheels, tubes and related products throughout Australia, New Zealand and South Africa.

NTAW is the holding company for the following operating subsidiaries:

- Exclusive Tyre Distributors Pty Ltd ("ETD");
- Exclusive Tyre Distributors (NZ) Limited ("ETDNZ");
- Dynamic Wheel Co Pty Limited ("Dynamic");
- Integrated OE Pty Ltd ("IOE");
- Statewide Tyre Distribution Pty Ltd ("Statewide");
- Top Draw Tyres Proprietary Limited t/a Tyrelife Solutions ("TLS");
- Tyres4UPty Ltd ("T4UAU");
- Tyres4U (NZ) Ltd ("T4UNZ");
- Tyreright Operations Pty Ltd ("TRT"); and
- Black Rubber Pty Ltd and Black Rubber Sydney Pty Ltd ("Black Rubber").

There have been no 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 2021	31 Dec 2020
	\$'000	\$'000
Final dividend	5,715	-
Interim dividend	-	-
	<u>5,715</u>	<u>-</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 14 March 2022 and a payment date of 8 April 2022. The total dividend payable is \$3,951,000. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2021 and will be recognised in subsequent financial reports.

**Review of operations**

NTAW's diversified business portfolio produced a financial result generally in line with expectations, despite a difficult trading environment.

1H22 was disrupted by COVID-19 related lockdowns followed by high infection rates once communities reached target vaccination rates. NTAW supply chains were also disrupted by shipping and land transport delays. Resulting missed opportunities were greater for USA sourced products than Asian sourced products.

Gross margins compared favourably to 1H21 but declined over the period, as import prices (factory prices and a weakening Australian Dollar) and shipping costs rose substantially, factors affecting all industry participants. Most NTAW business units have had two or more price rises in 1H22 and more are expected in 2H22.

Expenses (excluding abnormal and non-recurring items) were higher compared to the prior comparative period, due to an extra month of Tyres4U ownership, two months of Black Rubber ownership, higher employment costs (arising mainly from increased headcount in new shared service units rather than wage inflation) and increased marketing expenditure.

NTAW continued its investment in digital transformation and warehouse consolidations in Sydney and Melbourne. The abnormal and non-recurring costs associated with these projects are excluded from Operating EBITDA.

In November 2021, NTAW acquired Black Rubber a commercial retail and retreading business operating in Perth, Brisbane and Sydney.

In December 2021, NTAW received advances from its Bank facilities to fund the acquisition of Carter's Tyre Service (and related entities) ("Carter's"). These advances are represented in higher cash and debt levels at 31 December 2021. The acquisition of Carter's was completed in January 2022.

Key benefits from the acquisitions include:

- increasing the number of commercial fleets entrusting tyre management to NTAW businesses – building confidence in capabilities and sharing resources (including know how) – a solid foundation for winning new business;
- adding new retread tyre products to NTAW's portfolio and enhancing sustainability credentials;
- advancing NTAW's push to offer more value adding services – off site fitting, tyre monitoring & management and cents per kilometre or per hour solutions.
- securing ongoing sales from Tyres4U NZ to Carters and opportunities to grow Tyres4U share of shelf;
- Increasing sales from NTAW wholesale businesses to Black Rubber; and
- Building deeper relationships with suppliers.

NTAW also acquired the business assets of Access Alloys in November 2021, adding a missing link to the Dynamic product portfolio that can be immediately integrated into Dynamic's infrastructure.

**Results highlights**

NTAW has reported total revenue of \$251.5m (1H21: \$212.4m) for the half-year, an increase of \$39.1m (18.4%) on the prior comparative period resulting from a full half-year contribution from Tyres4U, the Black Rubber acquisition in November 2021 and a slight increase in aggregate revenue from other business units.

NTAW's statutory profit for the Group after providing for income tax and non-controlling interest amounted to \$5.5m (1H21: \$9.7m).

NTAW has a strong balance sheet with net assets of \$101.3m at 31 December 2021 (Jun-21: \$91.8m). The net debt position was \$45.3m (Jun-21: \$16.0m) and a 'net debt to equity + debt' ratio of 23.4%.

**Key operating metrics**

	<b>1H22</b>	<b>1H21</b>
Gross profit margin	29.0%	28.4%
Operating costs as % of total revenue	22.1%	18.6%
Reported EBITDA <sup>1</sup> margin	6.9%	9.8%
Operating EBITDA <sup>2</sup> margin	8.1%	9.6%

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 29.0% and an Operating EBITDA margin of 8.1%, with an increased cost base reducing Operating EBITDA margin compared to that achieved in the prior comparative period.

**Key financial results**

<b>\$'000</b>	<b>1H22</b>	<b>1H21</b>
Sales revenue <sup>1</sup>	251,488	212,403
Gross profit	72,842	60,249
Reported EBITDA	17,448	20,769
Operating EBITDA	20,441	20,390
Reported NPATA attributable to NTAW <sup>2</sup>	5,907	10,226

1 Revenue from sale of goods and services revenue 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 \$17.4m (1H21: \$20.8m). The result for 1H22 includes \$0.7m of acquisition costs incurred during the half-year. \$2.1m of one-off costs related to the implementation of IT projects and the consolidation of warehouses were incurred during the half-year. Unrealised foreign exchange loss on foreign exchange contracts and foreign currency denominated suppliers of \$0.2m (1H21: gain of \$0.7m) was recognised in the half-year.

After taking into account the above items, an Operating EBITDA of \$20.4m was earned in 1H22 (1H21: \$20.4m) as shown in the following table:

<b>\$'000</b>	<b>1H22</b>	<b>1H21</b>
<b>Net profit after tax</b>	<b>5,565</b>	<b>9,832</b>
Depreciation and amortisation	7,968	6,645
Finance costs (net)	1,820	1,158
Income tax expense	2,095	3,134
<b>Reported EBITDA</b>	<b>17,448</b>	<b>20,769</b>
Acquisition costs	674	1,418
One-off warehouse consolidation costs	857	-
One-off IT project implementation costs	1,218	-
Unrealised foreign exchange losses / (gains)	244	(739)
Gain on bargain purchase	-	(1,058)
<b>Operating EBITDA</b>	<b>20,441</b>	<b>20,390</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 2021</b>	<b>30 June 2021</b>
Total assets (\$'000)	344,435	268,438
Net assets (\$'000)	101,276	91,813
Net (debt) (\$'000)	(45,284)	(15,989)
Shares on issue ('000)	122,221	114,295
Declared dividends per security (cents) (half-year / full year)	3.00	8.00

Significant balance movements during the financial half-year were as follows:

- Net debt has increased \$29.3m as the Group renegotiated its debt facilities to assist with acquisitions;
- Shares were issued as part of the Black Rubber acquisition, under the Placement and under the dividend reinvestment plan; and
- An interim dividend of 3.00 cents has been declared in respect of the half-year (1H21: 3.00 cents).

**Outlook**

NTAW expects significantly less COVID disruption to all businesses in 2H22. Recently acquired businesses along with cost savings from licensing or closing some company owned Tyreright stores will contribute to 2H22 earnings.

Traditionally, NTAW revenue and earnings are biased to 2H, with Q4 stronger than other quarters. NTAW expects this phasing to be slightly higher in FY22 than prior years due to more stable trading conditions and the impact of various strategic initiatives presently underway.

NTAW anticipates further increases in COGS (mainly factory prices and shipping costs which are expected to peak in 2022) and further sales price increases. Some pressure on employment costs is expected as low rates of unemployment hamper recruitment.

As expected, the trading environment in 1H22 was more challenging than FY21. However, trading conditions for the first six months of the year continue pointing to reasonable returns on revenue and equity.

NTAW is presently focussed on improving margins in existing businesses and extracting the expected benefits from recent acquisitions rather than further merger and acquisition activity.

**Significant changes in the state of affairs**

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**

On 7 January 2022, the Group completed the acquisition of Carters Tyre Service (and related entities) in New Zealand. Consideration totalled \$28,300,000 which was paid in cash and NTAW shares. The Group's debt facilities were renegotiated during the half-year period to assist with the acquisition. 1.4m NTAW shares were issued using the Company's available capacity under ASX Listing Rule 7.1 and are subject to voluntary escrow of 6 months from the date of issue.

On 25 January 2022, the Company successfully completed the share purchase plan ("SPP") offer which was announced at the same time as the \$9,000,000 Placement which occurred during the half-year period. \$10,900,000 was raised under the SPP offer after receiving applications for \$17,000,000. 8.1m NTAW shares (at \$1.35 per share) were allotted on 28 January 2022.

Apart from the matters described above and dividend declared as disclosed above, no other matter or circumstance has arisen since 31 December 2021 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' report**  
**31 December 2021**



**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

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

Murray Boyte  
Chairman

22 February 2022  
Brisbane

The Directors  
National Tyre & Wheel Limited  
385 MacArthur Avenue  
HAMILTON QLD 4007

### Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2021, 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  
22 February 2022

**National Tyre & Wheel Limited and its controlled entities**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2021**



	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Revenue from contracts with customers</b>	4	251,488	212,403
Other income	5	399	1,238
Gain on bargain purchase		-	1,058
<b>Expenses</b>			
Cost of goods sold		(178,646)	(152,154)
Employee benefits and other related costs		(34,938)	(26,254)
Depreciation and amortisation	6	(7,968)	(6,645)
Occupancy		(4,824)	(3,551)
Marketing		(2,457)	(1,813)
Professional fees and insurance		(1,733)	(2,473)
Insurance		(1,614)	(1,453)
Other		(10,203)	(6,195)
Finance	6	(1,844)	(1,195)
<b>Profit before income tax expense</b>		7,660	12,966
Income tax expense		(2,095)	(3,134)
<b>Profit after income tax expense for the half-year</b>		<b>5,565</b>	<b>9,832</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(535)	304
Other comprehensive income for the half-year, net of tax		(535)	304
<b>Total comprehensive income for the half-year</b>		<b>5,030</b>	<b>10,136</b>
Profit for the half-year is attributable to:			
Owners of National Tyre & Wheel Limited		5,461	9,722
Non-controlling interest		104	110
<b>Profit after income tax expense for the half-year</b>		<b>5,565</b>	<b>9,832</b>
Total comprehensive income for the half-year is attributable to:			
Owners of National Tyre & Wheel Limited		4,926	10,026
Non-controlling interest		104	110
<b>Total comprehensive income for the half-year</b>		<b>5,030</b>	<b>10,136</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	4.74	8.67
Diluted earnings per share	9	4.60	8.53

*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 2021**



	Note	31 Dec 2021 \$'000	30 June 2021 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		45,009	28,905
Trade and other receivables		71,346	71,807
Inventories		128,205	101,025
Prepayments		6,029	4,265
Other financial assets		642	835
Current tax receivable		833	-
<b>Total current assets</b>		<u>252,064</u>	<u>206,837</u>
<b>Non-current assets</b>			
Property, plant and equipment		14,677	10,167
Right-of-use assets		42,368	33,544
Intangible assets		35,267	15,698
Other financial assets		59	116
Deferred tax		-	2,076
<b>Total non-current assets</b>		<u>92,371</u>	<u>61,601</u>
<b>Total assets</b>		<u>344,435</u>	<u>268,438</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		87,293	82,335
Borrowings		7,084	2,954
Lease liabilities		10,793	9,496
Provisions		12,343	11,904
Other liabilities	11	2,751	-
Current tax liability		-	1,138
<b>Total current liabilities</b>		<u>120,264</u>	<u>107,827</u>
<b>Non-current liabilities</b>			
Borrowings		83,209	41,940
Lease liabilities		32,958	24,472
Provisions		2,555	2,386
Other liabilities	11	2,600	-
Deferred tax		1,573	-
<b>Total non-current liabilities</b>		<u>122,895</u>	<u>68,798</u>
<b>Total liabilities</b>		<u>243,159</u>	<u>176,625</u>
<b>Net assets</b>		<u>101,276</u>	<u>91,813</u>
<b>Equity</b>			
Issued capital	7	80,126	70,204
Reserves		(247)	62
Retained earnings		17,954	18,208
Equity attributable to the owners of National Tyre & Wheel Limited		<u>97,833</u>	<u>88,474</u>
Non-controlling interest		3,443	3,339
<b>Total equity</b>		<u>101,276</u>	<u>91,813</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 2021**



	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 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>
Balance at 1 July 2021	70,204	(174)	236	18,208	3,339	91,813
Profit after income tax expense for the half-year	-	-	-	5,461	104	5,565
Other comprehensive income for the half-year, net of tax	-	(535)	-	-	-	(535)
Total comprehensive income for the year	-	(535)	-	5,461	104	5,030
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued	8,517	-	-	-	-	8,517
Shares issued as consideration in acquisition	1,200	-	-	-	-	1,200
Dividends paid	205	-	-	(5,715)	-	(5,510)
Share-based payments	-	-	226	-	-	226
<b>Balance at 31 December 2021</b>	<b>80,126</b>	<b>(709)</b>	<b>462</b>	<b>17,954</b>	<b>3,443</b>	<b>101,276</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 2021**



	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		278,261	228,611
Payments to suppliers and employees		(275,642)	(215,036)
Interest received		24	37
Interest and other finance costs paid		(1,763)	(1,195)
Income taxes paid		(5,136)	(1,706)
		<u>(4,256)</u>	<u>10,711</u>
Net cash (used in) / from operating activities			
<b>Cash flows from investing activities</b>			
Payment for purchase of businesses, net of cash acquired	11	(20,651)	(36,496)
Payments for property, plant and equipment		(2,891)	(1,467)
Proceeds from disposal of property, plant and equipment		305	195
Transfers from term deposits		(277)	(141)
		<u>(23,514)</u>	<u>(37,909)</u>
Net cash used in investing activities			
<b>Cash flows from financing activities</b>			
Proceeds from share issue		9,000	-
Proceeds from borrowings		43,189	34,272
Repayment of borrowings		-	(6,084)
Repayment of lease liabilities		(4,898)	(4,618)
Dividends paid		(5,510)	-
		<u>41,781</u>	<u>23,570</u>
Net cash from financing activities			
Net increase / (decrease) in cash and cash equivalents		14,011	(3,628)
Cash and cash equivalents at the beginning of the half-year		28,451	25,859
Effects of exchange rate changes on cash and cash equivalents		(37)	15
		<u>42,425</u>	<u>22,246</u>
Cash and cash equivalents at the end of the half-year			
<i>Reconciliation to statement of financial position:</i>			
Cash and cash equivalents		45,009	22,246
Bank overdraft		(2,584)	-
		<u>42,425</u>	<u>22,246</u>
Balance as per statement of cash flows			

*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:

385 MacArthur Avenue  
Hamilton QLD 4007

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2022.

**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 2021 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 2021 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 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods and services revenue	251,488	212,403
	<b>251,488</b>	<b>212,403</b>

*Disaggregation of revenue*

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

Australia	206,158	175,403
New Zealand	39,271	30,605
South Africa	6,059	6,395
	<b>251,488</b>	<b>212,403</b>

During the half-years ended 31 December 2021 and 31 December 2020, all revenue from sale of goods was recognised as the goods were transferred at a point in time and revenue from services was recognised as the service was performed over time.

**Note 5. Other income**

Government assistance payments – COVID-19	3	974
Other income	396	264
	<b>399</b>	<b>1,238</b>

**Note 6. Expenses**

	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Property, plant and equipment	1,777	1,130
Right-of-use assets	5,668	4,910
Total depreciation	<u>7,445</u>	<u>6,040</u>
<i>Amortisation</i>		
Importation rights	267	267
Customer relationships	256	256
Other	-	82
Total amortisation	<u>523</u>	<u>605</u>
Total depreciation and amortisation	<u>7,968</u>	<u>6,645</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable for financial liabilities	1,298	646
Interest and finance charges paid/payable for lease liabilities	546	549
Finance costs expensed	<u>1,844</u>	<u>1,195</u>
Net foreign exchange loss / (gain)	<u>1,282</u>	<u>(570)</u>

**Note 7. Issued capital**

	<b>31 Dec 2021</b>	<b>30 June 2021</b>	<b>31 Dec 2021</b>	<b>30 June 2021</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>122,221,406</u>	<u>114,294,863</u>	<u>80,126</u>	<u>70,204</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 2020	<u>102,891,313</u>		<u>65,272</u>
Shares issued as consideration in Tyres4U acquisition	4 August 2020	11,315,903	\$0.4293	4,858
Shares issued per Dividend Reinvestment Plan	9 April 2021	87,647	\$0.8500	74
Balance	30 June 2021	<u>114,294,863</u>		<u>70,204</u>
Shares issued per Dividend Reinvestment Plan	15 October 2021	188,447	\$1.0900	205
Shares issued as consideration in acquisition (note 11)	2 November 2021	1,071,430	\$1.1200	1,200
Shares issued per Placement, net of capital raising costs	21 December 2021	6,666,666	\$1.3500	8,517
Balance	31 December 2021	<u>122,221,406</u>		<u>80,126</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 Black Rubber acquisition (refer to note 11 for further details) were issued at an issue price based on the volume weighted average price ("VWAP") over the 10 business days prior to 29 October 2021.

*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 2021 Annual Report.

**Note 8. Dividends**

Dividends paid during the financial year were as follows:

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Final dividend	5,715	-
Interim dividend	-	-
	<u>5,715</u>	<u>-</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 14 March 2022 and a payment date of 8 April 2022. The total dividend payable is \$3,951,000. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2021 and will be recognised in subsequent financial reports.

**Note 9. Earnings per share**

Profit after income tax	5,565	9,832
Non-controlling interest	(104)	(110)
	<u>5,461</u>	<u>9,722</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	115,122,678	112,116,234
Adjustments for calculation of diluted earnings per share:		
Options and rights over ordinary shares	3,479,477	1,845,000
	<u>118,602,155</u>	<u>113,961,234</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	4.74	8.67
Diluted earnings per share	4.60	8.53

**Note 10. Related party transactions**

During the half-year, the Group leased business premises owned by closely related party of a key management personnel ("KMP") member. The lease expires on 30 May 2023 and has two 5-year renewal options. Rent payments for the half-year totalled \$89,318 (1H21: \$88,259), with \$Nil outstanding at 31 December 2021 (2020: \$Nil).

At 31 December 2021, there was an unsecured loan receivable from a member of KMP of \$82,032 (Dec-20: \$82,032).

All transactions were made on normal commercial terms and conditions and at market rates except for the loan detailed above which is an interest-free loan.

**Note 11. Business combinations**

On 2 November 2021, the Group acquired 100% of the issued capital of Black Rubber Pty Ltd and Black Rubber Sydney Pty Ltd. Total consideration for the acquisition was \$27,928,000, including \$21,377,000 in cash consideration, \$5,351,000 in deferred consideration and \$1,200,000 in Company shares, issued at time of the acquisition. The acquired business has contributed revenue of \$7,345,000 and profit before tax of \$625,000 to the Group from the date of acquisition to 31 December 2021. If the acquisition occurred on 1 July 2021, the full half-year contribution would have been revenue of \$22,107,000 and profit before tax of \$1,987,000. Transaction costs of \$674,000 were incurred during the half-year in relation to the acquisition. These costs are included in Professional fees expenditure in the Statement of profit or loss and other comprehensive income. To assist with this acquisition and the acquisition of Carter's after the reporting date (refer to note 12), the Company renegotiated its debt facilities with Commonwealth Bank of Australia increasing the total debt facility to \$116,500,000 with total amount owing under this facility at 31 December 2021 being \$87,700,000. 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	1,847
Trade and other receivables	6,329
Inventories	5,921
Other assets	442
Property, plant & equipment	3,216
Right-of-use assets	4,759
Customer relationships	9,600
Brand name	2,300
Accreditations	200
Trade and other payables	(3,993)
Current tax liabilities	(1,419)
Lease liabilities	(4,592)
Provisions	(600)
Deferred tax liability	(3,300)
<b>Net assets acquired</b>	<b>20,710</b>
Goodwill	7,218
<b>Acquisition-date fair value of total consideration</b>	<b>27,928</b>
<b>Representing:</b>	
Cash paid	21,377
Deferred consideration (included in Other liabilities in the Statement of financial position)	5,351
Shares issued (note 7)	1,200
<b>Total consideration</b>	<b>27,928</b>
<b>Cash used to acquire business, net of cash acquired:</b>	
Total consideration	27,928
Less: cash and cash equivalents acquired	(1,847)
Less: deferred consideration	(5,351)
Less: shares issued	(1,200)
<b>Net cash used</b>	<b>19,530</b>

On 30 November 2021, the Group acquired certain assets (inventories and plant and equipment) and the workforce from Alacad Pty Ltd t/a Access Alloys. Total consideration for the acquisition was \$1,121,000, paid in cash. The acquired assets have been incorporated in Dynamic Wheel Co. Goodwill of \$774,000 has been recognised in relation to the acquisition.

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

On 7 January 2022, the Group completed the acquisition of the Carters Tyre Service (and related entities) in New Zealand. Consideration totalled \$28,300,000 which was paid in cash and NTAW shares. As described in note 11, the Group's debt facilities were renegotiated to assist with the acquisition. 1.4m NTAW shares were issued using the Company's available capacity under ASX Listing Rule 7.1 and are subject to voluntary escrow of 6 months from the date of issue.

On 25 January 2022, the Company successfully completed the share purchase plan ("SPP") offer which was announced at same time as the Placement which occurred during the half-year period. \$10,900,000 was raised under the SPP offer after receiving applications for \$17,000,000. 8.1m NTAW shares (at \$1.35 per share) were allotted on 28 January 2022.

Apart from the matters described above and dividend declared as disclosed in note 8, no other matter or circumstance has arisen since 31 December 2021 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 2021**



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 2021 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

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

22 February 2022  
Brisbane

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

### Report on the Half-Year Financial Report

#### Conclusion

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 2021, 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 2021 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.

### **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 2021 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  
22 February 2022