

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 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

	31 Dec 2022	31 Dec 2021	Change
	\$'000	\$'000	%
Revenues from ordinary activities	295,931	251,488	17.7%
Net (loss)/profit from ordinary activities attributable to shareholders	(1,612)	5,461	(129.5%)
	Cents	Cents	Change
			%
Basic earnings per share	(1.22)	4.74	(125.7%)
Diluted earnings per share	(1.22)	4.60	(126.5%)
<i>Dividends</i>			
	Cents	Cents	Change
			%
Interim dividend - fully franked	-	3.00	(100%)

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

	31 Dec 2022	31 Dec 2021
	Cents	Cents
Net tangible assets per ordinary security	47.40	55.31

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Refer to note 8 in the attached Interim Report.

7. Dividend reinvestment plans

No interim dividend has been declared for the half-year ended 31 December 2022, therefore the dividend reinvestment plan (“DRP”) dated 6 November 2017 is not in operation. The DRP rules can be downloaded from the NTAW website: <https://www.ntaw.com.au>.

8. Details of associates and joint venture entities

Not applicable.

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.

10. Attachments

Details of attachments (if any):

The Interim Report of National Tyre & Wheel Limited for the half-year ended 31 December 2022 is attached.

11. Signed

Signed  _____

Date: 27 February 2023

Murray Boyte
Chairman

National Tyre & Wheel Limited and its controlled entities

ABN 97 095 843 020

Interim Report – 31 December 2022

National Tyre & Wheel Limited and its controlled entities

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31 December 2022



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National Tyre & Wheel Limited and its controlled entities

Directors' report

31 December 2022



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 2022 ("1H23").

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 half-year ended 31 December 2022 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 ("OE");
- Statewide Tyre Distribution Pty Ltd ("Statewide");
- Top Draw Tyres Proprietary Limited t/a Tyrelife Solutions ("TLS");
- NTAW Logistics Pty Ltd;
- Tyres4U Pty Ltd ("T4UAU");
- Tyres4U (NZ) Ltd ("T4UNZ");
- Tyreright Operations Pty Ltd ("TRT");
- Black Rubber Pty Ltd & Black Rubber Sydney Pty Ltd (collectively "Black Rubber"); and
- Carters Tyre Service Limited, C.O. Tire & Retreading Co Limited & Tyre Distributors New Zealand Limited (collectively "Carter's").

There have been no significant changes in the nature of the Group's activities during this period.

Dividends

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Dividends paid during the half-year were as follows:		
Final dividend	1,980	5,715

Operating and financial review

Review of operations

NTAW is the largest independent tyre and wheel importer/distributor in Australia and New Zealand. It is also a 50% shareholder in a tyre and wheel importation/distribution company in South Africa.

These operations are conducted by twelve business units, including wholesalers and retailers, with support from shared services provided by the parent company. Products are broadly segmented into a consumer category, comprising tyres and wheels for passenger, SUV and 4WD vehicles and a commercial category, comprising tyres and wheels for trucks, buses as well as industrial, agricultural and off-the-road vehicles.

Tyres are imported to Australia and New Zealand from various countries, notably China, South East Asian nations, Japan, India, USA and some European countries. There is no new tyre manufacturing in Australia or New Zealand.

NTAW therefore participates in a global industry with an estimated output of 2.2bn products per annum¹. It is estimated that the Australian market accounts for about 22 million tyres per annum (with a further 7 million tyres attached to new imported vehicles)².

Key raw materials used in the manufacture of tyres include rubber, oil, various oil derivatives (including synthetic rubber and carbon black) and steel. Tyres are transported on ships sailing from many ports in the various manufacturing countries.

In 1H23, NTAW business units continued to operate separately, focussing on market segments in which they seek a competitive advantage. There are drivers of demand common to all segments as well as more nuanced factors that influence demand in each segment.

In 1H23, the following factors had an impact on NTAW operations:

- a substantial increase in oil prices in 2022 (compared to the previous 5 years) resulted in a rate of inflation in NTAW's cost of goods of more than 20% throughout 2022, well above the general rate of inflation in Australia and New Zealand;
- shipping costs increased up to 500% at various times between late 2020 and late 2022³. This substantial spike in shipping costs increased NTAW's cost of goods;
- the impact of rising prices and freight costs was compounded in 1H23 by the AUD/USD exchange rate dropping in October and November⁴ – months in which inventory shipments increased;
- higher oil prices and other transport costs increased outbound freight costs incurred to deliver goods to NTAW customers;
- labour markets tightened and historically low rates of unemployment⁵ prevailed through 1H23. This translated to full employment in some categories of the NTAW workforce, particularly trades and logistics personnel. The tight labour market had an adverse impact on business development as businesses made sure service levels were maintained for existing customers and increased people costs;
- supply chains remained disrupted by the tail end of pandemic lock downs, a shortage of land and sea transport as well as manufacturers operating at capacity;
- in this environment all Australian tyre importers, including NTAW, experienced an unusual level of delayed shipments and poor fill rates followed by sudden "all at once" fulfilment of back orders. This disorderly supply chain resulted in NTAW missing sales opportunities due to low holding of stock in some businesses;
- demand for NTAW products remained generally strong despite rising interest rates and inflationary pressures. NTAW businesses increased prices in 1H23 but the rate of increase did not keep pace with the cadence and scale of increases in the cost of goods, resulting in lower gross margins. Conventions dictate that the size and cadence of COGS increases could not be passed immediately to customers. Some businesses absorbed price rises to focus on recovering market share lost to missed opportunities due to low inventory levels in some businesses;

¹ <https://oem.news/industry/rubber/tire/tire-market-the-global-tire-industry-analysis/>

² <https://www.tyrestewardship.org.au/wp-content/uploads/2021/06/2021031.pdf>

³ <https://www.statista.com/statistics/1250636/global-container-freight-index/>

⁴ <https://www.rba.gov.au/statistics/historical-data.html>

⁵ <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

- the most recent acquisitions (Carter's in January 2022 and Black Rubber in November 2021) performed according to their respective investment cases in 1H23, contributing \$5.7 million to the Group's Operating EBITDA in 1H23. The adverse impacts of the trading environment described above were mostly felt in the larger core businesses of ETD and Tyres4U;
- NTAW is undertaking various projects to leverage the diversity and scale built through business acquisitions over the past ten years. The status of these projects at 31 December 2022 can be summarised as follows:
 - warehouse consolidations will be completed in Brisbane in April 2023 and Perth in September 2023. Labour shortages and outbound freight costs have constrained the capture of synergies from previous consolidations in Melbourne and Sydney in 1H23;
 - NTAW aspires to lead a digital transformation of the tyre industry. The first step in this project involved installing a common IT platform across all business units and enterprise planning software. NTAW decided to pause and review the performance of the preferred suite of IT products and services in 2Q23. The 1H23 operating environment was not conducive to continuing investment in this project and focus has shifted to implementing a common finance and administration platform for business units. This activity will provide a framework for future digital transformation activity;
 - reorganisation of the Group's commercial truck and bus fleet activities to take advantage of expertise and distribution platforms of Tyres4U, Tyreright and Black Rubber in Australia will be completed in 3Q23;
 - the distribution of the Cooper brand of products continued following the achievement of relevant hurdles in calendar year 2022. Support from, and collaboration with, Cooper increased in 1H23 and is expected to continue in calendar year 2023;
 - cross-selling initiatives in 1H23 were constrained as NTAW managed service levels for existing customers and extraordinary inflationary pressures;
 - supplies from the USA experienced poor fill rates in 1H23, adversely affecting NTAW's 4WD tyre business. More product manufacture was shifted to Asia in 1H23 and this shift is expected to continue; and
 - procurement initiatives, centred upon a new sales and operations planning process, aim to improve inventory management. Once again, this project was challenged in 1H23 by the disorderly supply chain encountered during that period.
- Expenses associated with six months ownership of Carters and four months ownership of Black Rubber were not included in the 1H22 results but are included in the 1H23 result. The Group's costs declined moderately in 1H23, mainly due to Tyreright stores being sold and a lower headcount.

Commonwealth Bank of Australia ("CBA"), NTAW's senior lender suspended debt covenants for 2Q23. NTAW and CBA have agreed to a new debt covenant regime that reflects current operating environment and financial forecasts for the remainder of calendar year 2023.

Results highlights

NTAW has reported total revenue of \$295.9m (1H22: \$251.5m) for the half-year, an increase of \$44.4m (17.7%) on the prior comparative period.

NTAW's statutory profit for the Group after providing for income tax and non-controlling interests amounted to a loss of \$1.6m (1H22: profit of \$5.5m).

NTAW has a strong balance sheet with net assets of \$111.9m at 31 December 2022 (Jun-22: \$112.5m). The net debt position was \$74.5m (Jun-22: \$60.0m) and a 'net debt to equity + debt' ratio of 36.2% (Jun-22: 28.8%).

Key operating metrics

	1H23	1H22
Gross profit margin	27.1%	28.6%
Operating costs as % of total revenue	22.4%	22.1%
Reported EBITDA ¹ margin	4.6%	6.9%
Operating EBITDA ² margin	5.3%	8.1%

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 27.1% and an Operating EBITDA margin of 5.3%, with gross profit margin and Operating EBITDA margin decreasing from that achieved in the prior comparative period resulting from significant price rises from suppliers, increased freight costs and unfavourable exchange rates between the AUD and USD.

Key financial results

\$'000	1H23	1H22
Sales revenue	295,931	251,488
Gross profit	80,070	71,804
Reported EBITDA	13,720	17,448
Operating EBITDA	15,675	20,441
Reportable NPATA attributable to NTAW ¹	(511)	5,907
Operating NPATA attributable to NTAW ¹	1,444	8,900

1 NPATA excludes non-controlling interests and amortisation on a tax effected basis.

Operating EBITDA

The Group has reported an EBITDA of \$13.7m (1H22: \$17.4m). The result for 1H23 includes \$0.8m (1H22: \$2.1m) in non-recurring costs associated with the implementation of IT projects and \$0.4m (1H22: \$nil) in non-recurring costs associated with retail store disposals and redundancies. Unrealised foreign exchange loss on foreign exchange contracts and foreign currency denominated suppliers of \$0.8m (1H22: \$0.2m) was recognised in the half-year.

After taking into account the above items, an Operating EBITDA of \$15.7m was earned in 1H23 (1H22: \$20.4m) as shown in the following table:

\$'000	1H23	1H22
Net profit after tax	(1,772)	5,565
Depreciation and amortisation	12,045	7,968
Finance costs (net)	3,698	1,820
Income tax expense	(251)	2,095
Reported EBITDA	13,720	17,448
IT project implementation costs	762	1,218
Warehouse consolidation costs	-	857
Store disposals and redundancy costs	368	-
Unrealised foreign exchange losses	825	244
Acquisition costs	-	674
Operating EBITDA	15,675	20,441

Financial Position

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

	31 December 2022	30 June 2022
Total assets (\$'000)	373,146	405,494
Net assets (\$'000)	111,859	112,466
Net debt (\$'000)	74,512	59,968
Shares on issue ('000)	133,252	131,936
Dividends per security (cents) (half-year / full year)	-	4.50

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

- Net debt has increased by \$14.5m;
- 1.3m shares were issued (at \$0.72/share) under the dividend reinvestment plan; and
- No interim dividend been declared in respect of the half-year (1H22: 3.00 cents)

Outlook

The supply side inflation experienced in 1H23 has subsided and suppliers are offering lower prices in response to declining raw material costs, especially oil. Freight costs have also reduced significantly.

Apart from USA based suppliers, NTAW expects improved fill rates and on-time deliveries in 2H23. Supplies from the USA are expected continue falling short of required fill rates and this is likely to constrain 4WD tyre sales (approximately 8% of NTAW's sales are USA sourced products). The constraint is expected to be offset to some extent by the introduction of a new Chinese sourced product and the continuing transfer of manufacture from the USA to China.

Tyres are a "necessary" product so periods of suppressed consumer demand can lead to purchase deferral and/or lower price preferences. NTAW's product portfolio includes consumer products at all price points but, if consumer demand falls, sales could be affected by purchase deferrals and gross margins might be affected by consumer preferences shifting to lower priced products.

Demand for commercial products is expected to grow along with goods movements, a vibrant agricultural economy and continuing civil works programs. NTAW expects commercial sales to grow as a result of the re-organisation of the Tyres4U, Tyreright and Black Rubber businesses.

In response to an uncertain demand outlook for consumer products, NTAW will continue to explore cost reduction opportunities. Remaining warehouse consolidations will save costs over time. Investment in some other projects will remain on hold until financial performance improves.

1H23 operations were adversely affected by an array of adverse trading conditions, almost all of which are expected to be much more positive in 2H23. NTAW remains well placed to profit from the diversified and scalable business platform it has constructed, with a clear strategy to be executed as gross margins improve.

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 half-year

No matters or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

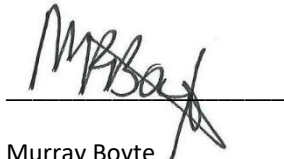
The Company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

27 February 2023
Brisbane

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

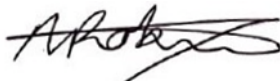
Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2022, 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
PITCHER PARTNERS



ANDREW ROBIN
Partner

Brisbane, Queensland
27 February 2023

National Tyre & Wheel Limited and its controlled entities
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue from contracts with customers	4	295,931	251,488
Other income	5	150	399
Expenses			
Cost of goods sold		(215,861)	(179,684)
Employee benefits and other related costs		(44,163)	(35,139)
Depreciation and amortisation	6	(12,045)	(7,968)
Occupancy		(3,695)	(4,824)
Motor vehicle expenses		(3,486)	(2,147)
Computer and software costs		(3,295)	(2,954)
Professional fees and insurance		(3,039)	(3,347)
Marketing		(2,682)	(2,457)
Other		(6,130)	(3,863)
Finance costs	6	(3,708)	(1,844)
(Loss)/Profit before income tax expense		(2,023)	7,660
Income tax expense		251	(2,095)
(Loss)/Profit after income tax expense		(1,772)	5,565
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,827	(535)
Other comprehensive income for the half-year, net of tax		1,827	(535)
Total comprehensive income for the half-year		55	5,030
(Loss)/Profit for the half-year is attributable to:			
Non-controlling interest		(160)	104
Owners of National Tyre & Wheel Limited		(1,612)	5,461
		(1,772)	5,565
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(160)	104
Owners of National Tyre & Wheel Limited		215	4,926
		55	5,030
		Cents	Cents
Basic earnings per share	9	(1.22)	4.74
Diluted earnings per share	9	(1.22)	4.60

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 2022



	Note	31 Dec 2022 \$'000	30 June 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		19,289	35,826
Trade and other receivables		84,406	98,425
Inventories		134,756	127,266
Forward foreign exchange contracts asset		-	1,339
Other financial assets		103	115
Prepayments		5,793	5,154
Current tax asset		1,087	1,216
Total current assets		<u>245,434</u>	<u>269,341</u>
Non-current assets			
Property, plant and equipment		16,271	16,817
Right-of-use assets		57,973	65,081
Intangible assets		52,975	53,764
Other financial assets		493	623
Deferred tax		-	-
Total non-current assets		<u>127,712</u>	<u>136,285</u>
Total assets		<u>373,146</u>	<u>405,626</u>
Liabilities			
Current liabilities			
Trade and other payables		86,264	106,198
Borrowings		5,516	7,550
Lease liabilities		16,928	16,016
Provisions		12,382	13,238
Forward foreign exchange contracts liability		1,261	-
Total current liabilities		<u>122,351</u>	<u>143,002</u>
Non-current liabilities			
Payables		-	2,600
Borrowings		88,285	88,244
Lease liabilities		44,380	51,581
Provisions		1,994	2,047
Deferred tax		4,277	5,686
Total non-current liabilities		<u>138,936</u>	<u>150,158</u>
Total liabilities		261,287	293,160
Net assets		<u>111,859</u>	<u>112,466</u>
Equity			
Issued capital	7	94,058	93,122
Reserves		102	(2,107)
Retained earnings		14,349	17,941
Equity attributable to the owners of National Tyre & Wheel Limited		<u>108,509</u>	<u>108,956</u>
Non-controlling interest		3,350	3,510
Total equity		<u>111,859</u>	<u>112,466</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 2022



	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 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 half-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
Share-based payments	-	-	226	-	-	226
Dividends paid	205	-	-	(5,715)	-	(5,510)
Balance at 31 December 2021	80,126	(709)	462	17,954	3,443	101,276
Balance at 1 July 2022	93,122	(3,027)	920	17,941	3,510	112,466
Loss after income tax expense for the half-year	-	-	-	(1,612)	(160)	(1,772)
Other comprehensive income for the half-year, net of tax	-	1,827	-	-	-	1,827
Total comprehensive income for the half-year	-	1,827	-	(1,612)	(160)	55
<i>Transactions with owners in their capacity as owners:</i>						
Redemption of share options	10	-	(10)	-	-	-
Share-based payments	-	-	392	-	-	392
Dividends paid	926	-	-	(1,980)	-	(1,054)
Balance at 31 December 2022	94,058	(1,200)	1,302	14,349	3,350	111,859

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 2022



	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities		
Receipts from customers	345,988	278,261
Payments to suppliers and employees	(342,635)	(275,642)
	3,353	2,619
Interest received	10	24
Interest and other finance costs paid	(3,708)	(1,763)
Income taxes paid	(1,094)	(5,136)
	(1,439)	(4,256)
Cash flows from investing activities		
Payment of deferred consideration	(2,600)	-
Payment for purchase of business, net of cash acquired	-	(20,651)
Payments for property, plant and equipment	(956)	(2,891)
Proceeds from disposal of property, plant and equipment	41	305
Transfers to term deposits	(352)	(277)
	(3,867)	(23,514)
Cash flows from financing activities		
Proceeds from share issue	-	9,000
Proceeds from borrowings	42	43,189
Repayment of lease liabilities	(8,048)	(4,898)
Dividends paid	(1,054)	(5,510)
	(9,060)	41,781
Net cash (used in)/from financing activities	(9,060)	41,781
Net (decrease)/increase in cash and cash equivalents	(14,366)	14,011
Cash and cash equivalents at the beginning of the half-year	32,774	28,451
Effects of exchange rate changes on cash and cash equivalents	(135)	(37)
Cash and cash equivalents at the end of the half-year	18,273	42,425
<i>Reconciliation to statement of financial position</i>		
Cash and cash equivalents	19,289	45,009
Bank overdrafts	(1,016)	(2,584)
Balance as per statement of cash flows	18,273	42,425

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:
Level 2, 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 27 February 2023. The directors have the power to amend and reissue the financial statements.

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 31 December 2022 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 2022 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 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

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Sale of goods and services revenue	295,931	251,488
	295,931	251,488

Disaggregation of revenue

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

Australia	225,622	206,158
New Zealand	65,472	39,271
South Africa	4,837	6,059
	295,931	251,488

During the half-years ended 31 December 2022 and 31 December 2021, 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 grants	-	3
Other income	150	396
	150	399

Note 6. Expenses

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
(Loss)/profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	1,874	1,777
Right-of-use assets	8,713	5,668
	<hr/>	<hr/>
Total depreciation	10,587	7,445
	<hr/>	<hr/>
Amortisation		
Customer relationships	1,191	256
Importation rights	267	267
	<hr/>	<hr/>
Total amortisation	1,458	523
	<hr/>	<hr/>
Total depreciation and amortisation	12,045	7,968
	<hr/>	<hr/>
Finance costs		
Interest and finance charges paid/payable for financial liabilities	2,667	1,298
Interest and finance charges paid/payable for lease liabilities	1,041	546
	<hr/>	<hr/>
Finance costs expensed	3,708	1,844
	<hr/>	<hr/>
Net foreign exchange loss	2,231	1,282
	<hr/>	<hr/>

Note 7. Issued capital

	31 Dec 2022 Shares	30 June 2022 Shares	31 Dec 2022 \$'000	30 June 2022 \$'000
Ordinary shares - fully paid	133,252,066	131,936,002	94,058	93,122

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 Jul 2021	114,294,863		70,204
Shares issued per Dividend Reinvestment Plan	15 Oct 2021	188,447	\$1.0900	205
Shares issued as consideration in Black Rubber acquisition	2 Nov 2021	1,071,430	\$1.1200	1,200
Shares issued per Placement, net of capital raising costs	21 Dec 2021	6,666,666	\$1.3500	8,507
Shares issued as consideration in Carter's acquisition	7 Jan 2022	1,394,222	\$1.4300	1,882
Shares issued per Share Purchase Plan, net of capital raising costs	28 Jan 2022	8,077,023	\$1.3500	10,812
Shares issued per Dividend Reinvestment Plan	8 Apr 2022	243,351	\$1.2805	312
Balance	30 June 2022	131,936,002		93,122
Shares issued per Dividend Reinvestment Plan	7 Oct 2022	1,286,312	\$0.7200	926
Redemption of share options	14 Oct 2022	29,752	\$0.3735	10
Balance	31 Dec 2022	133,252,066		94,058

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.

By way of a poll each share shall have one vote at a meeting.

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 Group is actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 8. Dividends

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Dividends paid during the half-year were as follows:		
Final dividend	<u>1,980</u>	<u>5,715</u>

Note 9. Earnings per share

(Loss)/Profit after income tax	(1,772)	5,565
Non-controlling interest	<u>160</u>	<u>(104)</u>
Profit after income tax attributable to the owners of National Tyre & Wheel Limited	<u>(1,612)</u>	<u>5,461</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	132,549,987	115,122,678
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares ^(a)	<u>-</u>	<u>3,479,477</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>132,549,987</u>	<u>118,602,155</u>
	Cents	Cents
Basic earnings per share	(1.22)	4.74
Diluted earnings per share ^(a)	(1.22)	4.60

(a) There are 4,580,254 options over ordinary shares as at 31 December 2022 which have not been included in the calculation of diluted earnings per share for the half-year as they are antidilutive for the period ended 31 December 2022. These options could potentially dilute basic earnings per share in the future.

Note 10. Related party transactions

During the half-year, there were nil transactions with related parties (1H22: \$89,318).

Note 11. Events after the reporting period

No matters or circumstances has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

National Tyre & Wheel Limited and its controlled entities
Directors' Declaration
31 December 2022



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 2022 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

27 February 2023
Brisbane

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

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 2022, 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 2022 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.

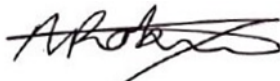
Auditor's Responsibility for the Review of the Financial Report

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 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.

Pitcher Partners

PITCHER PARTNERS



ANDREW ROBIN
Partner

Brisbane, Queensland
27 February 2023