

## 1. Company details

Name of entity:	National Tyre & Wheel Limited
ABN:	97 095 843 020
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

## 2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 *Leases* for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

	31 Dec 2019 \$'000	31 Dec 2018 \$'000	Change %
Revenues from ordinary activities	80,454	83,762	(3.9%)
Net profit/(loss) from ordinary activities attributable to shareholders	2,514	3,617	(30.5%)
	Cents	Cents	Change %
Basic earnings per share	2.44	3.53	(30.9%)
Diluted earnings per share	2.42	3.52	(31.3%)
<i>Dividends</i>	Cents	Cents	Change %
Interim dividend - fully franked	1.25	1.25	0.0%
Record date for determining entitlement to the interim dividend	13 March 2020		
Payment date for the interim dividend	23 March 2020		

### 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

	(A) Reporting period Cents	(B) Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	37.78	48.76	46.31

(A) Net tangible assets reported at 31 December 2019 does not include the right-of-use assets required to be accounted for in adopting AASB 16 *Leases*, but does include the corresponding lease liabilities.

(B) Included above is the net tangible assets per ordinary security for the current period in accordance with the prior comparative period, which have not been adjusted for the impact of AASB 16.

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

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## 6. Dividends

Refer to note 8 'Equity - dividends' in the attached Interim Report.

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## 7. Dividend reinvestment plans

The dividend reinvestment plan ('DRP') dated 6 November 2017 has been suspended.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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## 10. 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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## 11. Attachments

*Details of attachments (if any):*

The Interim Report of National Tyre & Wheel Limited for the half-year ended 31 December 2019 is attached.

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## 12. Signed

Signed  \_\_\_\_\_

Murray Boyte  
Chairman  
Brisbane

Date: 25 February 2020



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

**ABN 97 095 843 020**

**Interim Report - 31 December 2019**

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**National Tyre & Wheel Limited and its controlled entities**  
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**31 December 2019**



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## National Tyre & Wheel Limited and its controlled entities

### Directors' report

31 December 2019



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'NTAW' or the 'Group') consisting of National Tyre & Wheel Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

#### 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
(John) Peter Ludemann	Chief Executive Officer and Managing Director
Terence (Terry) Smith	Executive Director
William (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 2019 was the distribution and marketing of motor vehicle tyres, wheels, tubes and related products in Australia, New Zealand and South Africa.

National Tyre & Wheel Limited 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 Ltd ("Dynamic");
- M.P.C. Mags and Tyres Pty Ltd ("MPC");
- Statewide Tyre Distribution Pty Ltd ("Statewide"); and
- Top Draw Tyres Proprietary Limited ("Top Draw Tyres")

The tyre and wheel industries are large with retail revenue in Australia estimated to exceed \$5bn, with the subsidiary entities seeking to operate in markets with products and business models that offer competitive advantages.

ETD and ETDNZ are the exclusive importers and wholesale distributors of Cooper, Mickey Thompson, Starfire and Mastercraft branded 4WD, SUV and passenger tyres in Australia and New Zealand. They also import Federal branded tyres in Australia (excluding Queensland) and New Zealand. Cooper and Mickey Thompson products are well known to consumers for their reliability and performance and customer loyalty programs between ETD, ETDNZ and retail customers underpin strong retail support for the promotion of products.

Dynamic has a leading position in Australia for the importation and wholesale distribution of steel wheels, including the proprietary Dynamic brand.

MPC specialises in supplying wheel and tyre packages for caravan and trailer manufacturers in Australia including the proprietary MPC brand.

Statewide Tyre Distributors has a leading position in South Australia for the importation and wholesale distribution of tyres and wheels.

Top Draw Tyres is the exclusive importer and wholesale distributor for Cooper and Mickey Thompson branded 4WD, SUV and passenger tyres in South Africa and neighbouring countries.

In addition to the results from the operation of these well established businesses, the Group is executing growth strategies described below under the heading "Review of Operations".

Management believes 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 2019 \$'000	31 Dec 2018 \$'000
Final dividend for the year ended 30 June 2019 of 2.05 cents per ordinary share	2,573	-
Special dividend for the year ended 30 June 2019 of 1.50 cents per ordinary share	1,080	-
Final dividend for the year ended 30 June 2018 of 2.30 cents per ordinary share	-	2,353
	<u>3,653</u>	<u>2,353</u>

At the date of signing these financial statements, the Company has declared a fully franked interim dividend of 1.25 cents per share with a record date of 13 March 2020 and a payment date of 23 March 2020. The total dividend payable is \$1,286,000. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2019 and will be recognised in subsequent financial reports.

## Review of operations

Management has proactively responded to changing market conditions and introduced a number of new initiatives and growth strategies that are expected to have a positive impact in the future. These include:

- While actively promoting its superior premium 4WD products, expanding its product mix to cover other price/value points as well as other vehicle sectors, particularly the SUV sector;
- In collaboration with key suppliers, shifting manufacturing sources to lower cost countries, reducing import prices to improve gross profits from margins and/or volume;
- Expanding its lower priced tyre business with the national launch of the Blacklion range in Australia and the Momo brand in South Africa in January/February 2020, as well as launching the Statewide business in WA, with the proposed purchase of assets from Industrial Tyre Service providing a base for that expansion (as disclosed on page 5);
- New alloy wheel offerings;
- Expanding steel wheel sales in NSW, South Africa and New Zealand;
- Centralising customer care activities in Brisbane, Queensland with a concurrent investment in communication technology and experienced call centre personnel;
- Customer acquisition plans throughout the group;
- Offering new 4WD products in South Africa sourced from lower cost countries in response to the closure of a Cooper factory in the UK that adversely affected supplies in 2019;
- Continuing investment in customer loyalty programs;
- Promotional activities focussed on changing consumer behaviour in the tyre purchase pathway; and
- Pursuing the acquisition of tyre and/or wheel wholesale businesses.

## Key operating metrics

	H1 FY2020	H1 FY2019
Gross profit margin	27.0%	30.2%
Operating costs as % of total revenue	19.1%	22.0%
EBITDA <sup>1</sup> margin	7.9%	8.2%

1 Earnings before interest, tax, depreciation and amortisation

The Group has reported a half-year gross profit margin of 27.0% and a strong EBITDA margin of 7.9%, which are below the prior year results with margins of 30.2% and 8.2%, respectively. The decreased gross profit margin in the half-year was derived from higher than expected USD imported prices and less favourable than expected exchange rates between the AUD and USD. The Group's operating costs as a percentage of sales of 19.1% was lower than prior half-year (22.0%). This was the result of a reduction in employment expenses, more targeted advertising and promotion activities and the impact on classification of expenditure due to the adoption of AASB 16 *Leases*.

### Key financial results

\$'000	H1 FY2020	H1 FY2019
Sales revenue <sup>1</sup>	80,454	83,762
Gross profit	21,697	25,318
EBITDA	6,363	6,833
NPATA attributable to NTAW <sup>2</sup>	3,969	4,414

<sup>1</sup> Revenue from sale of goods only, excluding interest income and other revenue.

<sup>2</sup> NPATA excludes non-controlling interest and amortisation on a tax effected basis.

NTAW has reported total revenue of \$80.4 million for the half-year, a decrease of \$3.4 million (4.1%) on the prior year, resulting from continued price competition from competitors and a tightening retail environment for premium products during the current period.

The profit for the Group after providing for income tax and non-controlling interest amounted to \$2.5 million (31 December 2018: \$3.6 million).

### Underlying EBITDA

The Group has reported a half-year EBITDA of \$6.4 million (H1 FY2019: \$6.8 million). The result for H1 FY2020 contains an unrealised foreign exchange loss on foreign exchange contracts and foreign currency denominated suppliers of \$0.1 million (H1 FY2019: gain of \$0.4 million).

AASB 16 *Leases* was adopted for the first time in this reporting period, resulting in a significant component of lease expenses (i.e. rent within occupancy costs) being classified "below" EBITDA, largely as amortisation (of the right-of-use assets recognised on the statement of financial position). Therefore, EBITDA reported in the current period excludes costs which were included in the EBITDA of prior reporting periods as these have not been restated to reflect the application of AASB 16.

After taking into account the above items, an Underlying EBITDA of \$5.0 million was earned in H1 FY2020 (H1 FY2019: \$6.4 million).

\$'000	H1 FY2020	H1 FY2019
Reported EBITDA	6,363	6,833
Impact on Occupancy costs due to adopting AASB 16	(1,469)	-
Unrealised foreign exchange losses/(gains)	106	(423)
<b>Underlying EBITDA</b>	<b>5,000</b>	<b>6,410</b>

### Outlook

The Group will be pursuing the growth strategies outlined above (see page 3). These strategies involve reasonably substantial structural changes in the Groups premium 4WD businesses in Australia and South Africa including changes to product mix, redirection of sales and promotional activities and new sources of supply.

While the H1 FY2020 result is consistent with expectations, the Group is expecting profit to fall below expectations in H2 because:

- Market conditions are not likely to improve. In particular, pressure from higher import prices, continued discounting by competitors, as well as sluggish consumer demand (impacting premium products) expected to continue will impact volume and margins;
- While near source procurement will be delayed by 6-8 weeks due to production/delivery issues in China related to the Coronavirus, the Group's other solutions (new products, operating improvements and new distribution channels) remain on track to be completed in Q4 FY2020 with the full financial impact of these initiatives arriving in FY2021;
- Support from suppliers to deal with rising import prices has fallen short of expectations and the timing of the limited support received to date means that benefits will not accrue until FY2021; and
- While expenses are below expectations in H1, existing commitments will mean that further cost cutting will not have a material impact until FY2021.

The Group has experienced growth in revenue and profit from Statewide, Dynamic and ETDNZ. MPC is trading in line with expectations. The H2 outlook is adversely affected by trading expectations from ETD and Top Draw Tyres in South Africa, businesses which currently depend on the sale of premium 4WD products. The management team is committed to maintaining the premium sector while also focussing on new sectors.

The Group therefore continues to treat FY2020 as a year of transition to a broader product base, focussing on both premium products and new sectors, positioning all businesses for more robust and sustainable growth after FY2020.

#### **Events after the reporting date**

On 25 February 2020, Statewide Tyre Distribution Pty Ltd entered into an agreement to purchase certain business assets of Industrial Tyre Service Pty Ltd, based in Western Australia. Assets to be acquired include plant and equipment, intellectual property (including the business name) and inventory for the cost or written down value of those assets. Management expect to pay \$700,000 to \$800,000 for these assets, subject to stocktakes and final valuations. This purchase will be funded by the Group's existing cash reserves.

Apart from the event disclosed above and the dividend declared as disclosed above, no other matter or circumstance has arisen since 31 December 2019 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.

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

There were no significant changes in the state of affairs of the Group during the half-year.

#### **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



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Murray Boyte  
Chairman

25 February 2020  
Brisbane



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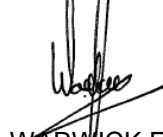
### Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2019, 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  
25 February 2020

**National Tyre & Wheel Limited and its controlled entities**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2019**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	4	80,454	83,762
Interest revenue calculated using the effective interest method		55	129
Recovery of impairment of receivables		-	59
<b>Expenses</b>			
Cost of goods sold		(58,757)	(58,444)
Employee benefits		(8,684)	(9,091)
Depreciation and amortisation	5	(2,313)	(1,306)
Legal and professional fees		(270)	(393)
Marketing		(2,591)	(3,398)
Occupancy		(548)	(2,144)
Insurance		(392)	(531)
Other		(2,849)	(2,987)
Finance	5	(430)	(406)
<b>Profit before income tax expense</b>		3,675	5,250
Income tax expense		(1,169)	(1,402)
<b>Profit after income tax expense for the half-year</b>		2,506	3,848
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		57	233
Other comprehensive income for the half-year, net of tax		57	233
<b>Total comprehensive income for the half-year</b>		<u>2,563</u>	<u>4,081</u>
Profit for the half-year is attributable to:			
Non-controlling interest		(8)	231
Owners of National Tyre & Wheel Limited		2,514	3,617
		<u>2,506</u>	<u>3,848</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(8)	231
Owners of National Tyre & Wheel Limited		2,571	3,850
		<u>2,563</u>	<u>4,081</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	10	2.44	3.53
Diluted earnings per share	10	2.42	3.52

*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 2019**



	Note	Consolidated 31 Dec 2019 \$'000	30 Jun 2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		17,717	19,554
Trade and other receivables		19,510	24,679
Inventories		54,483	48,563
Derivative financial instruments		-	24
Income tax assets		-	212
Other		1,490	1,281
<b>Total current assets</b>		<u>93,200</u>	<u>94,313</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	3,788	3,579
Right-of-use assets	7	11,020	-
Intangibles		19,629	20,313
Deferred tax		102	-
<b>Total non-current assets</b>		<u>34,539</u>	<u>23,892</u>
<b>Total assets</b>		<u>127,739</u>	<u>118,205</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		28,819	29,425
Borrowings		1,608	1,932
Lease liabilities		3,069	108
Derivative financial instruments		795	-
Income tax liabilities		165	-
Provisions		3,433	3,192
<b>Total current liabilities</b>		<u>37,889</u>	<u>34,657</u>
<b>Non-current liabilities</b>			
Borrowings		10,785	11,192
Lease liabilities		8,234	103
Deferred tax		-	152
Provisions		1,311	1,357
<b>Total non-current liabilities</b>		<u>20,330</u>	<u>12,804</u>
<b>Total liabilities</b>		<u>58,219</u>	<u>47,461</u>
<b>Net assets</b>		<u>69,520</u>	<u>70,744</u>
<b>Equity</b>			
Issued capital		65,271	65,271
Reserves		255	185
Retained profits		625	1,911
Equity attributable to the owners of National Tyre & Wheel Limited		<u>66,151</u>	<u>67,367</u>
Non-controlling interest		3,369	3,377
<b>Total equity</b>		<u>69,520</u>	<u>70,744</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 2019**



<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>Retained profits \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2018	64,761	(215)	-	(974)	3,091	66,663
Profit after income tax expense for the half-year	-	-	-	3,617	231	3,848
Other comprehensive income for the half-year, net of tax	-	233	-	-	-	233
Total comprehensive income for the half-year	-	233	-	3,617	231	4,081
<i>Transactions with owners in their capacity as owners:</i>						
Dividends reinvested	389	-	-	-	-	389
Dividends paid (note 8)	-	-	-	(2,353)	-	(2,353)
Balance at 31 December 2018	<u>65,150</u>	<u>18</u>	<u>-</u>	<u>290</u>	<u>3,322</u>	<u>68,780</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>Retained profits \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2019	65,271	185	-	1,911	3,377	70,744
Adjustment for change in accounting policy (see note 2)	-	-	-	(147)	-	(147)
Balance at 1 July 2019 - restated	65,271	185	-	1,764	3,377	70,597
Profit/(loss) 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 half-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)
Balance at 31 December 2019	<u>65,271</u>	<u>242</u>	<u>13</u>	<u>625</u>	<u>3,369</u>	<u>69,520</u>

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 2019**



	<b>Consolidated</b>	
<b>Note</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	93,098	105,941
Payments to suppliers and employees	(87,055)	(106,298)
Interest received	55	129
Interest and other finance costs paid	(250)	(406)
Income tax paid	(982)	(2,547)
	<u>4,866</u>	<u>(3,181)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	6 (864)	(358)
Proceeds from disposal of property, plant and equipment	70	35
	<u>(794)</u>	<u>(323)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(3,653)	(1,964)
Repayment of borrowings	(837)	(813)
Repayment of lease liabilities	(1,409)	-
	<u>(5,899)</u>	<u>(2,777)</u>
Net decrease in cash and cash equivalents	(1,827)	(6,281)
Cash and cash equivalents at the beginning of the half-year	19,554	19,608
Effects of exchange rate changes on cash and cash equivalents	(10)	(70)
	<u>17,717</u>	<u>13,257</u>

*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'). The financial statements are presented in Australian dollars, 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 25 February 2020.

## **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 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. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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 2019 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*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

### **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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

#### **AASB 16 Leases**

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with an amortisation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**Note 2. Significant accounting policies (continued)**

*Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1-Jul-19 \$'000
Operating lease commitments disclosed at 30 June 2019	5,154
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,954
Add: finance lease liabilities recognised at 30 June 2019	275
Less: short-term leases recognised on a straight-line basis as expense	(521)
Lease liability recognised as at 1 July 2019	<u>4,708</u>
Of which are:	
Current lease liabilities	1,780
Non-current lease liabilities	<u>2,928</u>
	<u>4,708</u>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31-Dec-19 \$'000	1-Jul-19 \$'000
Land and buildings	10,611	4,001
Equipment	134	144
Motor vehicles	275	323
Total right-of-use assets	<u>11,020</u>	<u>4,468</u>

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- property, plant and equipment - decrease by \$247,000
- right-of-use assets - increase by \$4,468,000
- deferred tax assets - increase by \$65,000
- borrowings - decrease \$275,000
- lease liabilities - increase by \$4,708,000

The net impact on retained earnings on 1 July 2019 was a decrease of \$147,000.

During the current period, amortisation of right-of-use assets was \$1,281,000 and finance charges for lease liabilities was \$188,000.

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the amortisation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**Note 2. Significant accounting policies (continued)**

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Note 3. 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**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Revenue from contracts with customers</i>		
Sale of goods	80,446	83,591
Other revenue	8	171
Revenue	<u>80,454</u>	<u>83,762</u>



**Note 4. Revenue (continued)**

*Disaggregation of revenue*

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

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Geographical regions</i>		
Australia	64,036	68,196
New Zealand	8,605	7,637
South Africa	7,805	7,758
	<u>80,446</u>	<u>83,591</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>80,446</u>	<u>83,591</u>

**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	11	2
Plant and equipment	181	180
Motor vehicles	157	192
Total depreciation	<u>349</u>	<u>374</u>
<i>Amortisation</i>		
Customer relationships	279	322
Importation rights	404	606
Other intangibles	-	4
Right-of-use assets (note 2)	1,281	-
Total amortisation	<u>1,964</u>	<u>932</u>
Total depreciation and amortisation	<u>2,313</u>	<u>1,306</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable for lease liabilities (note 2)	188	-
Interest and finance charges paid/payable for financial liabilities	242	406
Finance costs expensed	<u>430</u>	<u>406</u>

**Note 6. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Leasehold improvements - at cost	630	321
Less: Accumulated depreciation	(277)	(266)
	<u>353</u>	<u>55</u>
Plant and equipment - at cost	5,031	4,826
Less: Accumulated depreciation	(3,237)	(3,067)
	<u>1,794</u>	<u>1,759</u>
Motor vehicles - at cost	2,954	3,104
Less: Accumulated depreciation	(1,313)	(1,395)
	<u>1,641</u>	<u>1,709</u>
Capital works in progress - at cost	-	56
	<u>3,788</u>	<u>3,579</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current half-year are set out below:

<b>Consolidated</b>	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Capital works in progress \$'000	Total \$'000
Balance at 1 July 2019	55	1,759	1,709	56	3,579
Transfers to right-of-use assets on adoption of AASB 16 (note 2 & note 7)	-	(50)	(197)	-	(247)
Additions	253	269	342	-	864
Disposals	-	(6)	(57)	-	(63)
Exchange differences	-	3	1	-	4
Transfers in/(out)	56	-	-	(56)	-
Depreciation expense	(11)	(181)	(157)	-	(349)
Balance at 31 December 2019	<u>353</u>	<u>1,794</u>	<u>1,641</u>	<u>-</u>	<u>3,788</u>

**Note 7. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings - right-of-use	14,588	-
Less: Accumulated amortisation	(3,977)	-
	<u>10,611</u>	<u>-</u>
Plant and equipment - right-of-use	184	-
Less: Accumulated amortisation	(50)	-
	<u>134</u>	<u>-</u>
Motor vehicles - right-of-use	503	-
Less: Accumulated amortisation	(228)	-
	<u>275</u>	<u>-</u>
	<u><u>11,020</u></u>	<u><u>-</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current half-year are set out below:

	Land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Recognition of assets on adoption of AASB 16 on 1 July 2019	4,001	94	126	4,221
Transfers in from property, plant and equipment (note 6)	-	50	197	247
Additions	7,823	10	-	7,833
Amortisation expense	(1,213)	(20)	(48)	(1,281)
Balance at 31 December 2019	<u>10,611</u>	<u>134</u>	<u>275</u>	<u>11,020</u>

**Note 8. Equity - dividends**

Dividends paid during the half-year were as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2019 of 2.05 cents per ordinary share	2,573	-
Special dividend for the year ended 30 June 2019 of 1.50 cents per ordinary share	1,080	-
Final dividend for the year ended 30 June 2018 of 2.30 cents per ordinary share	-	2,353
	<u>3,653</u>	<u>2,353</u>

At the date of signing these financial statements, the Company has declared a fully franked interim dividend of 1.25 cents per share with a record date of 13 March 2020 and a payment date of 23 March 2020. The total dividend payable is \$1,286,000. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2019 and will be recognised in subsequent financial reports.

**Note 9. Related party transactions**

During the half-year the Group paid \$128,310 in lease rental payments to related parties of key management personnel. There were no other transactions with related parties during the half-year.

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

**Note 10. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax	2,506	3,848
Loss / (profit) attributable to non-controlling interest	8	(231)
Profit after income tax attributable to the owners of National Tyre & Wheel Limited	<u>2,514</u>	<u>3,617</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	102,891,313	102,585,220
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>1,037,554</u>	<u>221,467</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>103,928,867</u>	<u>102,806,687</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	2.44	3.53
Diluted earnings per share	2.42	3.52

**Note 11. Events after the reporting period**

On 25 February 2020, Statewide Tyre Distribution Pty Ltd entered into an agreement to purchase certain business assets of Industrial Tyre Service Pty Ltd, based in Western Australia. Assets to be acquired include plant and equipment, intellectual property (including the business name) and inventory for the cost or written down value of those assets. Management expect to pay \$700,000 to \$800,000 for these assets, subject to stocktakes and final valuations. This purchase will be funded by the Group's existing cash reserves.

Apart from the event disclosed above and the dividend declared as disclosed in note 8, no other matter or circumstance has arisen since 31 December 2019 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 2019**



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 2019 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

25 February 2020  
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 accompanying 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 2019, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2019 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*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of National Tyre & Wheel Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PITCHER PARTNERS

  
WARWICK FACE  
Partner

Brisbane, Queensland  
25 February 2020

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