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 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards were adopted retrospectively and as such comparatives have been restated.

	31 Dec 2018 $'000	31 Dec 2017 $'000	Change %
Revenues from ordinary activities	83,762	66,696	25.6%
Net profit/(loss) from ordinary activities attributable to shareholders	3,617	(638)	666.9%

	Cents	Cents	Change %
Basic earnings per share	3.53	(0.92)	483.7%
Diluted earnings per share	3.52	(0.84)	519.0%

Dividends

	Cents	Cents	Change %
Interim dividend - fully franked	1.25	1.00	25.0%

Record date for determining entitlement to the interim dividend	15 March 2019
Payment date for the interim dividend	4 April 2019

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

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	46.31	41.89

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Refer to note 7 Equity – dividends in the attached Interim Report.

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7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The dividend reinvestment plan ('DRP') dated 6 November 2017 is in operation. The DRP rules can be downloaded from: http://www.ntaw.com.au/Corporate-Governance/Dividend-Reinvestment-Plan-Rules.pdf

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. 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 2018 is attached.

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12. Signed

Signed ______________________________ Date: 26 February 2019

Murray Boyte
Chairman
Brisbane

National Tyre & Wheel Limited and its controlled entities

ABN 97 095 843 020

Interim Report - 31 December 2018

National Tyre & Wheel Limited and its controlled entities
Contents
31 December 2018

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' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were directors of National Tyre & Wheel Limited during the whole of the financial 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 financial half-year ended 31 December 2018 was the distribution and marketing of motor vehicle tyres, wheels, tubes and related products in Australia, New Zealand and South Africa.

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Final dividend for the year ended 30 June 2018	2,353	-
Final dividend for the year ended 30 June 2017 (declared and paid prior to the IPO)	-	15,000
Dividends to non-controlling interests	-	656
	2,353	15,656

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 15 March 2019 and a payment date of 4 April 2019. The total dividend payable is $1,283,174. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2018 and will be recognised in subsequent financial reports.

Review of operations

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 Ltd (“Dynamic”);
- M.P.C. Mags & Wheels Pty Ltd (“MPC”);
- Statewide Tyre Distribution Pty Ltd (“Statewide”); and
- Top Draw Tyres Proprietary Limited (“Top Draw Tyres”), based in South Africa.

The tyre and wheel industries are large with retail revenue in Australia estimated to exceed $5bn. NTAW segments the tyre and wheel market by vehicle type and geography. The subsidiary entities seek to operate in segments 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. ETD and ETDNZ offer value adding services to retail customers and these services underpin strong retail support for the promotion of their 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.

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.

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

In addition to the results from the operation of these well established businesses, the Group is executing growth strategies developed over the past two years which include:

- ETD and ETDNZ introducing a wider range of Cooper branded products that are suitable for SUV and passenger vehicles (these entities historically focussed on the 4WD segment) and expanding the product range to include tyres sourced from Asian factories;
- A loyalty program for ETD and ETDNZ customers launched in 2016;
- Tapping into new consumer pathways arising from access consumers now have to information via the internet;
- Dynamic is introducing new alloy wheel products and expanding into geographic markets including WA, NSW, New Zealand and South Africa;
- MPC is seeking new customers for tyre and wheel packages suitable for trailer manufacturers;
- Top Draw Tyres recently launched a new retail customer loyalty plan as well as new products; and
- NTAW also plans to grow by acquiring other wholesale wheel and/or tyre businesses in Australia and New Zealand.

NTAW management believes there have been no significant changes in the nature of the Group's activities during this period.

Result highlights

Statutory results
NTAW has reported total revenue of $83.8 million for the half year (2017: $66.7 million), an increase of $17.1 million (25.6%) on the prior year resulting from the acquisition of several entities during the prior period.

The profit for the Group after providing for income tax and non-controlling interest amounted to $3.6 million (31 December 2017: loss of $0.6 million).

The half year results are representative of a full reporting period for the Group in its current operating structure. The result for the previous half year was impacted by the one-off costs associated with the initial public offer ("IPO") of NTAW, pre-IPO acquisition expenses, recognition of share-based payment expenses relating to the former option plan and other items as described in the FY2018 accounts.

NTAW has a strong balance sheet with net assets of $68.8 million. The shareholders' funds to total assets ratio is 60.3% and the net debt to equity ratio is 0.5%.

Pro forma results
In addition to the statutory results, pro forma financial information for the prior half year is presented below to enable the result for the half year to be compared to the financial information contained in NTAW's Prospectus and prior half year result. The pro forma information is provided on an unaudited basis and a reconciliation between the statutory and pro forma performance information is contained in the prior half year accounts.

NTAW's result for the half year was a profit after providing for income tax and non-controlling interests and excluding amortisation ('NPATA') of $4.4 million compared with an actual pro forma NPATA for the prior half year of $5 million.

Pro forma adjustments were made in the prior half-year to reflect the inclusion of the acquired interests in Cotton and Top Draw Tyres with effect from 1 July 2017, and to reflect the cost structure of the Group as a listed entity. Statewide's results are included in the statutory results for the half-year but have been excluded from the prior half year pro forma results in each of the following tables as it was not acquired until 31 May 2018.

The results have been adversely affected by sluggish consumer demand, import price rises and increased price competition which has had a consequential effect on gross margins.

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

- new product launches, especially the Cooper AT3 and ATT in all regions as well as wheels in NZ and South Africa;
- customer growth strategies;
- securing support from key suppliers to improve long term price competitiveness; and
- a new customer loyalty program in South Africa.

NTAW's core business is very sound and well positioned to capitalise on market opportunities. Management is working on a number of strategic initiatives covering supply chain management and new product development (especially in the SUV segment) that will enhance the future development of NTAW's core business.

Key operating metrics of NTAW

Table 1 below shows some of the key operating metrics and ratios for NTAW for the half year.

NTAW sold 486,112 tyre units in the half year compared with 380,264 in the 2018 half year. While the Group achieved year on year growth, 4WD tyre unit sales growth in Australia was below expectations due to sluggish consumer demand and intense price competition. The Group has reported a half year gross profit margin of 30.1% and an EBITDA margin of 8.2%, which are below the prior year pro-forma results with margins of 32.9% and 11% respectively. The lower gross profit margin in the half year was derived from higher USD import prices and less favourable exchange rates between the AUD and USD. The Group's operating costs as a percentage of sales was in line with the prior pro-forma half year of 22%.

Table 1	**Pro-forma Actual* H1 FY2018**	**Statutory Actual H1 FY2018**	**Statutory Actual H1 FY2019**
Number of tyres sold	380,264	-	486,112
Gross profit margin	32.9%	32.7%	30.1%
Operating costs as % of total revenue	22.1%	29.4%	22.2%
EBITDA margin	11.0%	3.4%	8.2%

* Statewide Tyre Distributors are not included in pro-forma results.

Income Statements

Table 2 below compares the result for the half year with the Pro forma Actual H1 FY2018 result.

NTAW has reported full year sales revenue of $83.6 million (H1 FY2018 pro forma actual $75.4 million) and gross profit on sales of $25.1 million (H1 FY2018 pro forma actual $24.8 million). The Group has reported a half year EBITDA of $6.8 million (H1 FY2018 pro forma actual $8 million). The half year result for H1 FY2019 contains an unrealised foreign exchange gain on foreign exchange contracts and foreign currency denominated suppliers of $0.4 million resulting in an underlying half year EBITDA of $6.4 million.

Table 2 **$'000**	**Pro-forma Actual** H1 FY2018**	**Statutory Actual H1 FY2018**	**Statutory Actual H1 FY2019**
Sales revenue*	75,375	66,567	83,591
Cost of goods sold	(50,606)	(44,784)	(58,444)
Gross profit	24,769	21,783	25,147
Other revenue	109	6	230
Employee benefits expense	(8,429)	(9,998)	(9,091)
Advertising & promotions	(3,066)	(2,483)	(3,398)
Occupancy expense	(1,877)	(1,845)	(2,144)
Other expenses	(3,552)	(5,219)	(3,911)
EBITDA	7,954	2,244	6,833
Depreciation	(354)	(338)	(375)
Amortisation of intangibles	(770)	(610)	(931)
EBIT	6,830	1,296	5,527
Share of net profit of associate	-	133	-
Interest (net)	(171)	(154)	(277)
Profit before tax	6,659	1,275	5,250
Income tax expense	(2,145)	(1,297)	(1,402)
NPAT	4,514	(22)	3,848
Non-controlling interests	(173)	(616)	(231)
NPAT attributable to NTAW	4,341	(638)	3,617
Amortisation [addback]	680	568	797
NPATA attributable to NTAW	5,021	(70)	4,414
EBITDA attributable to NTAW	7,624		

* Revenue from sale of goods only, excluding interest income and other revenue.
** A reconciliation between the statutory and pro forma performance information is contained in the prior half year accounts. The pro forma results exclude Statewide as it was acquired on 31 May 2018.

Cash flows

While there was a net operating cash outflow for the period, it was primarily caused by an increase in inventory levels due to new products and increased orders being placed ahead of supplier price rises. Cash flow will strengthen in the second half as inventories are realised.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial 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

Murray Boyte
Chairman

26 February 2019
Brisbane

PITCHER PARTNERS

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The Directors
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Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2018, 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.

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

26 February 2019

National Tyre & Wheel Limited and its controlled entities
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue	4	83,762	66,696
Interest revenue calculated using the effective interest method		129	51
Recovery of impairment of receivables		59	-
Expenses			
Cost of goods sold		(58,444)	(44,784)
Employee benefits		(9,091)	(9,998)
Depreciation and amortisation		(1,306)	(948)
Impairment of receivables		-	(12)
Legal and professional fees		(393)	(252)
Marketing		(3,398)	(2,483)
Occupancy		(2,144)	(1,845)
Insurance		(531)	(312)
Listing		-	(2,015)
Other		(2,987)	(2,618)
Finance		(406)	(205)
Profit before income tax expense		5,250	1,275
Income tax expense		(1,402)	(1,297)
Profit/(loss) after income tax expense for the half-year		3,848	(22)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		233	(205)
Other comprehensive income for the half-year, net of tax		233	(205)
Total comprehensive income for the half-year		4,081	(227)
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest		231	616
Owners of National Tyre & Wheel Limited		3,617	(638)
		3,848	(22)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		231	616
Owners of National Tyre & Wheel Limited		3,850	(843)
		4,081	(227)
		Cents	**Cents**
Basic earnings per share	10	3.53	(0.92)
Diluted earnings per share	10	3.52	(0.84)

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 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		13,580	19,608
Trade and other receivables		20,530	25,900
Inventories		52,532	47,754
Derivative financial instruments		600	463
Income tax assets		67	-
Other		1,382	1,779
Total current assets		88,691	95,504
Non-current assets			
Property, plant and equipment		3,925	3,917
Intangibles		21,237	22,167
Deferred tax		285	4
Total non-current assets		25,447	26,088
Total assets		114,138	121,592
Liabilities			
Current liabilities			
Trade and other payables		26,586	35,018
Borrowings		1,857	1,615
Income tax liabilities		-	1,069
Provisions		3,203	3,107
Total current liabilities		31,646	40,809
Non-current liabilities			
Borrowings		12,088	12,820
Deferred tax		286	-
Provisions		1,338	1,300
Total non-current liabilities		13,712	14,120
Total liabilities		45,358	54,929
Net assets		68,780	66,663
Equity			
Issued capital	5	65,150	64,761
Reserves		18	(215)
Retained profits/(accumulated losses)		290	(974)
Equity attributable to the owners of National Tyre & Wheel Limited		65,458	63,572
Non-controlling interest	6	3,322	3,091
Total equity		68,780	66,663

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 2018

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Other reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	18,942	231	2,092	(356)	16,025	6,439	43,373
Profit/(loss) after income tax expense for the half-year	-	-	-	-	(638)	616	(22)
Other comprehensive income for the half-year, net of tax	-	(205)	-	-	-	-	(205)
Total comprehensive income for the half-year	-	(205)	-	-	(638)	616	(227)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	39,743	-	-	-	-	-	39,743
Options issued	-	-	2,657	-	-	-	2,657
Options exercised	4,601	-	(4,601)	-	-	-	-
Reversal of option forfeiture	-	-	400	-	-	-	400
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	2,861	2,861
Acquisition of non-controlling interest of existing subsidiaries	-	-	-	-	(5,742)	(6,313)	(12,055)
Transfers	-	-	(548)	356	192	-	-
Dividends paid (note 7)	-	-	-	-	(15,000)	(656)	(15,656)
Balance at 31 December 2017	63,286	26	-	-	(5,163)	2,947	61,096

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Other reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
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
Transactions with owners in their capacity as owners:							
Dividends reinvested	389	-	-	-	-	-	389
Dividends paid (note 7)	-	-	-	-	(2,353)	-	(2,353)
Balance at 31 December 2018	65,150	18	-	-	290	3,322	68,780

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 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		105,941	77,281
Payments to suppliers and employees		(106,298)	(73,361)
Interest received		129	51
Interest and other finance costs paid		(406)	(204)
Income tax paid		(2,547)	(2,104)
Net cash from/(used in) operating activities	9	(3,181)	1,663
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(8,675)
Payments for property, plant and equipment		(358)	(303)
Proceeds from disposal of property, plant and equipment		35	104
Net cash used in investing activities		(323)	(8,874)
Cash flows from financing activities			
Proceeds from issue of shares		-	24,760
Dividends paid		(1,964)	(15,656)
Repayment of borrowings		(813)	(692)
Net cash from/(used in) financing activities		(2,777)	8,412
Net increase/(decrease) in cash and cash equivalents		(6,281)	1,201
Cash and cash equivalents at the beginning of the financial half-year		19,608	14,765
Effects of exchange rate changes on cash and cash equivalents		(70)	78
Cash and cash equivalents at the end of the financial half-year		13,257	16,044

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, 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. It was listed on the Australian Securities Exchange ('ASX') on 15 December 2017 under ASX code NTD. 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 26 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Note 2. Significant accounting policies (continued)

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

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
AASB 9 and AASB 15 were adopted retrospectively approach and as such comparatives have been restated. There was no impact of the adoption on opening retained earnings as at 1 July 2018.

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

	Current standards $'000	Previous standards $'000	Change $'000
Statement of profit or loss			
Revenue	83,762	83,891	(129)
Interest revenue calculated using the effective interest method	129	-	129
Recovery of impairment of receivables	59	-	59
Other expenses	(2,987)	(2,928)	(59)

Note 2. Significant accounting policies (continued)

Changes to the significant accounting policies as a result of the new standards adopted since the Annual Report date are as follows.

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Note 2. Significant accounting policies (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue from contracts with customers		
Sale of goods	83,591	66,567
Other revenue		
Other revenue	171	129
	83,762	66,696

Note 4. Revenue (continued)

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Geographical regions		
Australia	68,196	59,924
New Zealand	7,637	6,643
South Africa	7,758	-
	83,591	66,567
Timing of revenue recognition		
Goods transferred at a point in time	83,591	66,567

Note 5. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary shares - fully paid	102,653,952	102,321,143	65,150	64,761

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2017	102,321,143		64,761
Issue of shares per Company Dividend Reinvestment Plan	8 October 2018	332,809	$1.1700	389
Balance	31 December 2018	102,653,952		65,150

Note 6. Equity - non-controlling interest

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Retained profits	3,322	3,091

Note 7. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Final dividend for the year ended 30 June 2018	2,353	-
Final dividend for the year ended 30 June 2017 (declared and paid prior to the IPO)	-	15,000
Dividends to non-controlling interests	-	656
	2,353	15,656

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 15 March 2019 and a payment date of 4 April 2019. The total dividend payable is $1,283,174. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2018 and will be recognised in subsequent financial reports.

Note 8. Contingent liabilities

The Group has given bank guarantees as at 31 December 2018 of $3,286,000 (30 June 2018: $2,466,000) to various landlords.

Note 9. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit/(loss) after income tax expense for the half-year	3,848	(22)
Adjustments for:		
Depreciation and amortisation	1,306	948
Write off of non-current assets	(61)	9
Share-based payments	-	2,657
Bad debts	-	10
Foreign exchange differences	166	(258)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	5,370	3,712
Decrease/(increase) in inventories	(4,778)	1,102
Decrease/(increase) in deferred tax assets	290	(798)
Decrease/(increase) in prepayments	397	(134)
Decrease in trade and other payables	(8,432)	(5,630)
Decrease in provision for income tax	(1,421)	(17)
Increase in other provisions	134	122
Decrease in other operating liabilities	-	(38)
Net cash from/(used in) operating activities	(3,181)	1,663

Note 10. Earnings per share

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit/(loss) after income tax	3,848	(22)
Non-controlling interest	(231)	(616)
Profit/(loss) after income tax attributable to the owners of National Tyre & Wheel Limited	3,617	(638)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	102,585,220	69,497,325
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	221,467	6,571,644
Weighted average number of ordinary shares used in calculating diluted earnings per share	102,806,687	76,068,969
	Cents	**Cents**
Basic earnings per share	3.53	(0.92)
Diluted earnings per share	3.52	(0.84)

Note 11. Share-based payments

Employee Share Option Plan ('ESOP')
The details of the Employee Share Option Plan ('ESOP') are detailed in the Annual Report for the year ended 30 June 2018.

Set out below are summaries of options granted under the ESOP during the half-year:

31 Dec 2018

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
07/12/2018	30/09/2023	$1.1724	-	1,630,000	-	-	1,630,000
			-	1,630,000	-	-	1,630,000
Weighted average exercise price			$0.0000	$1.1724	$0.0000	$0.0000	$1.1724

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 4.75 years.

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
07/12/2018	30/09/2023	$0.4900	$1.1724	-	-	-	$0.081

Note 12. Events after the reporting period

Apart from the dividend declared as disclosed in note 7, no other matter or circumstance has arisen since 31 December 2018 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.

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 2018 and of its performance for the financial 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

26 February 2019
Brisbane

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Independent Auditor's Review Report to the Directors 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 2018, 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 2018 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 2018 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
26 February 2019