



# NATIONAL TYRE SERVICES LIMITED

## ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

### CHAIRMAN'S STATEMENT

#### OVERVIEW

The economy continues to suffer from foreign currency and cash shortages. The shortage of foreign currency is creating sporadic shortages of trading inventory. This has also resulted in the withdrawal of credit facilities as businesses try to manage their cash flows and reduce non-performing debtors. The benefits arising from the past agricultural season are evident through increased purchasing power and gradual upgrading on key consumer goods.

#### OPERATIONS REVIEW

##### Financial performance

Revenue increased by 18% to US\$6,5 million in comparison to the same period last year whilst the profit before tax increased significantly by 548% to US\$329,166 from a loss of US\$73,503 recorded in the previous year.

The company continued to offer a combination of budget and premium brands in line with the existing market segments. Cordial relations with major external and internal suppliers ensured continuous supply of key brands. Cost control measures initiated a year ago continue to bear fruit as enhanced margins contributed to profitability.

##### Retail and services

A new fitment centre was opened in Harare during the period under review in line with our distribution footprint which targets high traffic areas.

##### Retreading

The increased differential in the pricing of low cost budget truck tyres and retreads has worked in favour of our business as we have recently witnessed an increased inflow of casings. This will increase capacity utilisation in both the Harare and Bulawayo factories.

##### DIVIDEND

Given the unstable trading environment, the directors have seen it prudent not to declare a dividend.

##### OUTLOOK

In spite of the economy facing problems, the company will continue to exploit demand recovery opportunities. This, coupled with continued cost control, should lead to a profitable year.

R.J. Moyo  
Chairman

28 November 2017

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.		Unaudited 6 months ended 30.09.17 US\$	Unaudited 6 months ended 30.09.16 US\$
	Note		
<b>Revenue</b>	5	<b>6,514,870</b>	<b>5,532,623</b>
Operating profit/(loss)		239,049	(204,927)
Other income		113,067	131,424
<b>Profit/(loss) from operations</b>		<b>352,116</b>	<b>(73,503)</b>
Finance charges		(22,950)	-
<b>Profit/(loss) before tax</b>	6	<b>329,166</b>	<b>(73,503)</b>
Income tax (expense)/credit		(157,667)	18,927
<b>Profit/(loss) for the period</b>		<b>171,499</b>	<b>(54,576)</b>
<b>Total comprehensive profit/(loss) for the period</b>		<b>171,499</b>	<b>(54,576)</b>
Number of shares in issue (thousands)		253,872	253,872
Basic earnings per share		0.07	(0.02)
Diluted earnings per share (cents)		0.07	(0.02)
Headline earnings per share (cents)		0.07	(0.02)

ABRIDGED STATEMENT OF FINANCIAL POSITION		Unaudited As at 30.09.17 US\$	Unaudited As at 31.03.17 US\$
<b>ASSETS</b>			
Non-current assets		3,758,497	3,723,310
Property, plant and equipment	8	2,782,544	2,738,064
Investment property		907,863	917,156
Available for sale investments		68,090	68,090
Current assets	9	4,128,381	4,055,587
<b>Total assets</b>		<b>7,886,878</b>	<b>7,778,897</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity		5,418,271	5,246,772
Deferred tax		691,312	553,031
Short term loan		500,000	-
Trade and other payables		1,277,295	1,979,094
<b>Total equity and liabilities</b>		<b>7,886,878</b>	<b>7,778,897</b>

ABRIDGED STATEMENT OF CASH FLOW		Unaudited 6 months ended 30.09.17 US\$	Unaudited 6 months ended 30.09.16 US\$
Cash flows from operating activities before changes in working capital		435,649	28,097
Changes in working capital		(687,439)	10,620
Income tax paid		(1,558)	-
<b>Net cash (utilised in)/generated from operating activities</b>		<b>(253,348)</b>	<b>38,717</b>
Net cash flows utilised in investing activities		(141,667)	(4,917)
Net cash flows from financing activities		500,000	-
Net increase in cash and cash equivalents		104,985	33,800
Cash and cash equivalents at beginning of period		463,555	252,143
<b>Cash and cash equivalents at the end of the period</b>		<b>568,540</b>	<b>285,943</b>

ABRIDGED STATEMENT OF CHANGES IN EQUITY		Unaudited As at 30.09.17 US\$	Unaudited As at 30.09.16 US\$
Opening balance		5,246,772	5,402,545
Profit/(loss) for the period		171,499	(54,576)
<b>Closing balance</b>		<b>5,418,271</b>	<b>5,347,969</b>

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

National Tyre Services Limited ("the Company") is a Company incorporated in Zimbabwe. Its activities include the reconditioning and retailing of tyres and related services.

#### 2. STATEMENT OF COMPLIANCE AND EXTERNAL AUDITORS' OPINION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations. They are also prepared in accordance with the Companies Act (Chapter 24:03) and relevant statutory instruments (SI 33/99 and SI 62/96). The financial statements are based on statutory records that are maintained under the historical cost convention except for property, plant and equipment, which are carried at revalued amounts. Historical cost is generally based on the fair value of consideration given in exchange for assets.

#### 3. CURRENCY OF REPORTING

The financial statements are presented in United States Dollars which is the functional currency of the Company.

#### 4. ACCOUNTING POLICIES

Accounting policies and methods of measurement are consistent in all material respects with those used in the prior year and with the requirements of International Financial Reporting Standards applicable for the half year ended 30 September 2017.

#### 5. REVENUE

Revenue from sale of goods  
Revenue from rendering of services

	Unaudited As at 30.09.17 US\$	Unaudited As at 30.09.16 US\$
Revenue from sale of goods	6,261,013	5,350,985
Revenue from rendering of services	253,857	181,638
<b>6,514,870</b>	<b>5,532,623</b>	
<b>PROFIT/(LOSS) BEFORE TAX</b>		
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment and investment property	102,959	101,731
Transport charges	62,883	56,000
Technical fees	130,025	110,548
Electricity and lighting	47,551	54,560
Rental income from investment property	(113,484)	(131,293)
Staff remuneration	789,808	761,214
Remuneration of Directors		
-fees for services as Directors	13,750	11,500
<b>RELATED PARTY TRANSACTIONS AND BALANCES</b>		
<b>Trading transactions</b>		
Auto Tyres Zimbabwe (Private) Limited – sale of goods	16,244	-
Auto Tyres Zimbabwe (Private) Limited – purchase of goods	19,680	471,342
Simply Africa (Private) Limited – purchase of goods	-	77,280
<b>Expenses</b>		
Simply Africa (Private) Limited – technical fees	130,025	110,548
<b>Balances</b>		
Payables:		
Auto Tyres Zimbabwe (Private) Limited – purchase of goods	-	4,650
Simply Africa (Private) Limited – purchase of goods	46,239	86,239
Simply Africa (Private) Limited – technical fees	640,266	583,437

#### 8. PROPERTY, PLANT AND EQUIPMENT

Carrying value at beginning of period  
Additions  
Disposals  
Depreciation  
Carrying value at end of period

	Unaudited As at 30.09.17 US\$	Unaudited As at 30.09.16 US\$
Carrying value at beginning of period	2,738,064	2,873,695
Additions	142,386	46,606
Disposals	(4,906)	-
Depreciation	(93,000)	(182,237)
<b>2,782,544</b>	<b>2,738,064</b>	
<b>CURRENT ASSETS</b>		
Inventories	1,987,316	1,872,602
Trade and other receivables	1,572,525	1,719,430
Bank and cash balances	568,540	463,555
<b>4,128,381</b>	<b>4,055,587</b>	
<b>TRADE AND OTHER PAYABLES</b>		
Trade	1,180,736	1,900,664
Other payables	96,559	78,430
<b>1,277,295</b>	<b>1,979,094</b>	
<b>BORROWINGS</b>		
Short-term	500,000	-
The loan from a local financial institution outstanding at reporting period has a tenure of 12 months at 12% interest per annum.		
<b>COMMITMENTS OF CAPITAL EXPENDITURE</b>		
Capital commitments authorized but not contracted for	949,822	409,218
<b>EVENT AFTER REPORTING DATE</b>		
There has been no significant events after the reporting date.		
<b>GOING CONCERN</b>		
The Directors have assessed the Company's ability to continue operating as a going concern for the foreseeable future and believe that the preparation of the financial statements on a going concern basis is appropriate.		
<b>DIRECTORS' RESPONSIBILITY</b>		
The Directors are responsible for the preparation of financial statements for each reporting period, that give a true and fair view of the state of affairs of the Company.		