



NATIONAL TYRE SERVICES LIMITED

ABRIDGED UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

HIGHLIGHTS

REVENUE FOR THE PERIOD TO 30 SEPTEMBER 2016
REVENUE FOR THE PERIOD TO 30 SEPTEMBER 2015
CHANGE IN REVENUE

5,532,623
6,748,714
-18%

LOSS BEFORE TAX FOR THE HALF YEAR TO 30 SEPTEMBER 2016
LOSS BEFORE TAX FOR THE HALF YEAR TO 30 SEPTEMBER 2015
CHANGE IN LOSS BEFORE TAX

(73,503)
(222,154)
67%

BASIC EPS (CENTS)- SEPTEMBER 2016
BASIC EPS (CENTS)- SEPTEMBER 2015
CHANGE IN EARNINGS PER SHARE (EPS)

(0.02)
(0.06)
67%

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$
Revenue	5,532,623	6,748,714
Operating Loss	(204,927)	(366,117)
Other income	131,293	143,695
Finance income	131	268
Loss before tax	(73,503)	(222,154)
Income tax credit	18,927	57,205
Loss for the period	(54,576)	(164,950)
Other comprehensive income	-	-
Total comprehensive loss for the period	(54,576)	(164,950)
Number of shares in issue (thousands)	253,872	253,872
Weighted average number of shares (thousands)	253,872	253,872
Basic earnings per share (cents)	(0.02)	(0.06)
Diluted earnings per share (cents)	(0.02)	(0.06)

ABRIDGED STATEMENT OF FINANCIAL POSITION	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$	MARCH 2016 US\$
ASSETS			
Non current assets	3,784,000	3,910,241	3,880,811
Property plant and equipment	2,660,648	2,764,252	2,748,060
Investment property	1,053,310	1,073,995	1,062,709
Available for sale investments	70,042	71,994	70,042
Current assets	4,453,494	4,705,708	5,157,689
Total assets	8,237,494	8,615,949	9,038,500
EQUITY AND LIABILITIES			
Shareholders' equity	5,347,969	5,863,854	5,402,545
Deferred tax	631,935	774,103	631,935
Current liabilities	2,257,590	1,977,992	3,004,020
Total equity and liabilities	8,237,494	8,615,949	9,038,500

ABRIDGED STATEMENT OF CASH FLOWS	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$
Cash flows from operating activities before changes in working capital	28,097	(136,353)
Changes in working capital	10,620	(169,839)
Tax paid	-	(33,626)
Net cash utilised in operating activities	38,717	(339,819)
Cash flows utilised in investing activities	(4,917)	(34,054)
Cash flows from financing activities	-	-
Net cash movement for the period	33,800	(373,872)
Opening balance - cash and equivalents	252,143	563,648
Closing balance - cash and equivalents	285,944	189,776

ABRIDGED STATEMENT OF CHANGES IN EQUITY	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$
Opening balance	5,402,545	6,028,804
Loss for the period	(54,576)	(164,950)
Closing balance	5,347,969	5,863,854

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS.

1. GENERAL INFORMATION

National Tyre Services Limited is a company incorporated in Zimbabwe. Its activities include the reprocessing and retailing of tyres and related services.

2. STATEMENT OF COMPLIANCE

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) 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 annual financial statements are based on statutory records that are maintained under the historical convention as modified by the valuation of certain assets. 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 most recent audited financial statements, which are prepared in accordance with the requirements of International Financial Reporting Standards.

5. REVENUE

	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$
Revenue from the sale of goods	5,350,985	6,533,274
Revenue from the provision of services	181,638	215,440
	5,532,623	6,748,714

6. LOSS BEFORE TAX

Loss for the period has been arrived at after charging (crediting):

	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$
Depreciation of property, plant and equipment and investment property	101,731	100,469
Transport charges	56,000	95,803
Technical fees	110,548	134,975
Electricity and lighting	54,560	55,185
Motor vehicle fuel expenses	52,536	64,479
Rental income	(131,293)	(109,037)
Employee costs	761,214	1,017,001

7. RELATED PARTY TRANSACTIONS AND BALANCES

Trading transactions:

	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$
Income:		
Croco Investments (Pvt) Ltd - Sales	19,907	1,262
Expenses:		
Auto Tyres Zimbabwe (Pvt) Ltd - Purchases	471,342	1,053,229
Simply Africa (Pvt) Ltd - Purchases	77,280	-
Simply Africa (Pvt) Ltd - Technical fees	110,548	134,975

Balances:

	SEPTEMBER 2016 US\$	SEPTEMBER 2015 US\$
Payables		
Auto Tyres Zimbabwe (Pvt) Ltd	4,650	264,616
Simply Africa (Pvt) Ltd - Purchases	86,239	-
Simply Africa (Pvt) Ltd - Technical fees	583,437	346,923

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (Cont)

8. PROPERTY, PLANT AND EQUIPMENT

Movement in the property, plant and equipment balance for the year:

	SEPTEMBER 2016	MARCH 2016
Balance at the beginning of the year	2,748,060	2,804,714
Additions	4,917	132,494
Depreciation	(92,329)	(189,148)
Closing Balance	2,660,648	2,748,060

9. INVENTORIES

Raw materials
Finished goods
Consumable stores

	SEPTEMBER 2016	MARCH 2016
Raw materials	272,617	359,974
Finished goods	2,104,708	2,779,134
Consumable stores	90,773	119,860
Total	2,468,098	3,258,968

10. TRADE AND OTHER PAYABLES

Trade and other payables
Provisions

	SEPTEMBER 2016	MARCH 2016
Trade and other payables	2,172,708	2,934,430
Provisions	84,882	69,590
Total	2,257,590	3,004,020

11. COMMITMENT OF CAPITAL EXPENDITURE

Capital commitments authorised, but not contracted

	SEPTEMBER 2016	MARCH 2016
Capital commitments authorised, but not contracted	409,218	414,135

12. EVENTS AFTER REPORTING DATE

There has been no significant event after the reporting date.

13. GOING CONCERN

The Directors have assessed the Company's ability to continue operating as a going concern for the foreseeable future and the abridged financial statements have accordingly been prepared on the going concern basis.

14. DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of both the annual and abridged financial statements for each reporting period, that give a true and fair view of the state of affairs of the company.

COMMENTARY

ENVIRONMENT

The continuing economic challenges have resulted in general down-trading across major consumer goods including tyres with a consequential impact on margins. Although SI 64 attempted to curb unregulated imports of finished goods, the serious shortage of foreign currency is limiting the intended benefits of this policy initiative for local manufacturers.

The recent introduction of bond notes is aimed at easing the liquidity problems being faced by the local economy. However, for entities that rely on imported raw material inputs, the dilemma of delayed foreign payments remains a significant threat to business viability as stocking levels diminish and foreign suppliers tighten trading terms. Shortages on some product lines are starting to emerge.

The lack of foreign currency, if not properly managed, will lead to shortages which will result in inflation creeping in with the resultant effect of reducing living standards and thus further lowering demand.

OPERATIONS REVIEW

Financial performance

Revenue declined by 18% to US\$5.5 million in comparison to the same period last year whilst the loss before tax decreased significantly by 67% to US\$73,503 from US\$222,154 recorded in the previous year.

Since margins were under pressure due to the combined effect of down-trading, discount activity and intense competition, the company implemented various cost management measures across the board in order to protect margins. This resulted in a better half year performance compared to last year.

Other measures that were reported at end of last year are also now bearing fruits. The extended product range has improved mix and contributed positively to margins.

Given the deteriorating liquidity in the trading environment, debtor management has been intensified with good results. Cash discounts continue to be revised and offered to tilt the sales revenue balance in favour of cash. This has been complemented by various restrictions on credit including revisions in credit limits and restrictions in opening of new accounts.

Retail and services

The initiative to relocate branches into various CBD centres in line with traffic trends and economic activity continues.

A new fitment centre model had been adopted and has been implemented at two new branches. This will strengthen our distribution footprint in a cost effective way and will cater for the growing passenger market without compromising the trucking segment.

Retreading

The retreading business margins were put under pressure as the cost differential with unregulated tyre imports reduced. The company responded by negotiating for lower rubber prices with suppliers resulting in an expanded customer base and increased market share.

Dividend

The directors have resolved not to declare an interim dividend, preferring to re-invest in the business to better prepare for the dynamic trading environment.

OUTLOOK

Management initiatives to continuously adapt the business model to the operating environment will be intensified in the coming period with expected improvement in quality and customer service. We expect the positive margin trends to be further supported by managed revenue growth in the second half of the year.

R. J. Moyo
Chairman

08 December 2016