



NATIONAL TYRE SERVICES LIMITED

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

HIGHLIGHTS

REVENUE FOR THE YEAR TO 31 MARCH 2014	US\$15,718,446	PBT FOR THE YEAR TO 31 MARCH 2014	US\$477,017	BASIC EPS (CENTS) - MARCH 2014	0.13
REVENUE FOR THE YEAR TO 31 MARCH 2013	US\$17,578,184	PBT FOR THE YEAR TO 31 MARCH 2013	US\$1,185,716	BASIC EPS (CENTS) - MARCH 2013	0.34
CHANGE IN REVENUE	-11%	CHANGE IN PBT	-60%	CHANGE IN EPS	-62%

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	MARCH 2014 US\$	MARCH 2013 US\$
Revenue	15,718,446	17,578,184
Operating profit	92,999	891,567
Other income	379,372	292,831
Finance income	4,646	1,318
Profit before tax	477,017	1,185,716
Income tax expense	(156,213)	(309,979)
Profit attributable to shareholders	320,804	875,737
Other comprehensive income/(loss)	1,338	(1,762)
Total comprehensive income for the year	322,142	873,975
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)	0.13	0.34
Diluted earnings per share (cents)	0.13	0.34

ABRIDGED STATEMENT OF FINANCIAL POSITION	MARCH 2014 US\$	MARCH 2013 US\$
ASSETS		
Non-current assets	3,933,651	4,053,705
Property, plant and equipment	2,750,058	2,822,782
Investment property	1,107,849	1,156,587
Available for sale investments	75,744	74,336
Current assets	4,698,186	4,320,569
Total assets	8,631,837	8,374,274
EQUITY AND LIABILITIES		
Shareholders' equity	6,204,466	5,882,324
Deferred income	-	25,000
Deferred tax	801,096	857,182
Current liabilities	1,626,275	1,609,768
Total equity and liabilities	8,631,837	8,374,274

ABRIDGED STATEMENT OF CASH FLOWS	MARCH 2014 US\$	MARCH 2013 US\$
Cash flows from operating activities before changes in working capital	620,600	1,337,972
Changes in working capital	344,625	(874,435)
Tax paid	(185,462)	(399,696)
Net cash generated from operating activities	779,763	63,841
Net cash movement for the period	697,642	(6,752)
Opening balance - cash and cash equivalents	517,495	524,247
Closing balance - cash and cash equivalents	1,215,137	517,495

CONDENSED STATEMENT OF CHANGES IN EQUITY	MARCH 2014 US\$	MARCH 2013 US\$
Opening balance	5,882,324	5,008,349
Profit for the period	320,804	875,737
Other comprehensive income/(loss)	1,338	(1,762)
Closing balance	6,204,466	5,882,324

NOTES TO THE 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 have been 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 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.

The company's external auditors, Deloitte & Touche, have issued their opinion on the company's financial statements for the year ended 31 March 2014. The audit was performed in accordance with International Standards on Auditing. They have issued an unqualified audit opinion. These condensed results have been derived from the company's annual financial statements and are consistent in all material respects with the company's financial statements. A copy of the external audit report is available for inspection at the company's registered office.

Any reference to future financial performance and operational information included in this announcement has not been audited or reported on by the company's external auditors.

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 year ended 31 March 2014.

5. REVENUE SEGMENTATION

	MARCH 2014 US\$	MARCH 2013 US\$
Revenue from the sale of goods	15,308,367	17,192,152
Revenue from the provision of services	410,079	386,032
	15,718,446	17,578,184

6. PROFIT BEFORE TAXATION

	MARCH 2014 US\$	MARCH 2013 US\$
Profit for the year has been arrived at after charging/ (crediting):		
Current year audit fees and expenses	36,500	36,000
Depreciation of property, plant and equipment and investment property	260,660	246,435
Assets written off	14,474	-
Transport charges	191,979	242,339
Technical fees	321,042	357,714
Electricity and lighting	109,326	139,401
Motor vehicle fuel expenses	130,386	133,525
Rental income	(211,895)	(190,523)
Deferred income recognized on rentals	(60,000)	(60,000)
Profit on disposal of property, plant and investment property	(66,905)	(32,861)
Employee costs	2,167,087	2,097,564
Fees for services as Directors	10,500	8,541

7. TAXATION

	MARCH 2014 US\$	MARCH 2013 US\$
Current tax expenses	207,369	320,291
Capital gains tax	5,000	-
Deferred tax credit relating to the origination and reversal of temporary differences	(56,156)	(10,312)
	156,213	309,979

8. RELATED PARTY TRANSACTIONS AND BALANCES

Trading transactions:

	MARCH 2014 US\$	MARCH 2013 US\$
Apollo Tyres Zimbabwe - Purchases	2,272,590	3,112,432
Apollo Tyres South Africa (Pty) Ltd - Purchases	3,259,504	5,516,237
Apollo Tyres Zimbabwe - Sales	4,412	-
Apollo Tyres South Africa (Pty) Ltd-Technical fees	223,189	351,562
Apollo Durban (Pty) Ltd - Technical fees	91,253	-
Balances:		
Apollo Tyres Zimbabwe - purchases	171,381	135,209
Apollo Tyres South Africa (Pty) Ltd - Purchases	-	505,833
Apollo Durban (Pty) Ltd-Technical fees	91,253	-
Apollo Tyres South Africa (Pty) Ltd - Technical fees	53,412	182,061

9. PROPERTY, PLANT AND EQUIPMENT

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

	MARCH 2014 US\$	MARCH 2013 US\$
Balance at the beginning of the year	2,822,782	2,941,407
Capital expenditure	186,753	109,686
Depreciation	(237,896)	(223,397)
Write off	(14,474)	-
Disposals	(7,107)	(4,914)
	2,750,058	2,822,782

10. INVENTORIES

	MARCH 2014 US\$	MARCH 2013 US\$
Raw materials	407,253	419,421
Finished goods	1,539,579	1,831,135
Consumable stores	117,299	132,328
	2,064,131	2,382,884

11. TRADE AND OTHER PAYABLES

	MARCH 2014 US\$	MARCH 2013 US\$
Trade and other payable	1,459,381	1,425,412
Provisions	118,850	124,356
	1,578,231	1,549,768

12. COMMITMENTS OF CAPITAL EXPENDITURE

	MARCH 2014 US\$	MARCH 2013 US\$
Capital commitments authorized but not contracted	200,048	500,010

13. EVENT AFTER REPORTING DATE

There have been no significant events after the Statement of Financial Position date.

14. GOING CONCERN

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

15. DIRECTORS' RESPONSIBILITY

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.

COMMENTARY

ENVIRONMENT

Economic growth declined relative to prior year and by the end of the period under review, inflation was at (0.92%) as aggregate demand slowed down reflecting the deteriorating liquidity constraints on the economy. The increase in non-performing loans as consumers became over borrowed, decline in industrial capacity utilization resulting in company closures and increased retrenchments led to a tough trading environment. This was worsened by the on going liquidity crunch as most companies had to balance sales turnover with the need for cash generation.

The growth in the national fleet and fuel consumption were positive for the industry. Industry rivalry intensified with an increase in the number of formal and informal tyre dealers and retreaders notwithstanding company closures in the same industry.

OPERATIONS REVIEW

Financial Performance

Despite a strong start in the first quarter which was in line with budget, revenue ended the year at 11% down on the prior year due to the effects of the overall trading environment and a stronger emphasis on working capital reduction in order to mitigate financial risk. Margins were squeezed as price influenced purchasing decisions across all market segments within a crowded market. The strategic cost management and productivity enhancement initiatives implemented resulted in overheads being maintained at same levels as prior year.

Reflecting the revenue performance, thin margins and provisions for bad debts, profit before tax was 60% below prior year.

Retail & Services

Unit sales of new tyres declined by 9% compared to prior year. Focused promotional activities in the second half of the year in response to changing market trends helped to mitigate further decline.

Retreading

Unit sales of retreads grew by 3% over prior year. Growth is being hampered by a shortage of good quality casings resulting from the market's preference for cheap and lower quality new truck tyres. Lobby efforts for bona fide retreaders to be allowed to import good quality casings are ongoing through industry associations. Penetration into the mining sector benefited the re-lugging factory.

SUSTAINABILITY

The Company continued to take an active role in supporting road safety in partnership with stakeholders. In line with its commitment to the environment, the Company's Environmental Management System's certification to ZWS ISO 14001:2004 was maintained.

DIRECTORATE

Mr. Riaz Haffeejee, who was chairman of the Board of Directors resigned from the Board on 28 November 2013. Mr. Manish Bhatia was appointed Chairman with effect from 29 November 2013. We thank Mr. Haffeejee for his contribution.

DIVIDEND

In light of the current liquidity conditions, it is considered prudent to conserve cash hence the Directors' decision not to declare a dividend.

OUTLOOK

The Company has put in place strategies to grow revenue and market share. A new distribution model is being aggressively rolled out and is meant to provide a suitable route to market thus giving access to new markets and empowering small operators to graduate into the mainstream tyre industry. Marketing efforts will also focus on customer retention and rehabilitation and product range expansion.

APPRECIATION

We record our thanks and appreciation to employees, customers, suppliers, various advisers and our colleagues on the Board for their positive contribution to the Company during the year under review.

M. Bhatia
Chairman

18 June 2014