



NATIONAL TYRE SERVICES LIMITED

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

HIGHLIGHTS

REVENUE FOR THE YEAR TO 31 MARCH 2015 **US\$ 14,256,118**
 REVENUE FOR THE YEAR TO 31 MARCH 2014 **US\$ 15,718,446**
 CHANGE IN REVENUE **-9%**

PBT FOR THE YEAR TO 31 MARCH 2015 **US\$ (182,289)**
 PBT FOR THE YEAR TO 31 MARCH 2014 **US\$ 477,017**
 CHANGE IN PBT **-138%**

BASIC EPS (CENTS) – MARCH 2015 **(0.07)**
 BASIC EPS (CENTS) – MARCH 2014 **0.13**
 CHANGE IN BASIC EPS **-154%**

BASIC EPS (CENTS) – MARCH 2015 **(0.07)**
 BASIC EPS (CENTS) – MARCH 2014 **0.13**
 CHANGE IN BASIC EPS **-154%**

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	MARCH 2015 US\$	MARCH 2014 US\$
Revenue	14,256,118	15,718,446
Operating (loss)/ profit	(463,764)	92,999
Other income	280,023	379,372
Finance income	1,452	4,646
(Loss)/Profit before tax	(182,289)	477,017
Income tax credit/(expense)	10,189	(156,213)
(Loss)/profit attributable to shareholders	(172,100)	320,804
Other comprehensive (loss)/ income	(3,562)	1,338
Total comprehensive (loss)/income for the year	(175,662)	322,142
Number of shares in issue (thousands)	253,872	253,872
Weighted average number of shares (thousands)	253,872	253,872
Basic (loss)/earnings per share (cents)	(0.07)	0.13
Diluted (loss)/earnings per share (cents)	(0.07)	0.13

ABRIDGED STATEMENT OF FINANCIAL POSITION	MARCH 2015 US\$	MARCH 2014 US\$
ASSETS		
Non-current assets	3,961,987	3,933,651
Property, plant and equipment	2,804,714	2,750,058
Investment property	1,085,279	1,107,849
Available for sale investments	71,994	75,744
Current assets	4,756,282	4,698,186
Total assets	8,718,269	8,631,837
EQUITY AND LIABILITIES		
Shareholders' equity	6,028,804	6,204,466
Deferred income	-	25,000
Deferred tax	774,103	801,096
Current liabilities	1,915,362	1,601,275
Total equity and liabilities	8,718,269	8,631,837

ABRIDGED STATEMENT OF CASH FLOWS	MARCH 2015 US\$	MARCH 2014 US\$
Cash flows from operating activities before changes in working capital	(5,579)	620,600
Changes in working capital	(351,784)	344,625
Tax paid	(60,330)	(185,462)
Net cash (utilized in)/generated from operating activities	(417,693)	779,763
Cash flows utilized in investing activities	(233,796)	(82,121)
Net cash movement for the period	(651,489)	697,642
Opening balance – cash and cash equivalents	1,215,137	517,495
Closing balance – cash and cash equivalents	563,648	1,215,137

CONDENSED STATEMENT OF CHANGES IN EQUITY	MARCH 2015 US\$	MARCH 2014 US\$
Opening balance	6,204,466	5,882,324
(Loss)/profit for the period	(172,100)	320,804
Other comprehensive (loss)/income	(3,562)	1,338
Closing balance	6,028,804	6,204,466

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Tyre Services Limited is a company incorporated in Zimbabwe. Its activities include the reconditioning 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 2015. 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 2015.

	MARCH 2015 US\$	MARCH 2014 US\$
5. REVENUE SEGMENTATION		
Revenue from the sale of goods	13,816,834	15,308,367
Revenue from the provision of services	439,284	410,079
	14,256,118	15,718,446
6. (LOSS)/PROFIT BEFORE TAXATION		
(Loss)/profit for the year has been arrived at after charging (crediting):		
Current year audit fees and expenses	29,433	36,500
Depreciation of property, plant and equipment and investment property	196,146	260,660
Assets written off	-	14,474
Transport charges	206,594	191,979
Management and technical fees	286,116	321,042
Electricity and lighting	106,713	109,326
Motor vehicle fuel expenses	118,636	130,386
Rental income	(263,479)	(211,895)
Deferred income recognized on rentals	(25,000)	(60,000)
Loss/(Profit) on disposal of property, plant and equipment	7,016	(66,905)
Employee costs	2,222,897	2,167,087
Fees for services as Directors	14,251	10,500
7. TAXATION		
Current tax expenses	16,616	207,369
Capital gains tax	-	5,000
Deferred tax credit relating to the origination and reversal of temporary differences	(26,805)	(56,156)
	(10,189)	156,213

	MARCH 2015 US\$	MARCH 2014 US\$
8. RELATED PARTY TRANSACTIONS AND BALANCES		
Trading transactions:		
Apollo Tyres Zimbabwe- Purchases	1,859,473	2,272,590
Apollo Tyres Africa (Pty) Ltd- Purchases	295,089	3,259,504
Apollo Tyres Zimbabwe- Sales	16,519	4,412
Apollo Tyres Africa (Pty) Ltd- Technical fees	285,016	223,189
Apollo Durban (Pty) Ltd – Technical fees	-	91,253
Balances:		
Apollo Tyres Zimbabwe - purchases	122,333	171,381
Apollo Durban (Pty) Ltd- Technical fees	-	91,253
Apollo Tyres Africa (Pty) Ltd- Technical fees	211,947	53,412
9. PROPERTY, PLANT AND EQUIPMENT		
Movement in the property, plant and equipment balance for the year:		
Balance at the beginning of the year	2,750,058	2,822,782
Capital expenditure	238,138	186,753
Depreciation	(173,576)	(237,896)
Assets written off	-	(14,474)
Disposals	(9,906)	(7,107)
Balance at the end of the year	2,804,714	2,750,058
10. INVENTORY		
Raw materials	609,892	407,253
Finished goods	1,906,814	1,539,579
Consumable stores	130,069	117,299
	2,646,775	2,064,131
11. TRADE AND OTHER PAYABLES		
Trade and other payables	1,822,471	1,459,381
Provisions	92,891	118,850
	1,915,362	1,578,231
12. COMMITMENTS OF CAPITAL EXPENDITURE		
Capital commitments authorized but not contracted	641,598	200,048

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

The economy remained subdued and growth prospects difficult in the period under review. Annual inflation for the country closed in the negative at -1.20%. There was no significant improvement in the declining employment levels and the tight liquidity situation prevailing in the economy. Against this background customer spending power was curtailed hence initiatives by our competitors, and other retailers of different products and services, to reduce margins and remain competitive to stimulate demand.

The trading environment remained tough with competition in the industry intensifying. Second hand tyres continued to cause price distortions in the market. The growth of the informal sector was identified as an opportunity to increase market share and appropriate strategies were initiated.

OPERATIONS REVIEW

Financial Performance
A 9% decline in revenue to \$14.3 million in comparison to the prior year, coupled with a reduction in margins due to competitive pressures mainly contributed to an overall loss recorded for the period under review.

Overheads were 4% down when compared to the prior year due to cost containment measures undertaken. The harsh trading environment impacted negatively on the company's ability to generate sufficient cash resulting in substantial reduction in the cash position at the close of the period in comparison to prior year.

Retail & Services

There was no significant movement in units of new tyres compared to prior year. During the latter half of the year there was greater focus on a balanced product portfolio in response to market trends. Participation in promotional activities and exhibitions presented opportunities which were explored, yielding positive results. To cater for market requirements a satellite service centre was opened in Bulawayo whilst the "Tyres-On-The-Go" outlets continued to make positive contributions in this regard.

Retreading

Throughput was 8% below prior year mainly attributable to market conditions, shortage of good quality casings in the market and credit control measures implemented during the year. Focus was on productivity and quality enhancement which resulted in improved margins.

SUSTAINABILITY

As an integral part of the Company's business processes its Environmental Management System's certification to ZWS ISO 14001:2004 was maintained. The Company is an active member of the Business Council for Sustainable Development Zimbabwe (BCSDZ).

DIVIDEND DECLARATION

In view of the loss incurred by the Company, the Board considers it inappropriate to declare a dividend for the year ended 31 March 2015.

DIRECTORATE

Three Non-Executive Directors, namely Messrs. Moses Tonderayi Chingwena, Benson Phillip Hlungupi Samudzimu and Rutenhuro James Moyo, were appointed as Directors with effect from 4 March 2015. Mr. Tafadzwa Andrew Chimanyiwa was appointed as an Alternate Director to Mr. R. J. Moyo with effect from 26 May 2015. Mr. Manish Bhatia, who was Chairman of the Board of Directors resigned from the Board on 28 April 2015. Mr. R.J. Moyo was duly elected as Chairman of Board of Directors with effect from 26 May 2015. We thank Mr. M. Bhatia for his contribution over the past six years

OUTLOOK

Although the trading environment is expected to remain tough, opportunities have been identified for revenue growth and improved profitability. These initiatives are anchored on existing customer base, a strategic based product and distribution portfolio and new business development. In addition, the ongoing cost containment measures are expected to contribute to the company's return to profitability. For the retreading business, the initiatives started during the second six months of the year to recover volumes, including value addition services to big fleets, will be continued.

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.

For and on behalf of the Board

R. J. Moyo
Chairman
23 June 2015