



NATIONAL TYRE SERVICES LIMITED

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

HIGHLIGHTS

REVENUE FOR THE YEAR TO 31 MARCH 2016
REVENUE FOR THE YEAR TO 31 MARCH 2015
CHANGE IN REVENUE

13,053,039
14,256,118
-8%

LOSS BEFORE TAX FOR THE YEAR TO 31 MARCH 2016
LOSS BEFORE TAX FOR THE YEAR TO 31 MARCH 2015
CHANGE IN LOSS BEFORE TAX

(766,474)
(182,289)
-320%

BASIC LOSS PER SHARE (CENTS) - MARCH 2016
BASIC LOSS PER SHARE (CENTS) - MARCH 2015
CHANGE IN BASIC LOSS PER SHARE

(0.25)
(0.07)
-263%

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	MARCH 2016 US\$	MARCH 2015 US\$
Revenue	13,053,039	14,256,118
Operating loss	(1,022,857)	(463,764)
Finance income	10,428	1,452
Other income	245,955	280,023
Loss before tax	(766,474)	(182,289)
Income tax credit	142,069	10,189
Loss for the year	(624,405)	(172,100)
Other comprehensive loss, net of tax	(1,854)	(3,562)
Total comprehensive loss for the year	(626,259)	(175,662)
Number of shares in issue (thousands)	253,872	253,872
Weighted average number of shares (thousands)	253,872	253,872
- For basic and diluted loss per share	(0.25)	(0.07)
Basic loss per share (cents)	(0.25)	(0.07)
Diluted loss per share (cents)	(0.25)	(0.07)

ABRIDGED STATEMENT OF FINANCIAL POSITION	MARCH 2016 US\$	MARCH 2015 US\$
ASSETS		
Non-current assets	3,880,811	3,961,987
Property, plant and equipment	2,748,060	2,804,714
Investment property	1,062,709	1,085,279
Available for sale investments	70,042	71,994
Current assets	5,157,689	4,756,282
Total assets	9,038,500	8,718,269
EQUITY AND LIABILITIES		
Shareholders' equity	5,402,545	6,028,804
Deferred tax	631,935	774,103
Current liabilities	3,004,020	1,915,362
Total equity and liabilities	9,038,500	8,718,269

ABRIDGED STATEMENT OF CASH FLOWS	MARCH 2016 US\$	MARCH 2015 US\$
Cash flows from operating activities before changes in working capital	(565,184)	(5,579)
Changes in working capital	409,372	(351,784)
Income tax paid	(33,626)	(60,330)
Net cash utilised in operating activities	(189,438)	(417,693)
Net cash flows utilised in investing activities	(122,066)	(233,796)
Net decrease in cash and cash equivalents	(311,504)	(651,489)
Cash and cash equivalents at beginning of year	563,648	1,215,137
Cash and cash equivalents at year end	252,143	563,648

ABRIDGED STATEMENT OF CHANGES IN EQUITY	MARCH 2016 US\$	MARCH 2015 US\$
Opening balance	6,028,804	6,204,466
Loss for the year	(624,405)	(172,100)
Other comprehensive loss	(1,854)	(3,562)
Closing balance	5,402,545	6,028,804

NOTES TO THE FINANCIAL RESULTS

- 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.
- 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 the consideration given in exchange for assets.

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 March 2016, which have been audited by Deloitte & Touche in accordance with International Standards on Auditing. An unmodified audit opinion has been issued thereon. The auditors' opinion on the financial statements which form the basis of these financial results is available for inspection at the Company's registered office.

Any reference to future financial performance and operational information included in these results, has not been audited or reported on by the Company's external auditors.
- CURRENCY OF REPORTING**
The financial results are presented in United States dollars, which is the functional currency of the Company.
- 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 IFRS applicable for the year ended 31 March 2016.

	MARCH 2016 US\$	MARCH 2015 US\$
5. REVENUE		
Revenue from the sale of goods	12,698,045	13,816,834
Revenue from rendering of services	354,994	439,284
	13,053,039	14,256,118
6. LOSS BEFORE TAX		
Loss for the year has been arrived at after charging (crediting):		
Current year audit fees	32,000	29,433
Depreciation of property, plant and equipment and investment property	211,718	196,146
Transport charges	195,072	206,594
Technical fees	261,061	286,116
Electricity and lighting	111,504	106,713
Motor vehicle fuel expenses	114,927	118,636
Rental income from investment property	(231,000)	(263,479)
Deferred income recognised on rentals	-	(25,000)
Loss on disposal of property, plant and equipment and investment property	-	7,016
Employee costs	1,862,795	2,222,897
Remuneration of Directors	-	-
- Fees for services as Directors	35,000	14,251
7. INCOME TAX		
Current tax expense	-	16,616
Deferred tax		
- In respect of current year loss	(120,341)	-
- Deferred tax credit relating to the origination and reversal of temporary differences	(21,728)	(26,805)
	(142,069)	(10,189)
8. RELATED PARTY TRANSACTIONS AND BALANCES		
Trading transactions:		
Income		
Auto Tyres Zimbabwe (Pvt) Ltd - Sales	22,149	16,519
Croco Investments (Pvt) Ltd - Sales	34,464	-
Expenses		
Auto Tyres Zimbabwe (Pvt) Ltd - Purchases	1,852,439	1,859,473

	MARCH 2016 US\$	MARCH 2015 US\$
8. RELATED PARTY TRANSACTIONS AND BALANCES (cont)		
Apollo Tyres South Africa (Pty) Ltd - Purchases	-	295,089
Apollo Tyres South Africa (Pty) Ltd - Technical fees	-	285,016
Croco Investments (Pvt) Ltd - Purchase of delivery truck	52,000	-
Simply Africa (Pvt) Ltd - Purchases	212,263	-
Simply Africa (Pvt) Ltd - Technical fees	261,061	-
Balances:		
Payables		
Auto Tyres Zimbabwe (Pvt) Ltd	61,719	122,333
Simply Africa (Pvt) Ltd - Purchases	67,618	-
Apollo Tyres South Africa (Pty) Ltd	-	211,947
Simply Africa (Pvt) Ltd - Technical fees	473,008	-
9. PROPERTY, PLANT AND EQUIPMENT		
Carrying value at beginning of year	2,804,714	2,750,058
Additions	132,494	238,138
Depreciation	(189,148)	(173,576)
Disposals	-	(9,906)
Carrying value at end of year	2,748,060	2,804,714
10. INVENTORIES		
Raw materials	359,974	609,892
Finished goods	2,779,134	1,906,814
Consumable stores	119,860	130,069
	3,258,968	2,646,775
11. TRADE AND OTHER PAYABLES		
Trade and other payables	2,934,430	1,822,471
Provisions	69,590	92,891
	3,004,020	1,915,362
12. COMMITMENT OF CAPITAL EXPENDITURE		
Capital commitments authorised, but not contracted	414,135	641,598

The capital expenditure is to be financed out of the Company's own resources.

- CONTINGENT LIABILITY**
"The Company has a contingent liability in respect of legal claims for unfair dismissal of various employees during the year amounting to US\$271 000 (2015: Nil). The Company has been advised by its legal counsel that it is only possible, but not probable, that the claims will succeed. As a result, no provision for any liability has been made in the financial statements."
- EVENTS AFTER REPORTING DATE**
There have been no significant events after the reporting date.
- GOING CONCERN**
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 from which these financial results are derived on a going concern basis is appropriate.
- 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

OVERVIEW

The economy remained challenging during the year under review. The trading environment was characterised by persistent liquidity constraints which impacted demand.

This tight trading environment resulted in down-trading across most consumer goods including tyres. A swing away from premium high margin brands towards low margin budget tyres continued. During the third quarter to December 2015 shortages occasioned by procurement delays resulted in depressed revenue. This temporary setback was normalised towards the end of the last quarter of the financial year although this could not adequately compensate for the foregone revenue.

In order to widen the distribution footprint, two new CBD branches were opened along Samora Machel in Harare and First Street in Mutare. Contribution from these outlets has been encouraging. Competition continues to put pressure on margins as promotional price activity is now regular.

Given this situation, several suppliers were successfully engaged resulting in improved trading terms.

OPERATIONS REVIEW

Financial performance

Revenue declined by 8% to US\$13.05 million in comparison to the prior year whilst the loss before tax increased to US\$766,474 from US\$182,289 recorded in the previous year. This was due to the squeeze on margins in a highly competitive market which impacted negatively on performance for the year. The benefit of supplier engagement on trading terms only began to be felt towards the end of the second half of the financial year.

Cost containment initiatives resulted in overheads declining by 2% compared to the prior year. We expect to see the full impact of these in the ensuing period.

Product rationalisation efforts greatly assisted in inventory management although a lot still needs to be done to achieve optimal levels. Concerted efforts are in progress to manage working capital efficiently. In this regard initiatives at all levels of the company are being implemented to attend to this critical component of the business. Given the liquidity constraints, our selling strategy was mindful of the need to contain debtors.

Retail and services

Value brands' contribution was positive. Initiatives to make other brands such as agricultural and off-the-road (OTR) tyres more competitive are on-going. Another area which affected sales performance was the shortage of truck and bus radial tyres (TBR) for the transport sector due to an unexpected shift from a traditional supplier. Another source of this product has since been secured to ensure consistent supplies.

There were promotional activities including road shows at all centers, improved market awareness thus assisting in efforts in our strategy to gain ground in securing new business.

Retreading

There was an 18% decline in units produced compared to last year. However supplier discounts assisted in lowering the selling price which mitigated the decline.

DIRECTORATE

Mr. Tafadzwa Choto's directorship ceased with effect from 31 October 2015. Another change was that of Mrs. Thembiwe Chikosi Mazingi who resigned on 31 March 2016. We thank them for their past service and contribution. Mr. Albert Ushe was appointed as Director with effect from 1 March 2016.

DIVIDEND

The Directors resolved not to declare a dividend in order to reinvest available resources in the business.

OUTLOOK

Despite the tough economic environment the Board and management will continue with the right strategies aimed at restoring sales, attaining consistency in supply chain management and improving margins. Implementation of re-branding plans for selected branches is due to start during the remainder of the first half of the financial year ending 31 March 2017.

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 2016