National Tyre Services Limited

ABRIDGED REVIEWED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

CHAIRMAN'S STATEMENT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

ECONOMIC OVERVIEW
Industry operations were affected by the 488% movement in the exchange rates during the opening six months of the financial year. Even though there was modest market growth of which National Tyre Services (NTS) managed to capture its own share, stellar performance was hampered by the exchange rate movements and the unavailability of foreign currency. The Government's intervention measures to address the exchange rate volatilities and control inflation somewhat stabilized the rates on the official exchange market towards the end of the reporting period. The erratic electricity supply being experienced is adversely affecting business operations.

OPERATIONS REVIEW
New tyre sales volumes grew by 13% during the first six months of the financial year 2023 when compared to the same period last year, driven by improved stock supply. Availability of Dunlop tyres enhanced retention of business from several blue-chip companies from April to September 2023. However, the long cash cycle of budget brands made it unprofitable for the company to import budget tyres from the far east given the high interest rates and short-term nature of available bank facilities. The Company continues to manage operating expenses through various cost containment measures implemented during the opening six months of the financial year.

RETREADING
Factory operations were negatively affected by constant power outages resulting in a 14% decrease in retreading units compared to same period last year. The Company managed to retain key retreading transport fleets across the country.

FINANCIAL REVIEW
Sales grew by 135% (inflation adjusted) to ZWL 15,3 billion (2022: ZWL6,5 billion). Operating profit increased by 319% to ZWL3,1billion (2022: ZWL744 million). Total operating expenses increased (inflation adjusted) to ZWL6,6 billion (2022: ZWL3,2 billion). The company incurred a loss (before tax) of 7,9 billion (inflation adjusted) from a loss of 1,8 billion in the previous year as a result of foreign exchange movements.

DIVIDENDS
Faced with a fluid economic outlook, the Board deemed it prudent to preserve capital and not declare a dividend to ensure adequate stocks were maintained to capture market share and enhance service delivery for long term sustainability.

OUTLOOK
National Tyre Services is focused on full business recovery in the second half of the year given a raft of cost-cutting measures implemented. The Company's main thrust is to procure stocks for the current high season and capitalize on increased demand. We are optimistic that the continued use of USD as announced by the Government will stabilize industry operations and improve availability of foreign currency to import tyres and retreading rubber. We are confident that the Government's investment and attitude towards agriculture will improve productivity and preserve the much-needed foreign currency for other productive sectors of the economy.

R.J. Moyo
Chairman
21 December 2023

A. ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

	NOTE	INFLATION ADJUSTED		HISTORICAL COST	
		REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
Revenue	4	15,309,277,047	6,510,747,066	12,772,505,120	1,382,190,190
Operating profit		3,122,008,568	744,517,806	3,214,873,188	252,618,075
Exchange (loss)		(10,938,835,321)	(2,040,788,818)	(10,788,967,361)	(395,812,117)
Other income		577,074,657	176,048,720	508,634,282	42,603,234
Fair value adjustments on investments		11,632,580	-	11,632,580	-
Loss from operations		**(7,228,119,516)**	**(1,120,222,292)**	**(7,053,827,311)**	**(100,590,808)**
Finance charges		(747,130,827)	(705,619,690)	(563,522,240)	(159,083,408)
Loss before tax and monetary gain	5	**(7,975,250,343)**	**(1,825,841,982)**	**(7,617,349,551)**	**(259,674,216)**
Monetary gain / (loss)		1,296,058,760	(535,115,263)	-	-
Income tax expense		(2,344,587,372)	(238,299,525)	(1,364,228,492)	(17,230,938)
Loss for the period		**(9,023,778,955)**	**(2,599,256,770)**	**(8,981,578,043)**	**(276,905,154)**
Total comprehensive loss for the period		**(9,023,778,955)**	**(2,599,256,770)**	**(8,981,578,043)**	**(276,905,154)**
Number of shares in issue (thousands)		253,872	253,872	253,872	253,872
Earnings per share (cents)		(3,554)	(1,024)	(3,538)	(109)
Diluted earnings per share (cents)		(3,554)	(1,024)	(3,538)	(109)
Headline earnings per share (cents)		(3,554)	(1,024)	(3,538)	(109)

B. ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

		INFLATION ADJUSTED		HISTORICAL COST	
		REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL
ASSETS					
Non current assets		**36,745,600,485**	**42,135,185,502**	**12,430,328,953**	**12,532,246,020**
Property, plant and equipment	6	34,834,988,395	35,223,214,844	10,618,843,911	10,688,500,884
Intangible assets		58,305,338	63,951,077	3,206,722	3,443,302
Investment property		1,784,402,740	5,720,435,425	1,784,402,740	1,784,402,740
Right of use assets	7	53,887,265	1,119,940,992	9,858,833	53,514,926
Fair value through other comprehensive income investments		14,016,747	7,643,164	14,016,747	2,384,168
Current assets	8	7,417,078,558	4,463,208,671	7,205,863,436	1,380,641,359
Total assets		**44,162,679,043**	**46,598,394,173**	**19,636,192,389**	**13,912,887,379**
EQUITY AND LIABILITIES					
Shareholders' equity and reserves		25,461,407,552	34,485,186,505	1,914,952,006	10,896,530,049
Deferred tax		2,984,836,480	4,193,413,589	2,004,805,372	545,898,140
Lease liability	7	618,247,951	579,982,736	618,247,951	180,916,785
Short term loan	9	5,964,922,416	2,073,428,100	5,964,922,416	646,774,329
Trade and other payables	10	6,857,443,877	3,845,003,609	6,857,443,877	1,199,390,339
Related party payables	11.2	2,275,820,767	1,421,379,634	2,275,820,767	443,377,737
Total equity and liabilities		**44,162,679,043**	**46,598,394,173**	**19,636,192,389**	**13,912,887,379**

C. ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
Opening balance	**34,485,186,507**	**17,275,399,730**	**10,896,530,049**	**832,687,978**
Loss for the period	(9,023,778,955)	(2,599,256,770)	(8,981,578,043)	(276,905,154)
Closing balance	**25,461,407,552**	**14,676,142,960**	**1,914,952,006**	**555,782,824**

D. ABRIDGED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2023

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
Cash flows from operating activities before changes in working capital	**(57,394,292)**	**191,339,515**	**(215,123,293)**	**145,835,126**
Changes in working capital	1,641,460,198	2,047,436,949	1,650,934,938	46,019,214
Income tax paid	(123,334,076)	(40,335,041)	(117,790,378)	(8,926,170)
Net cash generated from operating activities	1,460,731,830	2,198,441,423	1,318,021,267	182,928,170
Net cash out flows utilized in investing activities	(24,359,605)	(16,433,465)	22,735,839)	(4,583,196)
Net cash out flows from financing activities	338,413,334	(918,651,548)	505,128,939	(219,643,500)
Net increase/(decrease)in cash and cash equivalents	**1,774,785,559**	**1,263,356,410**	**1,800,414,367**	**(41,298,526)**
Effects of Inflation on opening balances of monetary items	(52,018,015)	(1,483,532,000)	-	-
Cash and cash equivalents at beginning of period	112,848,056	119,820,092	35,201,233	12,769,750
Cash and cash equivalents at the end of the period	**1,835,615,600**	**(100,355,498)**	**1,835,615,600**	**(28,528,776)**

E. NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. BASIS OF PREPARATION AND PRESENTATION
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and disclosure requirements of IAS 34 "Interim Financial Reporting". They are also prepared in accordance with the disclosure requirements of the Companies and Other Business Entities Act (Chapter 24:31).

2. INDEPENDENT EXTERNAL AUDITORS' STATEMENT
These abridged interim inflation-adjusted financial statements for the six months ended 30 September 2023 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe). A qualified review conclusion has been issued thereon with respect to non- compliance with IAS 21 – The Effects of Changes in Foreign Exchange Rates on foreign denominated inventory balances and non-compliance with IFRS 13 – Fair Value Measurement on investment property and owner-occupied property.

The Engagement Partner responsible for the review resulting in this review report is Farai Chibisa (PAAB number 0547).

3. DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023
The directors confirm that to the best of their knowledge, the abridged interim financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 1: Presentation of Financial Statements as required by the Listing Rules of the Zimbabwe Stock Exchange.

4. REVENUE	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
Revenue from sale of goods	15,031,243,260	6,045,671,319	12,538,938,175	1,283,575,427
Revenue from rendering of services	278,033,787	465,075,747	233,566,945	98,614,763
	15,309,277,047	**6,510,747,066**	**12,772,505,120**	**1,382,190,190**

5. PROFIT BEFORE TAX AND MONETARY GAIN

Profit for the period has been arrived at after charging / (crediting):				
Transport charges	159,769,734	74,916,022	122,603,797	11,011,471
Technical fees	137,599,178	110,259,927	89,122,127	27,639,961
Electricity and lighting	127,681,525	27,180,140	109,897,398	2,781,508
Rental income from investment property	(321,613,064)	(51,887,890)	(280,725,906)	(24,423,696)
Staff remuneration	3,554,245,091	957,580,746	2,804,977,729	324,282,455
Remuneration of directors				
- fees for services as directors	81,704,579	17,732,758	68,500,921	6,203,009

6. PROPERTY, PLANT AND EQUIPMENT

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL
Carrying amount at beginning of period	**35,223,214,844**	**16,271,472,091**	**10,688,500,884**	**818,375,220**
Revaluation	-	19,058,036,873	-	9,802,133,604
Additions	23,983,323	481,407,691	22,376,471	96,586,934
Disposals	-	(19,301,286)	-	(87,220)
Depreciation	(412,209,772)	(568,400,525)	(92,033,444)	(28,507,654)
Carrying amount at the end of the period	**34,834,988,395**	**35,223,214,844**	**10,618,843,911**	**10,688,500,884**

7. LEASES
National Tyre Services leases 1 property with a lease period of 5 years. In the six months ending 30 September 2023, National Tyre Services has applied IFRS 16 Leases (as issued by the IASB in January 2016) which is effective on or after 01 January 2019. National Tyre Services has applied IFRS 16 using the modified retrospective approach, with restatement of comparative information.

Assets				
Right of use assets	53,887,265	1,119,940,992	9,858,833	53,514,926
Equity and liabilities				
Lease liability	618,247,951	579,982,736	618,247,951	180,916,785

8. CURRENT ASSETS

Inventories	3,838,029,209	3,568,292,047	3,626,814,087	1,102,859,142
Trade and other receivables	1,743,433,749	782,068,565	1,743,433,749	242,580,983
Bank and cash balances	1,835,615,600	112,848,059	1,835,615,600	35,201,234
	7,417,078,558	**4,463,208,671**	**7,205,863,436**	**1,380,641,359**

9. BORROWINGS

Short term loan	5,964,922,416	2,073,428,100	5,964,922,416	646,774,329

The loans from local financial institutions outstanding at reporting date attract interest of 13% per annum.

10. TRADE AND OTHER PAYABLES

Trade	3,247,188,926	929,029,604	3,247,188,926	289,796,642
Bank overdraft	1,913,361,310	1,199,618,083	1,913,361,310	374,202,598
Other payables	1,696,893,641	1,716,355,922	1,696,893,641	535,391,099
	6,857,443,877	**3,845,003,609**	**6,857,443,877**	**1,199,390,339**

11. RELATED PARTY TRANSACTIONS AND BALANCES

11.1 Expenses				
Simply Africa (Private) Limited - technical fees	89,122,127	228,999,851	89,122,127	71,433,017
11.2 Related Party Payables:				
Simply Africa (Private) Limited - technical fees	89,122,127	228,999,851	89,122,127	71,433,017
Radun Investments Loan	2,186,698,640	1,192,379,783	2,186,698,640	371,944,720

12. CAPITAL EXPENDITURE COMMITMENTS

Capital commitments authorised but not contracted for	1,407,392,266	4,511,815,854	1,407,392,266	1,407,392,266

13. HYPERINFLATION
The Public Accountants and Auditors Board through its pronouncement provided guidance to all entities that report in accordance with International Financial Reporting Standards (IFRS) on the application of IAS 29 - Financial Reporting in Hyperinflationary Economies. The pronouncement requires that Companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 should apply the requirements of IAS 29 - Financial Reporting in Hyper-inflationary Economies.

SOURCE OF INDICES
The price indices used were derived by using the Total Consumption Poverty Line from the Zimstat website. Basing on the strong positive correlation coeffient of 0.99, the last published CPI in December 2022 was adjusted based on the monthly movement of the TCPL. Below are the indices and adjusting factors used up to 30 September 2023.:

MONTH	INDICES	ADJUSTING FACTOR
CPI as at September 2022	12,713.12	3.52
CPI as at March 2023	13,949.99	3.21
CPI as at April 2023	15,480.18	2.89
CPI as at May 2023	18,704.41	2.39
CPI at at June 2023	42,710.72	1.05
CPI as at July 2023	46,633.81	0.96
CPI as at August 2023	42,659.98	1.05
CPI as at September 2023	44,720.87	1.00

14. GOING CONCERN
The Directors have assessed the Company's ability to continue operating as a going concern for the forseeable future and believe that the preparation of the financial statements on a going concern basis is appropriate.

DIRECTORS: R. J. MOYO* (CHAIRMAN), B.P.H. SAMUDZIMU , A. USHE, S.N. MANDIMIKA, M.T. CHINGWENA* , S. SHONHIWA*, D. MASHINGAIDZE*, V. MASUNDA*
*Non-Executive