National Tyre Services Limited

AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

CHAIRMAN'S STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

ECONOMIC OVERVIEW
As the economy is yet to fully recover from the negative effects of Covid-19 pandemic, the tensions in Eastern Europe have resulted in record price escalations and inflation globally. Continued increase in energy costs and the knock-on effects there-of, are negatively affecting business operations. Continued scarcity of foreign currency is impacting stock supply and affecting price stability.

OPERATIONS REVIEW
National Tyre Services growth remains on an uptrend despite the challenges in the economy. During the financial year 2021/2022 new tyres volumes grew by 18% compared to prior year given market driven stocking initiatives being implemented by the Company. Fleet management initiatives implemented during the year contributed to improved sales. Although we registered growth in volumes, the company could not fulfill all customer orders for truck, bus, and agricultural tyres due to supply chain constraints. We also experienced pressure on company margins due to increased costs of imported raw materials.

Retreading
The Company's commitment to improve rubber supply sustained our retreading operations during the year. Retreading volumes were up 13% compared to prior year and would have been higher had it not been for the frequent electricity outages that stalled production.

FINANCIAL REVIEW
Sales grew by 28% (inflation adjusted) to ZWL 1,223 billion (2021: ZWL956 million) due to the continued implementation of the turnaround strategy buoyed by the right product mix. Gross profit increased by 114% to ZWL918million (2021: ZWL429 million).

Total operating expenses increased by 73% (inflation adjusted) to ZWL674 million (2021: ZWL390 million) due to inflation and increases in administration costs incurred for opening of new branches.

Total assets, increased by 258% (inflation adjusted) to ZWL 2,5 billion (2021:ZWL715 million) due to fair value adjustment on investment property and revaluation of owner-occupied property.

Overally, the financial performance and position of the company remained strong for the year ended 31 March 2022.

DIVIDEND
Faced with a fluid outlook, the Board deemed it prudent to preserve capital and not declare a dividend in support of expanding the retail network to capture market share and enhance service delivery for long term sustainability.

OUTLOOK
National Tyre Services is poised for continued growth leveraging on growing demand for our products and services in Zimbabwe. The Company remains confident that the fiscal measures being implemented by the central government will improve price stability, availability of foreign currency and stabilise exchange rates in the medium to long-term. The Company remains focused on building strong partnerships with customers and suppliers to sustain business operations given the new challenges affecting the global supply chain of input commodities.

R.J. Moyo
Chairman
28 June 2022

A. ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	INFLATION ADJUSTED		HISTORICAL COST	
		AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL	AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL
Revenue	4	**1,223,003,096**	**956,325,603**	**921,085,289**	**450,227,302**
Gross profit		917,853,174	429,345,665	600,701,825	235,953,005
Exchange (loss) / gain					
Other income		18,519,050	32,070,015	14,357,124	10,781,496
Fair value adjustments on investment property		236,754,887	-	139,266,675	-
Profit from operations		**498,175,988**	**71,778,115**	**233,458,596**	**76,155,882**
Finance charges		(92,292,602)	(35,219,578)	(74,494,613)	(17,883,552)
Profit before tax and monetary gain	5	**405,883,386**	**36,558,537**	**158,963,983**	**58,272,330**
Monetary (loss)/ gain		(42,612)	207,623	-	-
Income tax expense		(334,623,089)	(33,927,640)	(179,019,750)	(18,605,551)
(Profit)/ loss for the period		**(71,217,685)**	**2,838,520**	**(20,055,767)**	**39,666,779**
Gain on fair value through OCI investments net of tax		1,378,740,155	(211,504)	798,365,213	-
Deferred tax on fair value through other comprehensive income		124,577	10,576	124,577	143,712
Total comprehensive income for the period		**1,450,082,417**	**2,637,592**	**778,434,023**	**39,810,491**
Number of shares in issue (thousands)		253,872	253,872	253,872	253,872
Earnings per share (cents)		28.05	1.12	(7.90)	15.62
Diluted earnings per share (cents)		28.05	1.12	(7.90)	15.62
Headline earnings per share (cents)		28.05	1.12	(7.90)	15.62

B. ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	INFLATION ADJUSTED		HISTORICAL COST	
		AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL	AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL
ASSETS					
Non current assets		**2,084,186,748**	**448,794,272**	**963,838,844**	**33,696,037**
Property, plant and equipment	6	1,734,121,777	281,212,447	818,375,220	23,210,734
Intangible assets		7,240,026	4,891,032	2,366,372	501,329
Investment property		241,953,477	53,490,159	140,104,166	837,491
Right of use assets	7	100,289,117	108,742,860	2,653,133	8,881,407
Fair value through other comprehensive income investments		582,351	457,774	339,953	265,076
Current assets	8	473,511,856	266,398,882	352,927,441	151,718,452
Total assets		**2,557,698,604**	**715,193,154**	**1,316,766,285**	**185,414,489**
EQUITY AND LIABILITIES					
Shareholders' equity		1,841,114,726	411,895,342	832,687,978	54,253,955
Deferred tax		399,342,822	77,609,218	166,837,251	474,619
Lease liability	7	11,464,157	24,294,704	11,464,157	14,067,950
Long term loan	9	-	1,613,177	-	934,117
Short term loan	9	147,573,436	134,474,502	147,573,436	77,868,019
Trade and other payables	10	158,203,463	65,306,211	158,203,463	37,815,829
Total equity and liabilities		**2,557,698,604**	**715,193,154**	**1,316,766,285**	**185,414,489**

C. ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL	AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL
Opening balance	**412,310,409**	**409,672,817**	**54,253,955**	**14,443,464**
Profit for the period	1,450,082,417	2,637,592	778,434,023	39,810,491
Closing balance	**1,862,392,826**	**412,310,409**	**832,687,978**	**54,253,955**

D. ABRIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL	AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL
Cash flows from operating activities before changes in working capital	**316,464,029**	**108,036,150**	**117,305,119**	**80,947,272**
Changes in working capital	(112,616,309)	(90,464,164)	(77,588,393)	(99,157,776)
Income tax paid	(11,698,697)	(32,675,744)	(8,926,170)	(14,990,892)
Net cash generated from operating activities	192,149,023	(15,103,758)	30,790,556	(33,201,396)
Net cash flows utilized in investing activities	(25,372,160)	(37,407,257)	(18,653,347)	(18,473,343)
Net cash flows from financing activities	(27,376,205)	86,868,663	(5,723,317)	52,812,151
Net decrease/ (increase)in cash and cash equivalents	**139,400,658**	**34,357,648**	**6,413,892**	**1,137,412**
Cash and cash equivalents at beginning of the year	10,976,276	30,690,594	6,355,858	5,218,446
Effects of inflation	(137,607,184)	(54,071,966)	-	-
Cash and cash equivalents at the end of the period	**12,769,750**	**10,976,276**	**12,769,750**	**6,355,858**

E. NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. **BASIS OF PREPARATION & PRESENTATION**
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations. They are also prepared in accordance with the Companies and Other Business Entities Act (Chapter 24:31). The financial statements are based on statutory records that are maintained under the historical cost convention. Historical cost is generally based on fair value of consideration given in exchange for assets.

2. **INDEPENDENT EXTERNAL AUDITORS' STATEMENT**
These abridged financial statements should be read in conjunction with the full set of inflation adjusted financial statements for the year ended 31 March 2022, which have been audited by Messrs Grant Thornton Chartered Accountants, Farai Chibisa (Audit Partner), PAAB No: 0547. An adverse opinion was issued thereon in respect of the non-compliance with International Accounting Standard (IAS) 21 – The Effects of Changes in Foreign Exchanges Rates, International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies and Valuation of Investment property and Owner Occupied property.

3. **ACCOUNTING POLICY**
Accounting policies and methods are consistent in all material respects with those used in the prior year and with the requirements of International Financial Reporting Standards ("IFRS") applicable for the year ended 31 March 2022.

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31 MAR 2022 ZWL	AUDITED 31 MAR 2021 ZWL	AUDITED 31 MAR 2022 ZWL	AUDITED 30 MAR 2021 ZW
4. REVENUE				
Revenue from sale of goods	1,150,117,944	897,824,958	865,934,269	422,563,645
Revenue from rendering of services	72,885,152	58,500,645	55,151,020	27,663,657
	1,223,003,096	**956,325,603**	**921,085,289**	**450,227,302**
5. PROFIT BEFORE TAX AND MONETARY GAIN				
Profit for the period has been arrived at after Charging/(crediting):				
Transport charges	21,296,914	25,980,099	12,527,515	559,743
Technical fees	31,344,379	44,993,794	18,437,750	1,282,283
Electricity and lighting	7,726,693	6,171,402	4,545,084	248,558
Rental income from investment property	(14,750,542)	(11,341,530)	(10,715,867)	(1,088,667)
Staff remuneration	272,218,335	154,731,968	160,127,391	6,432,580
Remuneration of directors				
Fees for services as directors	5,531,464	3,667,031	4,227,459	3,230,864
6. PROPERTY, PLANT AND EQUIPMENT				
Carrying amount at beginning of period	**281,212,447**	**256,229,405**	**23,210,734**	**6,602,291**
Revaluation	1,449,131,498	-	792,574,397	-
Additions	22,756,066	36,885,251	16,589,025	18,158,610
Disposals	(113,589)	(42,920)	(113,589)	(7,297)
Depreciation	(18,864,645)	(11,859,289)	(13,885,347)	(1,542,870)
Carrying amount at beginning of the period	**1,734,121,777**	**282,212,447**	**818,375,220**	**23,210,734**

7. LEASES
National Tyre Services leases six properties with an average lease period of 3 years. In the year ending 31 March 2022, 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	100,289,117	108,742,860	2,653,133	8,881,407
Equity and liabilities				
Lease liability	11,464,157	24,294,704	11,464,157	14,067,950
8. CURRENT ASSETS				
Inventories	445,115,663	204,980,208	324,979,396	116,555,398
Trade and other receivables	15,626,443	50,442,398	15,178,295	28,807,196
Bank and cash balances	12,769,750	10,976,276	12,769,750	6,355,858
	473,511,856	**266,398,882**	**352,927,441**	**151,718,452**
9. BORROWINGS				
Long term loan	-	1,613,177	-	934,117
Short term loan	147,573,436	134,474,502	147,573,436	77,868,019

The loans from local financial institutions outstanding at reporting date attract interest of 46%,49% and 51% per annum.

10. TRADE AND OTHER PAYABLES				
Trade	73,778,710	32,121,764	73,778,710	18,600,240
Other payables	84,424,753	33,184,447	84,424,753	19,215,589
	158,203,463	**65,306,211**	**158,203,463**	**37,815,829**
11. RELATED PARTY TRANSACTIONS AND BALANCES				
Expenses				
Simply Africa (Private) Limited - technical fees	18,437,751	44,993,794	-	1,282,283
Balances				
Payables:				
Simply Africa (Private) Limited - purchase of goods	-		-	-
Simply Africa (Private) Limited - technical fees	6,181,437	12,973,014	6,181,437	1,708,366
12. CAPITAL EXPENDITURE COMMITMENTS	168,733,370	168,066,543	168,733,370	97,332,370

13.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 basis is appropriate.The Coronavirus (COVID-19) pandemic that spread through all countries of the world has materially altered the operating environment and the Company's business prospects. The pandemic will have negative impact on business operations arising from the restrictions in social and economic activities, heightened safety and health requirements and changes in demand patterns of the company's products.

14.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 source of the price indices used is the Reserve Bank of Zimbabwe website. Below are the indices and adjusting factors used up to 31 March 2022:-

MONTH	INDICES	ADJUSTING FACTOR
CPI as at 31 March 2021	2,759.83	1.73
CPI as at April 2021	2,803.57	1.70
CPI as at May 2021	2,874.85	1.66
CPI as at June 2021	2,986.44	1.60
CPI as at July 2021	3,062.93	1.56
CPI as at August2021	3,191.19	1.49
CPI as at September 2021	3,342.02	1.43
CPI as at October 2021	3,555.90	1.34
CPI as at November 2021	3,760.86	1.27
CPI as at December 2021	3,977.46	1.20
CPI as at January 2022	4,189.97	1.14
CPI as at February 2022	4,483.06	1.06
CPI as at March 2022	4,766.10	1.00