National Tyre Services Limited

ABRIDGED REVIEWED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

CHAIRMAN'S STATEMENT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

a) Economic Overview
The first six months were characterised by global increase in prices of goods and services, agricultural inputs, and basic commodities mainly due to the impact of war in Ukraine on global supply chains. Locally, exchange rate disparities exacerbated the situation thereby negatively impacting business operations as disposable incomes were severely eroded. New monetary policy measures by government stabilised exchange rates and eased inflation since August 2022. However, depressed electricity generation resulting in increased load curtailment is limiting full industry recovery.

b) Operations Review
National Tyre Services premium tyre sales volumes grew by 26% during the opening six months of the year compared to same period last year, due to strong supplier relations. The Company managed to retain customers through improved premium Dunlop stocks required in the market. However, the business continues to be affected by power outages and inadequate foreign currency required to import budget tyres from China and India to meet market demand.

c) Retreading
Power outages due to depressed electricity generation affected retreading for the first half of the year. Factory efficiency decreased with tyre volumes falling by 16% when compared to same period last year. Although power cuts were severe, the Company managed to keep retreading factories running to support transport operators in the economy.

d) Financial Review
Sales grew by 12% (inflation adjusted) to ZWL 1,851 billion (2021: ZWL1,651 billion) due to the continued implementation of the turnaround strategy. Gross profit increased by 45% to ZWL1,147billion (2021: ZWL790 million). Total operating expenses decreased by 33% (inflation adjusted) to ZWL1,137 billion (2021: ZWL1,517 billion) due to cost cutting measures implemented by management in a bid to manage cashflows. The loss before tax of ZWL519 million is attributable to the movements in foreign exchange rates which resulted in an exchange loss increase of 364% to ZWL580 million (2021: ZWL 125 million). Total assets increased by 5% (Historical cost: 45%) to ZWL 6,184 billion (Historical cost: ZWL1.653 billion) from ZWL5,899billion (Historical cost: ZWL 1,140 billion) due to capex purchases. The financial performance and position of the company remained sturdy for the reporting period.

e) Dividends
Faced with a fluid 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.

f) Outlook
National Tyre Services will leverage on the new import regulations on suspension of duty on commercial tyres and payment of duty in foreign currency to gain market share. The Company is capitalising on current farming season demand for tyres and tubes complemented by the festive season upon us to grow sales. We remain confident that measures being implemented by Government will maintain current exchange rate stability and continue to reduce inflation to enable full business recovery. Projected normal rainfall this season will boost economic activities through better yield and increase hydroelectricity power generation in Kariba.

R.J. Moyo
Chairman
28 December 2022

AUDITORS STATEMENT

The auditors have issued an adverse review conclusion on the abridged inflation adjusted financial statements with respect to non compliance with International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates and International Accounting Standard 29 - Financial Reporting in Hyperinflationary Economies. The review conclusion is available for inspection at the Company's registered office. The Engagement Partner responsible for the review resulting in this review report is Farai Chibisa (PAAB number 0547)

A. ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	REVIEWED 30 SEP 2022 ZWL	REVIEWED 30 SEP 2021 ZWL	REVIEWED 30 SEP 2022 ZWL	REVIEWED 30 SEP 2021 ZWL
Revenue	3	**1,850,856,686**	**1,651,133,359**	**1,382,190,190**	**397,344,871**
Operating profit		211,649,408	134,311,084	252,618,075	51,794,411
Exchange (loss)		(580,149,650)	(124,897,763)	(395,812,117)	(30,715,400)
Other income		50,046,630	20,450,796	42,603,234	4,927,900
Fair value adjustments on investment property			529 773 627		139 266 675
(Loss)/ profit from operations		**(318,453,612)**	**559,637,744**	**(100,590,808)**	**165,273,586**
Finance charges		(200,591,562)	(84 501 767)	(159,083,408)	(20,512,542)
(Loss)/ profit before tax and monetary gain		**(519,045,174)**	**475,135,977**	**(259,674,216)**	**144,761,044**
Monetary (loss)		(152,121,047)	(18,474,139)	-	-
Income tax expense		(67,743,112)	(693 226 745)	(17,230,938)	(170,135,229)
Loss for the period		**(738,909,333)**	**(236,564,906)**	**(276,905,154)**	**(25,374,185)**
Other comprehensive income		-	3,677,017,200	-	798,226,259
Total comprehensive (loss)/income for the period		**(738,909,333)**	**3,440,452,294**	**(276,905,154)**	**772,852,074**
Number of shares in issue (thousands)		253,872	253,872	253,872	253,872
Earnings per share (cents)		(291.06)	1,355.19	(109.07)	304.43
Diluted earnings per share (cents)		(291.06)	1,355.19	(109.07)	304.43
Headline earnings per share (cents)		(291.06)	1,355.19	(109.07)	304.43

B. ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	REVIEWED 30 SEP 2022 ZWL	AUDITED 31 MAR 2022 ZWL	REVIEWED 30 SEP 2022 ZWL	AUDITED 31 MAR 2022 ZWL
ASSETS					
Non current assets		**5,495,293,090**	**5,559,373,489**	**1,054,603,446**	**963,838,844**
Property, plant and equipment	5	4,532,118,068	4,625,607,877	810,791,261	818,375,220
Intangible assets		13,793,617	19,312,090	4,017,903	2,366,372
Investment property		645,388,302	645,388,302	140,104,166	140,104,166
Right of use assets	6	302,439,736	267,511,853	99,350,163	2,653,133
Fair value through other comprehensive income investments		1,553,367	1,553,367	339,953	339,953
Current assets	7	687,895,673	1,263,048,651	598,876,674	352,927,441
Total assets		**6,183,188,763**	**6,822,422,140**	**1,653,480,120**	**1,316,766,285**
EQUITY AND LIABILITIES					
Shareholders' equity and reserves		4,172,092,242	4,911,001,575	555,782,824	832,687,978
Deferred tax		1,097,762,271	1,065,209,680	184,363,046	166,837,251
Lease liability	6	229,391,473	30,579,568	229,391,473	11,464,157
Short term loan	8	147,788,660	393,638,355	147,788,660	147,573,436
Trade and other payables	9	536,154,117	421,992,962	536,154,117	158,203,463
Total equity and liabilities		**6,183,188,763**	**6,822,422,140**	**1,653,480,120**	**1,316,766,285**

C. ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30 SEP 2022 ZWL	REVIEWED 30 SEP 2021 ZWL	REVIEWED 30 SEP 2022 ZWL	REVIEWED 30 SEP 2021 ZWL
Opening balance	**4,911,001,575**	**1,098,691,368**	**832,687,978**	**54,253,955**
(Loss) for the period	(738,909,333)	3,440,452,294	(276,905,154)	772,852,074
Closing balance	**4,172,092,242**	**4,539,143,664**	**555,782,824**	**827,106,029**

D. ABRIDGED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	REVIEWED 30 SEP 2022 ZWL	REVIEWED 30 SEP 2021 ZWL	REVIEWED 31 SEP 2022 ZWL	REVIEWED 31 SEP 2021 ZWL
Cash flows from operating activities before changes in working capital		**54,393,454**	**56,974,396**	**145,835,126**	**37,869,404**
Changes in working capital		582,039,561	107,543,670	46,019,214	4,303,155
Income tax paid		(11,466,331)	(11,145,350)	(8,926,170)	(2,777,162)
Net cash generated from operating activities		624,966,684	153,372,716	182,928,170	39,395,397
Net cash out flows utilized in investing activities		(4,671,659)	(35,162,326)	(4,583,196)	(8,948,166)
Net cash out flows from financing activities		(261,151,653)	(111,791,032)	(219,643,500)	(27,418,940)
Net (decrease)/ increase in cash and cash equivalents		**359,143,372**	**6,419,358**	**(41,298,526)**	**3,028,291**
Effects of inflation on opening balances of monetary items		(421,734,264)	-		
Cash and cash equivalents at beginning of the period		34,062,115	29,278,165	12,769,750	6,355,859
Cash and cash equivalents at the end of the period	10	**(28,528,776)**	**35,697,522**	**(28,528,776)**	**9,384,150**

E. NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

1. BASIS OF PREPARATION & 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. DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022
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.

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 31 SEP 2022 ZWL	REVIEWED 31 SEP 2021 ZWL	REVIEWED 31 SEP 2022 ZWL	REVIEWED 30 SEP 2021 ZW
3. REVENUE				
Revenue from sale of goods	1,718,646,274	1,555,978,388	1,283,575,427	374,563,458
Revenue from rendering of services	132,210,412	95,154,971	98,614,763	22,781,413
	1,850,856,686	**1,651,133,359**	**1,382,190,190**	**397,344,871**
4 . PROFIT BEFORE TAX AND MONETARY GAIN				
Profit for the period has been arrived at after charging/(crediting):				
Transport charges	15,004,376	20,471,277	11,011,471	4,927,797
Technical fees	35,571,572	33,044,669	27,639,961	7,952,504
Electricity and lighting	3,355,199	11,101,113	2,781,508	2,661,458
Rental income from investment property	(31,316,929)	(19,885,340)	(24,423,696)	(4,787,818)
Staff remuneration	410,196,566	278,466,968	324,282,455	66,780,400
Remuneration of directors				
Fees for services as directors	8,197,081	6,953,187	6,203,009	1,687,556

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30 SEP 2022 ZWL	AUDITED 31 MAR 2022 ZWL	REVIEWED 30 SEP 2022 ZWL	AUDITED 31 MAR 2022 ZWL
5. PROPERTY, PLANT AND EQUIPMENT				
Carrying amount at beginning of period	**4,625,607,877**	**750,107,938**	**818,375,220**	**23,210,734**
Revaluation	-	3,865,422,925	-	792 574 397
Additions	2,634,697	60,699,681	2,546,234	16,589,025
Disposals	(9,029,007)	(302,988)	(86,220)	(113,589)
Depreciation	(87,095,498)	(50,319,679)	(10,043,973)	(13,885,347)
Carrying amount at end of the period	**4,532,118,068**	**4,625,607,877**	**810,791,261**	**818,375,220**

6. LEASES

National Tyre Services leases 5 properties with an average lease period of 3 years. In the six months ending 30 September 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	302,439,736	267,511,853	99,350,163	2,653,133
Equity and liabilities				
Lease liability	229,391,473	30,576,568	229,391,473	11,464,157
7. CURRENT ASSETS				
Inventories	635,686,798	1,187,304,458	546,667,799	324,979,396
Trade and other receivables	36,053,971	41,682,077	36,053,971	15,178,295
Bank and cash balances	16,154,904	34,062,115	16,154,904	12,769,750
	687,895,673	**1,263,048,651**	**598,876,674**	**352,927,441**
8. BORROWINGS				
Short term loan	147,788,660	393,638,355	147,788,660	147,573,436

The loans from local financial institutions outstanding at reporting date attract interest of 202% per annum.

9. TRADE AND OTHER PAYABLES				
Trade	97,182,875	196,797,818	97,182,875	73,778,710
Bank Overdraft	44,683,680	-	44,683,680	-
Other payables	394,287,562	225,195,144	394,287,562	84,424,753
	536,154,117	**421,992,962**	**536,154,117**	**158,203,463**
10. Cash and cash equivalents at the end of the period				
Bank Overdraft	(44,683,680)	-	(44,683,680)	-
Bank and Cash balances	16,154,904	35,697,522	16,154,904	9,384,150
	(28,528,776)	**35,697,552**	**(28,528,776)**	**9,384,150**
11. RELATED PARTY TRANSACTIONS AND BALANCES				
Expenses				
Simply Africa (Private) Limited - technical fees	27,639,961	49,180,979	27,639,961	18,437,751
Balances				
Payables:				
Simply Africa (Private) Limited - technical fees	27,639,961	16,488,406	27,639,961	6,181,437
12. CAPITAL EXPENDITURE COMMITMENTS				
Capital commitments authorised but not contracted for	450,080,505	450,080,050	168,733,370	168,733,370

13.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 on a going concern basis is appropriate.

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 30 September 2022:-

MONTH	INDICES	ADJUSTING FACTOR
CPI as at 30 September 2021	3,342.02	3.80
CPI as at 31 March 2022	4,766.10	2.67
CPI as at April 2022	5,507.11	2.31
CPI as at May 2022	6,662.17	1.91
CPI as at June 2022	8,707.35	1.46
CPI as at July 2022	10,932.83	1.16
CPI as at August 2022	12,286.26	1.03
CPI as at September 2022	12,713.12	1.00

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