



# National Tyre Services Limited

## AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

### 31 MARCH 2023

#### CHAIRMAN'S STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

**ECONOMIC OVERVIEW**  
The operating period continued to be characterized by numerous macro-economic challenges. During the financial year 2022-2023, the industry faced persistent increases in prices of goods and services as well as loss of value of the local currency as unsustainable interest rates continued to destroy value. At the customer and consumer end, disposable income was eroded by hyper-inflation and the exchange rate disparities, which affected aggregate demand in the economy. The depressed electricity generation capacity experienced during the year negatively affected service delivery and increased industry production costs. The improvements in overall agricultural production in the last farming season, particularly for staple grains will preserve much needed foreign currency and positively impact growth.

**OPERATIONS**  
The availability of Dunlop tyres was instrumental in us retaining our large corporate customer base during the year. As a result, premium sales in units increased by 14% over prior year. National Tyre Services (NTS) remains viable as the competitive space continues to be crowded by new entrants across the country. The budget brands segment was impacted by the restricted access to foreign currency which in turn affected product availability. Retreading performance declined during the year, as the Company managed to maintain presence in key retreading fees. NTS capability and capacity for excellent products and service in retreading continues to be preferred by the market. Management continued to review business operations throughout the year to enhance overall performance and strengthen NTS' competitive advantage. NTS also widened the range of suppliers and revamped supply chain management to effectively manage costs and position the business appropriately for the future.

**FINANCIAL OVERVIEW**  
Sales revenue grew by 21% (inflation adjusted) to ZWL4,332 billion (2022: ZWL3,579 billion) due to the continued implementation of the turnaround strategy. Gross profit decreased by 8% to ZWL2,462

billion (2022: ZWL2,686 billion) as the cost of sales increased due to higher costs of imported products. Total operating expenses were maintained at prior levels (inflation adjusted) at ZWL2,170 billion (2022: ZWL2,181 billion) due to cost containment measures implemented by our Management. The Company incurred a loss (before tax) of ZWL427 million (inflation adjusted) from a profit of ZWL1,187 million in the previous year.

**DIVIDEND**  
The Directors have considered it prudent not to declare a dividend in view of the need to restore working capital to adequate levels to support the business.

**OUTLOOK**  
The monetary measures being implemented by the Government to stabilize the local currency are bearing fruit given that the local currency is firming against the US dollar. Foreign currency exchange rates are stabilizing on parallel and auction markets. We are cautiously optimistic of continued stability in exchange rates, which will aid planning and business growth. Industry is expecting that the current stability in power generation will continue to minimize production disruptions. We are projecting increased demand for tyres and related product services pick-up in the build-up to general elections and the upcoming agricultural season. To capitalize on the current environment, NTS will continue to focus on cost containment and enhanced market outreach programs to increase the inventory turnover ratio and improved profitability.

R.J. Moyo  
Chairman

The auditor's report includes a section on key audit matters outlining matters that, in the auditor's professional judgement, were of most significance in the audit of the inflation adjusted financial statements. The key audit matter was with respect to revenue recognition. The auditor's opinion is not modified in respect of this matter.

The auditor's report on the inflation adjusted financial statements and the full set of the audited inflation adjusted financial statements are available for inspection at the company's registered office and the auditor's report was lodged with the Zimbabwe Stock Exchange.

**3. DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE RESULTS FOR THE TWELVE MONTHS ENDED 31 MARCH 2023**  
Accounting policies and methods are consistent with those used in the prior year and with the requirements of International Financial Reporting Standards ("IFRS") applicable for the year ended 31 March 2023.

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>4. REVENUE</b>				
Revenue from sale of goods	4,054,061,695	3,366,304,727	3,403,471,466	865,934,269
Revenue from rendering of services	278,033,787	213,329,102	233,568,945	55,151,020
	<b>4,332,095,481</b>	<b>3,579,633,832</b>	<b>3,637,038,411</b>	<b>921,085,289</b>
<b>5. PROFIT BEFORE TAX AND MONETARY GAIN</b>				
Profit for the period has been arrived at after charging / (crediting):				
Transport charges	32,583,372	62,334,392	29,158,535	12,527,515
Technical fees	80,171,999	91,742,531	71,433,017	18,437,750
Electricity and lighting	14,793,381	22,615,422	13,802,748	4,545,084
Rental income from investment property	(92,168,920)	(43,173,676)	(80,981,075)	(10,715,867)
Staff remuneration	1,014,102,661	796,761,648	876,716,506	160,127,391
Remuneration of directors - fees for services as directors	21,214,165	16,190,160	18,164,917	4,227,459

#### A. ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

NOTE	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>Revenue</b>	<b>4,332,095,481</b>	<b>3,579,633,832</b>	<b>3,637,038,411</b>	<b>921,085,289</b>
Finance charges	2,462,236,280	2,686,484,020	2,061,364,806	600,701,825
Exchange (loss) / gain	(1,172,055,428)	-	(928,191,947)	-
Other income	115,733,727	102,904,812	104,094,751	14,357,124
Fair value adjustments on investment property	1,076,223,951	692,962,926	1,644,298,575	139,266,675
Profit / (loss) from operations	<b>3,116,681,915</b>	<b>1,458,121,919</b>	<b>1,146,184,535</b>	<b>233,458,736</b>
Finance charges	(547,384,213)	(270,133,184)	(497,137,336)	(74,494,613)
Exchange (loss) and monetary gain	(235,742,504)	-	(1,167,888,735)	-
Monetary (loss) / gain	(1,091,982,141)	(124,722)	(649,007,189)	158,964,123
Income tax expense	(149,508,706)	(979,415,452)	(389,343,087)	(179,019,750)
Profit/(loss) for the period	<b>(577,213,151)</b>	<b>208,448,500</b>	<b>258,664,112</b>	<b>(20,958,767)</b>
Evaluation Gain through OCI	5,944,864,465	4,035,463,960	9,802,153,604	798,385,213
Fair value gain on investment through OCI	679,673	364,627	2,044,215	12,577
<b>Total comprehensive income for the period</b>	<b>5,368,330,976</b>	<b>4,244,277,138</b>	<b>10,063,841,931</b>	<b>778,434,163</b>
Number of shares in issue (thousands)	253,872	253,872	253,872	253,872
Earnings per share (cents)	(227.36)	82.11	102	(8)
Dividend earnings per share (cents)	(227.36)	82.11	102	(8)
Headline earnings per share (cents)	(227.36)	82.11	102	(8)

#### B. ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>ASSETS</b>				
Non-current assets	<b>13,143,429,634</b>	<b>6,100,250,620</b>	<b>12,532,246,020</b>	<b>963,838,984</b>
Property, plant and equipment	10,387,345,618	5,075,537,967	11,688,530,854	818,373,360
Intangible assets	19,948,565	21,190,967	14,433,301	2,368,372
Investment property	1,784,402,741	708,178,799	1,764,402,741	104,104,166
Right of use assets	349,348,542	293,538,354	531,419,296	2,653,133
Fair value through other comprehensive income investments	2,384,168	1,704,495	2,384,168	339,953
Current assets	<b>3,289,769,828</b>	<b>1,385,913,350</b>	<b>3,195,641,350</b>	<b>354,927,744</b>
Trade and other receivables	14,535,659,828	7,486,182,565	13,912,887,379	1,316,766,425
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity and reserves	10,757,128,913	5,388,797,937	10,896,530,049	832,688,118
Deferred tax	1,308,071,527	1,168,845,018	545,898,141	166,837,251
Net cash and cash equivalents	180,919,788	180,919,788	180,919,788	144,414,157
Short term loan	1,018,170,049	431,935,836	1,117,190,049	147,573,436
Trade and other payables	1,270,923,355	463,409,088	1,270,923,355	158,203,463
<b>Total equity and liabilities</b>	<b>14,535,659,828</b>	<b>7,486,182,565</b>	<b>13,912,887,379</b>	<b>1,316,766,425</b>

#### C. ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>Opening balance</b>	<b>5,388,797,938</b>	<b>1,144,520,690</b>	<b>832,688,118</b>	<b>54,252,965</b>
Loss for the period	5,368,330,976	4,244,277,138	10,063,841,931	778,434,163
Closing balance	<b>10,757,128,913</b>	<b>5,388,797,938</b>	<b>10,896,530,049</b>	<b>832,688,118</b>

#### D. ABRIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>Cash flows from operating activities before changes in working capital</b>	<b>(293,391,963)</b>	<b>926,265,313</b>	<b>(179,310,570)</b>	<b>117,305,119</b>
Changes in working capital	799,301,397	(329,619,075)	107,337,598	(77,588,393)
Income tax paid	(1,152,965)	(34,241,166)	(1,276,362)	(8,926,170)
Net cash generated from operating activities	<b>495,837,469</b>	<b>562,405,071</b>	<b>(64,949,104)</b>	<b>30,790,556</b>
Net cash flows from financing activities	(480,881,155)	(74,282,316)	(95,690,740)	(18,653,347)
Net cash flows from investing activities	155,353,842	(80,127,998)	203,071,064	(5,723,117)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>469,776,157</b>	<b>408,014,757</b>	<b>22,431,484</b>	<b>6,413,892</b>
Effects of inflation on opening balances of monetary items	(498,953,978)	(402,765,400)	-	-
Cash and cash equivalents at beginning of period	37,376,053	32,126,696	12,769,570	6,355,858
<b>Cash and cash equivalents at the end of the period</b>	<b>35,201,234</b>	<b>37,376,053</b>	<b>35,201,234</b>	<b>12,769,570</b>

#### E. NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 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 financial results derived from the audited inflation adjusted financial statements of National Tyre Services Limited for the financial year ended 31 March 2023, should be read together with the complete set of audited, Inflation Adjusted financial statements of the Company, for the year ended 31 March 2023, which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) and the auditor's report signed by Farai Chishe, Registered Public Auditor 0547.

A qualified opinion has been issued on the audited inflation adjusted financial statements of the Company, for the year ended 2022. The qualified opinion was issued regarding non-compliance with International Accounting Standard (IAS) 21. The Effects of Changes in Foreign Exchange Rates in the prior and current financial year, International Accounting Standard (IAS) 8. Net cash flows from financing activities, and International Accounting Standard (IAS) 12. Financial Reporting Standard (FRS) 16. Fair Value Measurement with respect to fair valuation disclosures for Investment Property and Owner Occupied Property for the current year.

#### 6. PROPERTY, PLANT AND EQUIPMENT

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>				
Carrying amount at beginning of period	5,075,637,895	823,086,706	818,375,360	23,210,734
Revaluation	5,944,864,465	4,241,833,892	9,802,153,604	792,574,537
Additions	150,167,800	66,605,215	96,586,714	16,589,025
Disposals	(6,020,742)	(332,466)	(87,220)	(113,589)
Depreciation	(177,303,680)	(55,215,332)	(28,507,654)	(13,885,347)
Carrying amount at the end of the period	<b>10,987,345,618</b>	<b>6,075,637,995</b>	<b>10,688,500,884</b>	<b>818,375,360</b>

**7. LEASES**  
National Tyre Services leases 3 properties with an average lease period of 3 years. In the twelve months ending 31 March 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.

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>ASSETS</b>				
Right of use assets	349,348,542	293,538,354	531,419,296	2,653,133
<b>Equity and liabilities</b>				
Lease liability	180,919,788	33,554,686	180,919,788	11,464,157

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>8. CURRENT ASSETS</b>				
Inventories	1,113,074,379	1,302,818,523	1,102,859,142	324,979,396
Trade and other receivables	243,964,382	45,737,369	242,580,383	15,178,295
Bank and cash balances	1,392,229,995	1,385,913,945	1,380,641,359	382,927,441

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>9. BORROWINGS</b>				
Short term loan	1,018,170,049	431,935,836	1,018,170,049	147,573,436

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>10. TRADE AND OTHER PAYABLES</b>				
Trade	289,796,641	215,944,720	289,796,641	73,778,710
Bank overdraft	374,202,598	-	374,202,598	-
Other payables	247,104,609	247,104,609	35,201,234	84,424,753
	<b>1,270,823,355</b>	<b>483,049,088</b>	<b>1,270,823,355</b>	<b>158,203,463</b>

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>11. RELATED PARTY TRANSACTIONS AND BALANCES</b>				
Expanded				
Simply Africa (Private) Limited - technical fees	71,433,017	53,965,846	71,433,017	18,437,751
Radun Investments Loan	371,944,720	-	371,944,720	-
<b>Balances Payables:</b>				
Simply Africa (Private) Limited - technical fees	71,433,017	18,092,580	71,433,017	6,181,437

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL	AUDITED 31.03.2023 ZWL	AUDITED 31.03.2022 ZWL
<b>12. CAPITAL EXPENDITURE COMMITMENTS</b>				
Capital commitments authorised but not contracted for	1,407,392,266	493,869,298	1,407,392,266	168,733,370

**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 Hyperinflationary 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 December 2022. In the absence of ZWL inflation indices for the period January 2023 to March 2023, an estimation was made based on the Total Consumer Poverty Line (TCPL) statistics published by Zimstat.

MONTH	INDICES	ADJUSTING FACTOR
CPI as at 31 March 2022	4,766.10	2.93
CPI as at 31 March 2022	4,766.10	2.93
CPI as at April 2022	5,507.11	2.53
CPI as at May 2022	6,662.17	2.09
CPI as at June 2022	8,707.35	1.60
CPI as at July 2022	10,932.83	1.28
CPI as at August 2022		