



# 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) managing 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 138% (inflation adjusted) to ZWL 15.3 billion (2022: ZWL5.5 billion). Operating profit increased by 319% to ZWL3.1 billion (2022: ZWL7.44 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

### 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	AUDITED 30.09.2022 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
Revenue from sale of goods	15,031,243,290	6,045,671,319	12,638,938,175	1,283,575,427
Revenue from rendering of services	278,033,787	465,075,747	233,566,045	98,614,763
	<b>15,309,277,047</b>	<b>6,510,747,066</b>	<b>12,772,505,120</b>	<b>1,382,190,190</b>

5. PROFIT BEFORE TAX AND MONETARY GAIN	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 30.09.2022 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
Profit for the period has been arrived at after charging / (crediting):				
Transport charges	169,769,734	74,916,022	122,803,797	11,011,471
Technical fees	137,599,178	110,259,927	88,122,127	27,639,961
Electricity and lighting	1,281,681,525	27,180,140	1,097,398,386	2,781,508
Retinal income from investment property	(321,613,064)	(51,887,890)	(280,726,606)	(24,423,696)
Staff remuneration	3,554,245,091	957,580,746	2,804,577,729	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	23,983,223	481,407,691	22,376,471	96,586,934
Disposals	(412,209,772)	(568,400,525)	(92,033,444)	(28,507,654)
Depreciation				
Carrying amount at the end of period	<b>34,834,988,395</b>	<b>35,223,214,844</b>	<b>10,618,843,911</b>	<b>10,688,500,884</b>

**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	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL
Right of use assets	53,887,265	1,119,940,992	9,858,833	63,514,926

Equity and liabilities	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL
Lease liability	618,247,951	579,982,736	618,247,951	180,916,785

8. CURRENT ASSETS	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL
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	1,743,433,749	1,743,433,749	242,580,983
Bank and cash balances	1,838,616,600	1,735,928,671	1,305,615,600	38,201,244
	<b>7,417,078,558</b>	<b>4,463,708,671</b>	<b>7,305,663,436</b>	<b>1,380,641,359</b>

9. BORROWINGS	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
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	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 31.03.2023 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
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	374,202,588
Other payables	1,696,893,641	1,716,355,922	1,696,893,641	535,391,069
	<b>6,857,443,877</b>	<b>3,845,003,809</b>	<b>6,857,443,877</b>	<b>1,199,390,339</b>

11. RELATED PARTY TRANSACTIONS AND BALANCES	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 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)	(2,599,258,770)	(8,981,578,043)	(276,905,154)
Closing balance	<b>25,461,407,552</b>	<b>14,676,142,960</b>	<b>1,914,952,006</b>	<b>555,782,824</b>

12. CAPITAL EXPENDITURE COMMITMENTS	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2023 ZWL	AUDITED 30.09.2022 ZWL	REVIEWED 30.09.2023 ZWL	REVIEWED 30.09.2022 ZWL
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 Hyperinflationary Economies.

**SOURCE OF INDICES**  
 The price indices used were derived by using the Total Consumption Poverty Line from the zimstat website. Based on the strong positive correlation coefficient of 0.99, the last published CPI in December 2022 was adjusted based on the monthly movement of the TCLP. 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	16,493.18	2.89
CPI as at May 2023	18,704.11	2.39
CPI as 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 foreseeable future and believe that the preparation of the financial statements on a going concern basis is appropriate.

### 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
<b>Revenue</b>	<b>15,309,277,047</b>	<b>6,510,747,066</b>	<b>12,772,505,120</b>	<b>1,382,190,190</b>
Operating profit (Loss) (10,938,835,321)	744,517,806	3,214,813,188	252,818,075	(159,083,408)
Other income	57,074,657	170,948,720	10,788,967,361	395,812,117
Fair value adjustments on investments	11,632,580		508,634,282	-42,903,234
Loss from operations	(7,228,119,516)	(1,120,222,292)	(7,053,827,311)	(100,590,808)
Finance charges	174,130,227	(563,522,425)	(563,522,425)	(1,159,083,408)
Loss before tax and monetary gain	(7,053,989,289)	(1,683,744,517)	(7,617,349,515)	(258,674,218)
Monetary gain / (loss)	1,296,058,760	(535,115,263)		
Income tax expense	(2,344,687,372)	(238,299,626)	(11,364,228,492)	(17,230,938)
Loss for the period	(9,023,778,955)	(2,599,258,770)	(6,981,578,043)	(276,905,154)
<b>Total comprehensive loss for the period</b>	<b>(9,023,778,955)</b>	<b>(2,599,258,770)</b>	<b>(6,981,578,043)</b>	<b>(276,905,154)</b>
Number of shares in issue (thousands)	253,872	253,872	253,872	253,872
Earnings per share (cents)	(35.54)	(1.024)	(3.538)	(1.09)
Diluted earnings per share (cents)	(35.54)	(1.024)	(3.538)	(1.09)
Headline earnings per share (cents)	(35.54)	(1.024)	(3.538)	(1.09)

### 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
<b>ASSETS</b>				
Non current assets	36,745,600,485	42,135,195,502	12,430,328,953	12,532,246,020
Property, plant and equipment	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
Right of use property	1,784,402,749	523,069,425	1,784,402,749	1,784,402,749
Right of use assets	53,887,265	1,119,940,992	9,858,833	53,514,926
Fair value through other comprehensive income investments	14,016,747	7,843,164	14,016,747	2,384,168
Current assets	7,417,078,558	4,463,708,671	7,205,863,436	1,380,641,359
<b>Total assets</b>	<b>44,162,679,043</b>	<b>46,598,934,173</b>	<b>19,636,192,389</b>	<b>13,912,887,379</b>
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity and reserves	25,461,407,552	34,485,186,505	1,914,952,006	10,896,530,049
Deferred tax	2,984,838,480	4,193,413,589	2,004,805,372	545,898,140
Lease liability	618,247,951	579,982,736	618,247,951	180,916,785
Short term loan	5,964,922,416	2,073,428,100	5,964,922,416	646,774,329
Trade and other payables	6,857,443,877	3,845,003,609	6,857,443,877	1,199,390,339
Related party payables	2,276,820,767	1,421,379,634	2,276,820,767	443,377,337
<b>Total equity and liabilities</b>	<b>44,162,679,043</b>	<b>46,598,934,173</b>	<b>19,636,192,389</b>	<b>13,912,887,379</b>

### 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)	(2,599,258,770)	(8,981,578,043)	(276,905,154)
Closing balance	<b>25,461,407,552</b>	<b>14,676,142,960</b>	<b>1,914,952,006</b>	<b>555,782,824</b>

### 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
<b>Cash flows from operating activities before changes in working capital</b>	<b>(57,394,292)</b>	<b>191,339,515</b>	<b>(215,123,293)</b>	<b>145,835,126</b>
Changes in working capital	1,641,480,198	2,047,436,949	1,641,480,198	46,019,214
Income tax paid	(1,623,324,078)	(403,326,361)	(1,117,798,378)	(8,926,170)
Net cash generated from operating activities	1,460,761,830	2,795,449,103	1,318,020,257	182,929,700
Net cash out flows utilized in investing activities	(24,359,605)	(16,433,465)	(22,735,839)	(4,583,198)
Net cash out flows from financing activities	338,413,334	(91,651,548)	506,129,339	(219,643,500)
Effects of inflation on opening balances of monetary items	1,774,785,559	1,263,356,410	1,800,414,367	(41,298,526)
Cash and cash equivalents at beginning of period	(52,018,015)	(1,483,532,000)	36,201,233	12,769,750
Cash and cash equivalents at end of period	1,124,848,056	119,820,092		
<b>Cash and cash equivalents at the end of period</b>	<b>1,835,615,600</b>	<b>(100,355,498)</b>	<b>1,835,615,600</b>	<b>(28,528,776)</b>

### E. NOTES TO THE ABRIDGED FINANCIAL