

# National Tyre Services Limited

## ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

### CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

**a) Economic Overview**  
The trading environment was subdued and the industry faced challenges primarily stemming from the continued loss of purchasing power of the local currency. The El Niño induced poor rainfall and prolonged dry spells that characterized ZSW's farming season further constrained foreign currency reserves. The depressed electricity generation experienced in the country and the region at large continues to negatively impact industry throughout. The move by the Government to introduce a gold backed currency has stabilized economic fundamentals which are key for growth and establishment of long term business strategies.

**b) Operations Review**  
Procurement of material and driven premium tyre resulted in a 24% increase in new tyre sales volumes when compared to the prior year. Our solid and long term trading relationship with our suppliers sustained business operations through seamless supply of stock. Although the Company closed four retail outlets at the beginning of the Financial Year, National Tyre Services managed to maintain a strong presence in affected areas through personal selling.

**c) Retreading**  
The Company retained a large retreading customer base through improved turnaround time and unmatched workmanship. Retreading sales volumes rose by 10% from April 2023 to March 2024 when compared April 2022 to March 2023.

**d) Financial Review**  
Sales grew by 95% (inflation adjusted) to ZWL 259,669 billion (ZWL 133,291 billion). Gross profit increased by 39% to ZWL 105.41 billion (2023: ZWL 75,52 billion). Total operating expenses increased significantly (inflation adjusted) to ZWL 114,067 billion (2023: ZWL 66,775 billion). The company incurred a loss before tax of 39,278 billion (inflation adjusted) from a loss of 7,263 billion in the previous year.

**e) Dividends**  
The Directors have considered it prudent not to declare a dividend in consideration of the need to enhance working capital in the business.

**f) Outlook**  
National Tyre Services is upbeat that the strategies being implemented by the authorities to boost demand for ZSW will stabilize inflationary pressures, enhance market acceptance and confidence. Stability and general pricing consistency will foster investor confidence and create a conducive business operating environment.

As we look ahead, we envisage leveraging on the rolling extensive road rehabilitation program, which will improve infrastructure and enhance road safety, potentially leading to increased vehicle traffic and demand for our tyre services. Already, the Company has realized strong demand for Light truck and luxury motor vehicles tyres during the build up to SADC summit.

National Tyre Services intends to boost profitability and market share through offering a balanced product portfolio of meticulously engineered tyre brands. We are optimistic of a return to normal peak season in the second half of the year, typically hot and rainy seasons drive demand for tyres and related services.

*R.J. Moyo*  
Chairman  
6 September 2024

### E. NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (Continued)

4. REVENUE	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
Revenue from sale of goods	242,902,000,026	124,737,200,799	98,401,602,486	3,403,471,466
Revenue from rendering of services	17,166,902,028	8,654,663,121	2,488,278,428	233,686,845
	<b>259,669,312,134</b>	<b>133,291,869,920</b>	<b>38,898,910,484</b>	<b>3,637,038,411</b>

5. PROFIT BEFORE TAX AND MONETARY GAIN	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
Profit for the year has been arrived at after charging (credit)/	2,821,022,290	1,002,539,905	397,538,916	29,156,535
Transport charges	1,371,346,289	2,462,026,038	96,420,039	71,433,021
Technical fees	2,058,343,753	455,189,428	260,414,120	13,862,746
Electrical and lighting	(5,620,318,951)	(2,836,894,950)	(893,887,858)	(80,981,077)
Rental income from investment property	60,845,338,892	31,202,398,603	10,628,598,502	876,716,506
Staff remuneration				
Remuneration of directors				
- fees for services as directors	1,736,336,213	652,726,993	494,520,780	18,164,917

6. PROPERTY, PLANT AND EQUIPMENT	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
Carrying amount at beginning of year	338,900,409,826	186,156,881,489	10,716,118,096	818,376,380
Revaluation		162,914,273,835		8,902,133,004
Additions	39,910,490	5,485,109,732	3,016,118	124,654,573
Disposals		(185,248,888)		(87,220)
Depreciation	(1,615,291,281)	(5,468,306,338)	(192,545,251)	(28,928,221)
Carrying amount at the end of the year	<b>337,244,947,114</b>	<b>338,900,409,826</b>	<b>10,567,588,959</b>	<b>10,716,118,096</b>

7. LEASES	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
Assets				
Right of use assests	9,862,724,079	10,748,913,689	106,742,566	53,514,929
Equity and liabilities				
Lease liability	2,404,045,136	5,666,529,322	2,404,045,136	180,916,785
8. CURRENT ASSETS				
Inventories	106,974,16,791	34,247,576,085	19,743,016,039	1,102,856,142
Trade and other receivables	6,089,670,440	7,506,088,593	4,988,052,451	242,580,983
Corporate tax asset	2,287,487,488	1,083,087,483	2,046,847,458	62,268,369
Bank and cash balances	11,149,243,059	42,039,671,261	16,827,623,518	1,380,941,234
9. BORROWINGS				
Short term	16,430,061,306	19,900,244,590	16,430,061,306	846,774,329
Medium term loan	11,228,571,839	11,444,163,095	11,228,571,839	371,944,720

The following loans from local financial institutions were outstanding as at reporting date:

Financial institution	Interest rate per annum	Security		
Standard Chartered bank	15.7%	Land and buildings with a carrying amount of USD 2 000 000		
FBC bank	15%	Land and buildings with a carrying amount of USD 3 000 000		
Ecobank	18.1%	Land and buildings with a carrying amount of USD 750 000		
Radun	16.5%	Land and buildings with a carrying amount of USD 910 000		
10. TRADE AND OTHER PAYABLES				
Trade	10,415,368,292	8,778,272,963	10,415,368,292	371,824,420
Bank overdraft	10,168,863,508	11,513,634,505	10,168,863,508	374,202,598
Corporate tax payable	7,564,703,938	1,396,147,396	7,564,703,938	4,424,904
Other payables	27,998,933,728	39,963,945,830	27,998,933,728	1,298,861,134
11. RELATED PARTY TRANSACTIONS AND BALANCES				
Expenses				
Simply Africa (Private) Limited - technical fees	1,371,346,288	2,462,029,938	95,942,039	71,433,021
Balances				
Payables:				
Simply Africa (Private) Limited - technical fees	16,407,213	3,106,892,527	16,407,213	100,976,564
Radun Investments Loan	11,228,571,839	11,444,163,095	11,228,571,839	371,944,720
12. CAPITAL EXPENDITURE COMMITMENTS				
Capital commitments authorised but not contracted for	21,135,372,666	43,303,280,743	21,135,372,666	1,407,382,286
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 years 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 Zimbabwe National Statistics Agency website. The last published CPI in December 2022 was adjusted based on the monthly movement of the TGPL. Below are the indices and conversion factors used up to 31 March 2024:

Month	Indices	Conversion factor
March 2023	13,949,899	30.77
April 2023	15,480,137	27.73
May 2023	18,704,62	22.95
June 2023	42,710,72	10.05
July 2023	46,633,80	9.20
August 2023	42,659,97	10.06
September 2023	44,720,86	9.60
October 2023	49,222,55	8.72
November 2023	53,916,71	7.98
December 2023	65,703,43	6.53
January 2024	92,216,62	4.63
February 2024	258,942.08	1.66
March 2024	429,219.62	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 YEAR ENDED 31 MARCH 2024

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
Revenue	259,669,312,134	133,291,869,920	38,898,910,484	3,637,038,411
Gross profit	105,410,401,311	76,752,797,985	16,460,580,153	2,091,358,028
Exchange loss	(21,216,837,207)	(28,062,330,645)	(26,335,147,927)	(9,928,191,947)
Other income	6,046,567,947	3,560,947,572	1,063,542,250	102,094,761
Fair value adjustments on investment property		33,117,744,495		6,642,298,676
Profit/(loss) from operations	(15,676,711,348)	8,688,364,116	(15,785,507,674)	(1,746,184,328)
Finance charges	18,642,184,820	(16,842,184,820)	(14,223,565,404)	(497,177,339)
Profit/(loss) before tax and monetary gain	(136,276,884,426)	(17,256,818,504)	(30,109,073,738)	(649,007,756)
Income tax	126,901,586,026	(5,906,993,203)	10,909,633,590	(2,044,215)
Income tax	3,707,679,639	(4,800,151,577)	(448,738,778)	(389,343,087)
Profit/(loss) for the year	(1,393,074,681)	117,769,944,894	(30,554,812,166)	(209,904,112)
Revaluation surplus through OCI		152,914,273,835		8,902,133,004
Fair value gain on investment through OCI		28,912,421		2,044,215
Total comprehensive income for the year	91,393,074,681	165,175,231,579	(30,554,812,166)	(100,953,915,311)
Non-current assets	253,872	253,872	253,872	253,872
Property, plant and equipment	338,900,409,826	186,156,881,489	10,716,118,096	818,376,380
Intangible assets	461,537,508	813,786,465	1,759,395	1,443,901
Investment property	54,803,269,270	54,803,269,270	1,784,402,741	1,784,402,741
Right of use assets	9,862,724,079	10,748,913,689	106,742,566	53,514,929
Fair value through other comprehensive income investments	127,523,249	73,367,145	85,650,271	2,384,168
Current assets	114,149,243,059	42,039,671,261	20,837,525,318	1,380,641,355
Total assets	516,949,281,878	448,076,537,634	39,394,566,263	13,940,504,591
EQUITY AND LIABILITIES				
Shareholders' equity and reserves	422,347,394,034	330,954,319,353	(18,658,702,674)	(10,898,106,482)
Deferred tax	36,540,255,836	40,247,335,440	99,183,891,19	545,898,141
Lease liability	2,404,045,136	5,666,529,322	2,404,045,136	180,916,785
Short term loan	16,430,061,306	19,900,244,590	16,430,061,306	846,774,329
Medium term loan	11,228,571,839	11,444,163,095	11,228,571,839	371,944,720
Total equity and liabilities	516,949,281,878	448,076,537,634	39,394,566,263	13,940,504,591

### B. ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
ASSETS				
Non-current assets	402,800,038,819	405,239,776,493	12,557,040,935	10,589,863,232
Property, plant and equipment	337,324,944,714	338,900,409,826	10,657,588,959	10,716,118,096
Intangible assets	461,537,508	813,786,465	1,759,395	1,443,901
Investment property	54,803,269,270	54,803,269,270	1,784,402,741	1,784,402,741
Right of use assets	9,862,724,079	10,748,913,689	106,742,566	53,514,929
Fair value through other comprehensive income investments	127,523,249	73,367,145	85,650,271	2,384,168
Current assets	114,149,243,059	42,039,671,261	20,837,525,318	1,380,641,355
Total assets	516,949,281,878	448,076,537,634	39,394,566,263	13,940,504,591
EQUITY AND LIABILITIES				
Shareholders' equity and reserves	422,347,394,034	330,954,319,353	(18,658,702,674)	(10,898,106,482)
Deferred tax	36,540,255,836	40,247,335,440	99,183,891,19	545,898,141
Lease liability	2,404,045,136	5,666,529,322	2,404,045,136	180,916,785
Short term loan	16,430,061,306	19,900,244,590	16,430,061,306	846,774,329
Medium term loan	11,228,571,839	11,444,163,095	11,228,571,839	371,944,720
Total equity and liabilities	516,949,281,878	448,076,537,634	39,394,566,263	13,940,504,591

### C. ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
Opening balance	330,954,319,353	165,792,027,960	10,898,106,482	832,688,118
Prior year adjustment				
Changes in the year	91,393,074,681	165,175,231,579	(30,554,812,166)	(100,953,915,311)
Closing balance	422,347,394,034	330,954,319,353	(18,658,702,674)	10,898,106,482

### D. ABRIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31.03.2024	AUDITED 31.03.2023	AUDITED 31.03.2024	AUDITED 31.03.2023
Cash flows from operating activities before changes in working capital	6,976,711,975	(6,027,216,384)	5,499,172,239	(179,10,669)
Changes in working capital	(2,118,697,261)	24,993,299,287	(5,317,866,133)	(18,376,378)
Income tax paid	(117,790,349)	(488,817,367)	(117,790,349)	(12,978,134)
Net cash generated from operating activities	75,268,057,034	15,079,232,536	8,699,250,614	(56,911,227)
Net cash used in investing activities	(39,819,049)	(3,713,967,705)	(14,018,118)	(123,728,255)
Net cash out flows from financing activities	(15,068,105,342)	(4,779,935,643)	(8,657,871,671)	(203,017,066)
Net (decrease) / increase in cash and cash equivalents	(10,688,981,426)	16,147,804,474	(2,007,688,222)	(22,431,484)
Effects of inflation on opening balances of monetary items	91,943,781,422	(16,214,720,334)		
Cash and cash equivalents at beginning of year	1,083,087,			