

National Tyre Services Limited

ABRIDGED REVIEWED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

CHAIRMAN'S STATEMENT

EXECUTIVE SUMMARY

The company had a challenging first half, mainly due to a shortage of foreign currency and extensive electricity load shedding. The scarcity of foreign currency resulted in reduced stock holding. Consequently company posted an inflation-adjusted loss of ZWL 1.8 million for the six months ended 30 September 2019.

The business environment continues to be characterised by major challenges as highlighted earlier. A key concern is the continued inflation and loss of value in the national currency which is leading to higher operating expenses. The unfavourable business environment contributed to reduced aggregate demand and low business volumes.

Retreading operations performed well during the period under review due to shifting production to match power availability as well as improved availability of raw materials from reliable suppliers.

FINANCIAL REVIEW

Presentation of financial statements
The primary financial statements are restated to current cost in accordance with International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies. The historical cost inancial statements are presented as supplementary information.

Audit Review Report
These abridged financial statements were reviewed by the company's external auditors who issued an adverse review report. The adverse report is in respect of:

Misstatement of comparative financial statements as a result of non-compliance with IAS 21: The Effects of Changes in Foreign Exchange Rates.

(b) Non-compliance with IAS 21 on the adoption of the Zimbabwe dollar as the new functional currency of the company. Our external auditors are BDO Zimbabwe and the audit engagement partner is Mr. Martin Makaya, whose PAAB number is 0407.

The inflation-adjusted revenue decreased by 15% to ZWL 31.4 million. This was due to a decrease in sales volumes and reduced capacity utilisation. The company reported a net loss of ZWL 1.8 million for the period compared to a profit of ZWL 110,723 in the comparative period.

Financial Position
Total assets decreased by 13% from ZWL 36.6 million to ZWL 31.7 million. The decrease in assets was mainly due to a

Shareholders' equity decreased by 8% to ZWL 20.9 million due to the net loss incurred. The company remained solvent with total assets exceeding total liabilities by ZWL 20.9 million.

OUTLOOK



ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

	3/	RESTATED	FIGURES	HISTORICA	LFIGURES
A A A A A A A A A A A A A A A A A A A	ОТЕ	REVIEWED 30.09.2019 ZWL	UNAUDITED 30.09.2018 ZWL	REVIEWED 30.09.2019 ZWL	UNAUDITED 30.09.2018 USD
Revenue	3	31,443,959	36,836,417	19,813,376	8,011,288
Operating profit		5,628,057	10,593,450	7,977,193	2,374,087
Exchange (loss)/gain		(289,690)	7,090	(289,690)	7,090
Other income		345,583	629,530	202,744	136,875
Profit from operations		5,683,950	11,230,070	7,890,247	2,518,052
Finance charges		(214,232)	(44,642)	(131,651)	(9,732)
(Loss) / profit before tax and monetary gain/(loss) Monetary gain/(loss)	4	(3,646,237) 3,019,586	1,650,301 (1,357,317)	2,129,008	456,895
Income tax expense		(1,191,876)	(182,261)	(701,831)	(119,844)
(Loss)/profit for the period Other comprehensive income	H	(1,818,527)	110,723	1,427,177	337,051
Total comprehensive income for the period		(1,818,527)	110,723	1,427,177	337,051
Number of shares in issue (thousands)		253,872	253,872	253,872	253,872
Earnings per share (cents)		(0.72)	0.04	0.56	0.13
Diluted earnings per share (cents)		(0.72)	0.04	0.56	0.13
Headline earnings per share (cents)		(0.72)	0.04	0.56	0.13

		REVIEWED 30.09.2019 ZWL			AUDITED 31.03.2019 ZWL
ASSETS					
Non current assets		22,881,276	21,876,312	6,443,153	5,012,420
Property, plant and equipment	6	17,270,872	16,083,826	5,074,114	3,657,353
Intangable assets		278,543	303,914	205,582	143,772
Investment property		4,508,728	4,560,135	867,366	877,325
Right of use assets		625,458	730,762	224,985	262,864
Available for sale investments		197,675	197,675	71,106	71,106
Current assets	7	8,783,800	14,676,154	8,510,405	5,355,105
Total assets		31,665,076	36,552,466	14,953,558	10,367,525
EQUITY AND LIABILITIES					
Shareholders' equity		20,915,020	22,733,547	7,335,965	5,908,788
Deferred tax		3,914,812	3,327,126	782,351	684,711
Lease liability	10	164,751	812,904	164,751	292,412
Medium term loan	9		1,065,674	-	383,336
Short term loan	9	1,370,055	2,293,492	1,370,055	824,997
Trade and other payables	8	5,300,438	6,319,723	5,300,436	2,273,281
Total equity and liabilities		31,665,076	36,552,466	14,953,558	10,367,525

OGED STATEMENT OF FINANCIAL POSTION AS AT 30 SEPTEMBER 2019

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	30.09.2019 ZWL		30.09.2019 ZWL	
Opening balance	22,763,095	22,541,649	5,938,336	5,364,624
Effect of adoption of IFRS 16	(29,548)		(29,548)	
(Loss)/profit for the period	(1,818,527)	110,723	1,427,177	337,051
Closing balance	20,915,020	22,652,372	7,335,965	5,701,675
ABRIDGED STATEMENT OF CASH FLOWS FOR THE HALF Y	'EAR ENDED 3	0 SEPTEMBER	2019	
Cash flows from operating activities before changes in working capital	9,284	818,823	2,342,209	587,985
Changes in working capital	4,744,725	199,699	573,449	(389,452)
Income tax paid	(55,948)	-	(55,948)	
Net cash generated from/utilized in operating activities	4,698,061	1,018,522	2,859,710	198,533
Net cash flows utilized in investing activities	(2,090,273)	(620,906)	(1,682,272)	(342,892)
Net cash flows from financing activities	(2,203,343)	(583,620)	72,399	115,268
Net increase/(decrease) in cash and cash equivalents	404,445	(186,004)	1,249,837	(29,091)
Cash and cash equivalents at beginning of period	1,320,331	2,318,695	474,939	500,001
Cash and cash equivalents at the end of the period	1,724,776	2,132,691	1,724,776	470,910

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

BASIS OF PREPARATION & PRESENTATION

The Company's financial statements have been prepared in accordance with international Financial Reporting Standards ("FRS") and the international Financial Reporting interpretations. They are also prepared productions with the Companies Act (Chapter 24.03) and relevant statutory instruments (S 3399 and SI 3399).

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER

We confirm that to the best of our knowledge, the abridged interim financial statements have been prepared in accordance with international Accounting Standard 34: Interim Financial Reporting as required by the Listing Rules of the Zimbabwe Stock Exchange.

		RESTATED FIGURES		HISTORICAL FIGURES	
		REVIEWED UNAUDITED		REVIEWED UNAUDITED	
		30.09,2019		30.09.2019	
		ZWL		ZWL	USD
3.	REVENUE				
	Revenue from sale of goods	30,586,461	35,701,473	19,244,187	7,764,601
	Revenue from rendering of services	857,498	1,134,944	569,189	246,687
		31,443,959	36,836,417	19,813,376	8,011,288
4.	PROFIT BEFORE TAX				
	Profit for the period has been arrived at after				
	charging/(crediting): Transport charges	231,673	401,790	174,842	87,287
	Technical fees	628,549	551.201	396,268	119.878
	Electricity and lighting	62.095	126.016	42.178	27.416
		(267,229)	(602,232)	(167,767)	
	Rental income from investment property				(130,943)
	Staff remuneration	2,808,292	4,463,376	1,810,401	970,824
	Remuneration of directors				
	- Fees for services as Directors	324,965	59,795	184,095	12,996
5.	RELATED PARTY TRANSACTIONS AND BALANCES				
	Expenses				
	Simply Africa (Private) Limited - technical fees	628,549	551,201	396,268	119,878
	Balances				
	Payables:				
	Simply Africa (Private) Limited - purchase of goods	845,255	142,403	845,255	51,224
	Simply Africa (Private) Limited - technical fees	863,111	1,829,804	863,111	658,203
		REVIEWED	AUDITED	REVIEWED	AUDITED
		30.09.2019	31.03.2019	30.09.2019	31.03.2019
6.	PROPERTY, PLANT AND EQUIPMENT	ZWL	ZWL	ZWL	ZWL
	Carrying amount at beginning of period	16,083,826	14,265,729	3,657,353	2,728,584
	Additions	2,010,752	2,348,724	1,603,997	1,120,714
	Disposals	(230,890)		(50,207)	111
	Depreciation	(592,816)	(530,627)	(137,029)	(191,945)
		17,270,872	16,083,826	5,074,114	3,657,353
7.	CURRENT ASSETS '				
	Inventories	6,058,903	9,718,312	5,877,085	3,571,710
	Trade and other receivables	1,000,121	3,637,511	908,544	1,308,456
	Bank and cash balances	1,724,776	1,320,331	1,724,776	474,939
		8,783,800	14,676,154	8,510,405	5,355,105
8.	TRADE AND OTHER PAYABLES	., .,,			17
	Trade	1,950,897	1,536,008	1,950,897	562.233
	Other payables	3,349,541	4,756,715	3,349,539	1,711,048
	Ottlei payables	5,300,438	6.319.723	5,300,436	2,273,281
	BORROWINGS	5,300,436	0,318,723	5,300,430	2,273,201
0					
9.	Long term loop		1 005 074		
9.	Long term loan	4 070 077	1,065,674	1 070 055	383,336
9.	Long term loan Short term loan	1,370,055	1,065,674 2,293,492	1,370,055	383,336 824,997
	Short term loan The loans from a local financial institution outstanding		2,293,492		824,997
	Short term loan		2,293,492		824,997

National Tyre Services leases six proporties with an average lease period of 3 years. In the current year, National Tyre Services, for the first time 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

600,00

11. CAPITAL EXPENDITURE COMMITMENTS

12. EVENTS AFTER REPORTING DATE

1,668,000 883,245 Authorised but not contracted for

There has been no significant events after the reporting date.

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 basis is appropriate.

The Public Accountants and Auditors Board through its pronouncement provided guidance to all entities that report in accordance with the International Financial Reporting Standards (IFRS) in the application of Financial Reporting in Hyperinflationary Economies Standards (IdR S2) in 27mbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 should apply the requirement of IdR S2 "Financial Reporting in Hyperinflationary Economies." Source of indices

Below are the indices and adjusting factors used up to 30 September 2019

Month	Indices	Adjusting Factor
CPI as at 30 September 2018	64.1	4.53
CPI as at 31 March 2019	104.4	2.78
CPI as at April 2019	110.1	2.64
CPI as at May 2019	124	2.34
CPI as at June 2019	172.6	1.68
CPI as at July 2019	208.9	1.39
CPI as at July 2019	246.7	1.18
CPI as at September 2019	290.3	1



Tel/Fax: +263 242 703876/7/8 Cell: +263 772 573 266/7/8/9

bdo@bdo.co.zw www.bdo.co.zw Kudenga House 3 Baines Avenue P.O. Box 334 Harare Zimbabwe

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF

NATIONAL TYRE SERVICES LIMITED

Report on review of the financial statements

We have reviewed the accompanying statement of financial position of NATIONAL TYRE SERVICES LIMITED as of 30 September 2019 and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended. Management is responsible for the preparation and fair presentation of this financial information in accordance with International Financial Reporting Standards. Our responsibility is to give a report on the financial statements based on our review.

Scope of the review

Our responsibility is to report on the financial statements based on our review. We conducted our review in accordance with the International Standard on Review Engagements 2400, "Engagements to review historical financial statements." A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these financial statements.

Review Report

Based on our review, due to the significance of the matters described in the Basis of Adverse Report , we believe the financial statements do not present fairly, in all material respects, the financial position of NATIONAL TYRE SERVICES LIMITED as at 30 September 2019, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Basis for Adverse Report

(a) Comparative financial information

In 2018, the company operated in an environment where a combination of United State dollars (USD) and local currency were in use. Local currency constituted of bond notes, bond notes and Real Time Gross Settlement (RTGS) balances. Although the RTGS and bond notes were not legally recognized as a currency in substance they were a currency. Legally the functional currency was USD and the legislated exchange rate between the local currency and the USD was 1:1. Market wide the rate of exchange between the USD and local currency was not 1:1. Comparative financial statements were prepared in USD as legislated in Statutory Instrument 33 of 2019 (Presidential Powers Temporary Measures) Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars) Regulations of 2019. The presentation in USD of the financial statements at a rate of 1:1 to the local currency resulted in material misstatement of comparative financial information

(b)Change in functional and presentation currency

The company changed its functional currency in 2019. The change in functional currency was not accounted for in terms of IAS 21, The Effects of Changes in Foreign Exchange Rates. The change in functional currency was effected in terms of SI 33 of 2019 where only foreign currency denominated balances like bank balances and loans were converted at rate of 2.5 and all the balances were converted at an exchange rate of 1:1 to the local currency. IAS 21 requires that all balances be converted at the same exchange rate on the date of change in functional currency. This resulted in material misstatement of opening balances for the period.

The Company changed its presentation currency from USD to ZWL. In terms of International Financial Reporting Standards a change in presentation currency should be applied retrospectively. The comparative period has however, been presented in USD as it was difficult to establish the exchange rates between the local currency and the USD to use to convert 2018 balances.

Responsibilities of directors for the financial statements

Management is responsible for the preparation and fair presentation of the company financial statements in accordance with International Financial Reporting Standards, and for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the company's financial statements, the directors are responsible for assessing the companies' ability to continue operating as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

BDO/Zimbaowe Chartered accountants

28 January 2020