



## 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 Zimbabwe**  
**Chartered Accountants**

**28 January 2020**