



National Tyre Services Limited

ABRIDGED REVIEWED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

CHAIRMAN'S STATEMENT

ECONOMIC OVERVIEW

While the operating environment remains challenging, some key changes in economic fundamentals over the period resulted in an improvement in the company's fortunes. In particular, we had increased cost-effective production uptime due to more frequent availability of electricity and fuel over the first half of the financial year. The Company's access to foreign currency through the Reserve Bank of Zimbabwe's auction system which was introduced in June 2020 also improved and resulted in stable prices.

These developments, coupled with the support from our bankers, impacted positively on the business and resulted in increased inventories which in turn drove sales levels up. This was achieved despite the negative impact of the COVID-19 pandemic.

OPERATIONS REVIEW

The current COVID-19 pandemic brought unprecedented challenges to the Company's retail and production operations. Retail branches closed in April and May 2020 following government's directive to curtail the spread of Coronavirus. Once re-opened, business was affected by the restrictive lockdown measures, which impacted production and trading hours as well as access to suppliers. Despite the challenges, the Company recorded a 17% increase in new tyre unit sales as compared to last year.

RETREADING

Retreading operations were negatively affected by lockdown closures as our largest customers, the fleet operators, struggled to return to normal business during the period under review.

FINANCIAL REVIEW

Sales for the half year at ZWL 189.8 million were 21% below the previous period achievement in inflation adjusted terms.

Other income, made up largely of rental income and foreign currency exchange gain, at ZWL 14.2 million was 3,249% above the previous period spurred by the foreign exchange gain realised compared to an exchange loss in the previous period.

Improved profit margins were realized on all product and service lines. That coupled with cost containment measures implemented by management, resulted in an after-tax profit of ZWL 36.3million in inflation adjusted terms.

Capital expenditure was contained during the period as part of the overall efforts to preserve cash resources. Our bank borrowings also decreased by 65% compared to beginning of the period which is mostly attributable to the effects of inflation.

Overall, the financial performance and position of the company remained strong for the reporting period.

DIVIDEND

In view of the need to conserve working capital and reinvest in building inventories for peak periods, the Directors do not declare a dividend for the half year ended 30 September 2020.

OUTLOOK

The outlook remains challenging although we are encouraged by the momentum from the relative stability in operating environment. While I mentioned under economic overview above, we expect inflation to gradually decline and the stability in prices witnessed in the past six months to maintain for the remainder of the trading period. The agricultural season has also started positively and bodes well for the nation in general. This and the projected positive growth in the economy in 2021 is expected to increase the demand for our products.

APPRECIATION

I extend my gratitude to Management, all employees and my fellow Directors on the Board for their continued dedication and guidance especially in the face of the multiple challenges introduced by the COVID-19 pandemic. I continue to be indebted to our shareholders, customers, suppliers as well as the various regulators for their support.

R.J. Moyo
Chairman

14 January 2021

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

1. **BASIS OF PREPARATION & PRESENTATION**
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations. They are also prepared in accordance with the disclosure requirements of the Companies and Other Business Entities Act (Chapter 24:31). Our external auditors are 800 Zimbabwe Chartered Accountants and the audit engagement partner is Mr. Martin Makaya, whose PAAB practicing number is 0407. The auditors review report is available for inspection on request.

2. **DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**
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.

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
3. REVENUE				
Revenue from sale of goods	184,519,245	232,267,909	148,186,773	19,244,187
Revenue from rendering of services	5,251,922	6,511,677	5,890,903	569,189
	189,771,167	238,779,586	154,077,676	19,813,376

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
4. PROFIT / (LOSS) BEFORE TAX AND MONETARY GAIN / (LOSS)				
Profit for the period has been arrived at after charging / (crediting):				
Transport charges	1,409,295	3,051,119	1,274,033	174,842
Technical fees	3,693,155	4,185,718	3,081,138	396,268
Electricity and lighting	374,071	956,942	264,526	42,178
Rental income from investment property	(2,389,405)	(4,573,238)	(1,702,341)	(167,767)
Staff remuneration	26,642,041	33,894,048	20,428,453	1,810,401
Remuneration of Directors				
- fees for services as Directors	991,416	454,072	856,512	184,095
	REVIEWED 30.09.2020 ZWL	AUDITED 31.03.2020 ZWL	REVIEWED 30.09.2020 ZWL	AUDITED 31.03.2020 ZWL

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
5. PROPERTY, PLANT AND EQUIPMENT				
Carrying amount at beginning of period	118,555,584	105,323,955	6,602,291	3,857,353
Additions	3,500,135	22,922,580	3,003,021	3,408,462
Disposals			(162,754)	(5,351)
Depreciation	(2,257,042)	(9,528,197)	(442,484)	(458,173)
Carrying amount at the end of the period	119,788,677	118,555,584	9,162,828	6,602,291

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
6. LEASES				
National Tyre Services leases six properties with an average lease period of 3 years. In the current year, National Tyre Services has applied IFRS 16 (as issued by the IASB in January 2016) which is effective on or after 1 January 2019. National Tyre Services has applied IFRS 16 using the modified retrospective approach, with restatement of comparative information.				
ASSETS				
Right of use assets	46,134,111	51,221,791	2,662,390	2,595,774
EQUITY AND LIABILITIES				
Lease liability	3,539,602	12,399,804	3,539,602	4,556,776

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
7. CURRENT ASSETS				
Inventories	88,590,781	57,652,190	82,591,606	16,067,854
Trade and other receivables	891,048	14,460,510	842,085	5,314,059
Bank and cash balances	4,693,940	14,200,320	4,693,940	5,218,446
	94,175,769	86,313,020	88,127,631	26,600,359

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2020 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 31.03.2020 ZWL
8. BORROWINGS				
Long term loan	1,730,155	7,546,102	1,730,155	2,773,100
Short term loan	5,955,371	14,512,955	5,955,371	5,333,333

The loans from local financial institutions outstanding at reporting date attract interest of 45% and 55% per annum.

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 31.03.2020 ZWL
9. TRADE AND OTHER PAYABLES				
Trade	22,977,721	10,494,783	22,977,721	3,856,704
Other payables	3,340,536	15,813,850	3,340,536	5,811,396
	26,318,257	26,308,633	26,318,257	9,668,100

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 31.03.2020 ZWL
10. RELATED PARTY TRANSACTIONS AND BALANCES				
EXPENSES				
Simply Africa (Private) Limited - technical fees	3,081,138	4,185,718	3,081,138	396,268

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 31.03.2020 ZWL
BALANCES				
Payables:				
Simply Africa (Private) Limited - purchase of goods	1,351,461	6,418,709	1,351,461	845,255
Simply Africa (Private) Limited - technical fees	4,829,976	6,554,305	4,829,976	863,111

	INFLATION ADJUSTED		HISTORICAL COST	
	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 31.03.2020 ZWL
11. CAPITAL EXPENDITURE COMMITMENTS				
Capital commitments authorised but not contracted for	81,120,849	67,015,297	81,120,849	24,627,300

12. **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 Hyper-inflationary 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 Hyper-inflationary 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 30 September 2020.

Month	Indices	Adjusting Factor
CPI as at 30 September 2019	290.30	7.60
CPI as at 31 March 2020	810.40	2.72
CPI as at 31 April 2020	953.36	2.31
CPI as at May 2020	1,097.65	2.01
CPI as at June 2020	1,445.21	1.53
CPI as at July 2020	1,858.72	1.13
CPI as at August 2020	2,123.97	1.04
CPI as at September 2020	2,205.24	1.00

13. **GOING CONCERN**
The Directors have assessed the Company's ability to continue operating as a going concern basis for the foreseeable future and believe that the preparation of the financial statements on a going concern basis is appropriate. The Coronavirus (COVID-19) pandemic that spread through all countries of the world has materially altered the operating environment and the Company's business prospects. The pandemic will have negative impacts on business operations arising from the restrictors in social and economic activities, heightened safety and health requirements and changes in demand patterns of the company's products.

14. **EVENTS AFTER REPORTING DATE**
On January 3, 2021 the government announced another national lockdown to curtail the spread of the novel coronavirus (COVID-19) a global pandemic. The Board cannot reasonably estimate the length or severity of this lockdown, or the extent to which this disruption may materially impact the operations of the Company in the 2021 financial year.

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	NOTE	INFLATION ADJUSTED		HISTORICAL COST	
		REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
Revenue	3	189,771,167	238,779,586	154,077,676	19,813,376
Operating profit / (loss)		23,686,105	(26,486,444)	57,055,418	2,347,604
Exchange gain / (loss)		11,786,364	(2,199,850)	7,800,563	(289,690)
Other income		2,429,822	2,624,293	1,727,593	202,744
Profit / (loss) from operations		37,902,291	(26,062,001)	66,583,574	2,260,658
Finance charges		(3,217,283)	(1,626,940)	(2,199,178)	(131,651)
Profit / (loss) before tax and monetary gain / (loss)	4	34,685,008	(27,688,941)	64,384,396	2,129,007
Monetary gain		7,405,193	19,756,727		
Income tax expense		(6,822,306)	(9,050,886)	(15,915,777)	(701,831)
Profit / (loss) for the period		35,270,895	(16,941,000)	48,468,619	1,427,176
Other comprehensive income					
Total comprehensive income / (loss) for the period		35,270,895	(16,941,000)	48,468,619	1,427,176
Number of shares in issue (thousands)		253,872	253,872	253,872	253,872
Earnings per share (cents)		13.89	(6.67)	19.09	0.56
Diluted earnings per share (cents)		13.89	(6.67)	19.09	0.56
Headline earnings per share (cents)		13.89	(6.67)	19.09	0.56

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

		INFLATION ADJUSTED		HISTORICAL COST	
		REVIEWED 30.09.2020 ZWL	AUDITED 31.03.2020 ZWL	REVIEWED 30.09.2020 ZWL	AUDITED 31.03.2020 ZWL
ASSETS					
Non current assets		193,776,617	196,651,696	12,539,378	10,351,635
Property, plant and equipment	5	119,798,677	116,555,584	9,162,828	6,602,291
Intangible assets		2,686,205	3,422,401	152,911	182,362
Investment property		25,043,824	25,338,120	847,449	857,406
Right of use assets	6	46,134,111	51,221,791	2,662,390	2,595,774
Fair value through other comprehensive income investments		113,800	113,800	113,800	113,800
Current assets	7	94,175,769	86,313,020	88,127,631	26,600,359
Total assets		287,952,386	284,964,716	100,667,009	36,951,994
EQUITY AND LIABILITIES					
Shareholders' equity		224,627,820	189,356,926	62,912,047	14,443,464
Deferred tax		25,781,181	34,840,296	211,577	177,221
Lease liability	6	3,539,602	12,399,804	3,539,602	4,556,776
Long term loan	8	1,730,155	7,546,102	1,730,155	2,773,100
Short-term loan	8	5,955,371	14,512,955	5,955,371	5,333,333
Trade and other payables	9	26,318,257	26,308,633	26,318,257	9,668,100
Total equity and liabilities		287,952,386	284,964,716	100,667,009	36,951,994

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
	Opening balance	189,356,926	172,858,722	14,443,428
Effect of adoption of IFRS 16		(225,141)		(29,548)
Profit / (loss) for the period	35,270,895	(13,809,556)	48,468,619	1,427,177
Closing balance	224,627,820	158,824,025	62,912,047	7,335,965

ABRIDGED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL	REVIEWED 30.09.2020 ZWL	UNAUDITED 30.09.2019 ZWL
	Cash flows from operating activities before changes in working capital	29,052,702	17,786,304	66,387,728
Changes in working capital	(22,745,557)	4,354,666	(53,439,155)	573,449
Income tax paid	(8,945,269)	(424,859)	(7,843,885)	(55,948)
Net cash generated from operating activities	(2,638			