

National Tyre Services Limited

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

CHAIRMAN'S STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

ECONOMIC OVERVIEW
Following the outbreak of the COVID-19 pandemic and its rapid spread across the globe, the Government of Zimbabwe, like many Following the outbreak of the COVID-19 pandemic stru is repu-spread across the globe, the Government of Zimbstwe, like many other countries worldwide, declared a state of emergency and put under review. This contributed to the economic challenges which characterised the first half of the year and affected business operations in various ways. Measures taken by the Central Bank on 20 Julies 250, which complies the contributed of a foreign common ravages of inflation and high foreign exchange rates during the second half of the year. These developments coupled with the support from our bankers were instrumental in postwoly turning the properties of the contributed of the properties of the properties of the properties of the second half of the year. These developments coupled with the support from our bankers were instrumental in postwoly turning increased inventories and in turn, improved sales.

noreased inventories and in turn, improved sales.

OPERATIONS REVIEW

The negative impact of COVID-19 pandemic on business operations during the period under review, was moderated by management strategies including expansion of the e-commerce platforms. The Company had a whole month where no business operations during the company had a whole month where no business services was impacted by another lockdown in January 2021, which affected sales potential. Stock arrival was also delayed following the occurrence of cyclones that affected Beira port. Notwithstanding the challenges, the Company setablished storage the company setablished storage that the company of the company

Retreading
Our trucking customers struggled with limited movement of products due to COVID-19 pandemic restrictions resulting in reduced demand for retreading.

FINANCIAL REVIEW
Sales grew by 8% to ZWL 554 million (2020: ZWL512 million) due to the implementation of the turnaround strategy buoyed by the right product mix. Gross profit improved by 93% to ZWL249 million (2020: ZWL129 million).

incurred to ensure the health and safety of stakeholders.

Total assets growth of 16% was achieved mainly from improved bank balances, an increase in inventories and growth in capital 25 June 2021

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

expenditure. Borrowings increased to ZWL 78 million (2020: ZWL18 million) to support working capital and strategic capital investments.

DIRECTORATE
Mr. Takafara Bere and Mr. Tafadzwa Chimanyiwa resigned
from the Board of Directors with effect from 30 November
2020 and 7 January 2021 respectively. The Board extends
its gratitude for their contributions and past achievements.
On behalf of the Board, I extend a warm welcome to our
new Board member, Ms. Violet Masunda, who joined the
Board on S Pébruary 2021 as an independent nonexecutive director. Her expertise and skill will be of
significant benefit to the Comparis

DIVIDEND

The Board deemed it prudent not to declare a dividend due to the uncertain operating environment and the need to finance increased working capital requirements as well as fund the essential projects that will enhance service delivery and improve competitiveness.

OUTLOOK
National Tyre Services remains optimistic of a continued
uptend in sales, despite foreign currency challenges. For survival, the Company will continue to pursue various avenues and options availed by the authorities to boost foreign currency reserves in order to restock whilst also constantly reviewing its stategies to remain competitive.

APPRECIATION
I give my sincere thanks to my fellow Board members in navigating the Company through an incredibly challenging year distributed worse by the continuement of the company's management and staff for their dedication to duty and sacrifices during the past year.

Lastly, I would like to thank our financiers, suppliers, customers, service providers, the government and the regulatory authorities for their continued support.



		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL
Revenue	4	553,764,313	511,933,232	450,227,302	64,114,164
Gross profit		248,614,391	128,861,909		
Other Income		18,570,275	8,222,296	10,781,496	2,006,823
Profit/(loss) from operations		41,563,519	(47,911,626)	76,155,882	12,678,128
Finance charges		(20,394,043)			
Profit/(loss) before tax		21,169,476			10,958,545
Monetary(loss)/ gain		(120,225)			
Income tax expense		(19,645,941)			(2,464,428
Profit for the year Other comprehensive income Deferred tax on fair value through other comprehensive income investments		1,403,311 (116,348)	11/		
Total comprehensive income for the year		1,286,963	29,096,316	39,810,491	8,534,676
Number of shares in issue (thousands)		253,872	253,872	253,872	253,872
Earnings per share (cents)		0.55	12,02	15.62	3.35
Diluted earnings per share (cents)		0.55	12.02	15.62	3.35
Headline earnings per share (cents)		0.55	12.02	15,62	3,35

	11.	INFLATION ADJUSTED		HISTORICAL COST	
	Notes	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL
ASSETS					
Non current assets		259,876,185	248,855,024	33,696,037	10,351,63
Property, plant and equipment	7	162,837,233	148,370,701	23,210,734	6,602,29
Intangible assets		2.832.173	4,283,089	501.329	182.36
Investment property		30,973,698	31,710,312	837,491	857,40
Right of use assets	14	62,968,005	64,103,374	8,881,407	2,595,774
Fair value through other comprehensive income investments		265,076	387,548	265,076	113,80
Current assets	8	154.259.379	108,019,580	151,718,452	26,600,35
Total assets		414,135,564	356,874,604	185,414,489	36,951,99
EQUITY AND LIABILITIES					
Shareholders' equity		238,509,709	237,222,746	54,253,955	14,443,46
Deferred tax		44,939,940			177,22
Lease liabilities	14	14,067,950			
Long term loan		934,117			
Short term loan		77,868,019			
Trade and other payables	9	32,950,501			
Corporate tax payables		4,865,328			
Total equity and liabilities		414,135,564	356,874,604	185,414,489	36,951,99

ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENEDED 31 MARCH 2021					
	INFLATION ADJUSTED		HISTORICAL COST		
	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL	
Opening balance	237,222,746	208,126,430	14,443,464	5,908,78	
Total comprehensive income for the year	1,286,963	29,096,316	39,810,491	8,534,67	
Closing balance	238,509,709	237,222,746	54,253,955	14,443,46	

RIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

	INFLATION	ADJUSTED	HISTORICAL COST		
	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL	
Net Cash generated from operating activities before changes in working capital	25,569,138	5,456,085	80,947,272	15,157,550	
Changes in working capital	(52,383,651)	19,652,919	(99,157,777)	(10,638,748)	
Income tax paid	(18,921,025)	(5,914,909)	(14,990,892)	(1,442,234)	
Net cash utilized/(generated from) operating activities	(45,735,538)	19,194,095	(33,201,397)	3,076,568	
Net cash flows utilized in investing activities	(21,660,826)	(29,557,698)	(18,473,342)	(3,511,578)	
Net cash flows from financing activities	55,980,706	15,580,014	52,812,151	5,178,517	
Net (decrease)/ increase in cash and cash equivalents Cash and cash equivalents at beginning of the year	(11,415,658)	5,216,411	1,137,412	4,743,507	
	17,771,516	12,555,105	5,218,446	474,939	
Cash and cash equivalents at the end of the year	6,355,858	17,771,516	6,355,858	5,218,446	

NOTES TO THE ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

BASIS OF PREPARATION & PRESENTATION.

The Company's financial statements have been prepared in accordance with International Financial Reporting Interpretations. They are also prepared in accordance with the Companies and Other Business Entities. Act (Chapter 24:31). The financial statements are based on statutory records that are maintained under the historical cost convention. Historical cost is generally based on fair value of consideration given in exchange for assets.

Accounting policies are consistent requirements of International Finan				
· [INFLATION	NADJUSTED	HISTORICAL COST	
4. REVENUE	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZWL	AUDITED 31 MARCH 2021 ZWL	AUDITED 31 MARCH 2020 ZW
Revenue from sale of goods	519,889,272	503,781,626	422,563,645	61,560,887
Revenue from rendering of services	33,875,041	8,151,606	27,663,657	2,553,277
	553,764,313	511,933,232	450,227,302	64,114,164
5. PROFIT BEFORE TAX				
Profit for the period has been arrived at after Charging/(crediting): Transport charges	15,043,884	4,027,690	5,196,80	559,743
Technical fees	26.053.843			
Electricity and lighting	3,573,576	1,668,728	1,234,46	248,558
Rental income from investment property	2,451,961	2,597,726	2,451,96	668,906
Staff remuneration	89,598,189	48,441,506	75,698,01:	6,432,580
Remuneration of directors				
 fees for services as directors 	1,264,698	4,306,953	3,230,86	431,405
6. RELATED PARTY TRANSACTIONS AND BALANCES				
Expenses Simply Africa (Private) Limited - technica fees	26,053,84	3 10,216,209	9,000,117	1,282,283
Balances				
Payables:				
Simply Africa (Private) Limited - purchase of goods	e	-		
Simply Africa (Private) Limited - technica fees	6,181,43	7 12,973,014	6,181,437	1,708,366
7. PROPERTY, PLANT AND EQUIPMENT				
Carrying amount at beginning of period	148,370,70	131,811,490	6,602,291	3,657,353
Additions	21,358,25		18,158,610	3,408,462
Disposals	(24,853		(7,297)	(5,351)
Depreciation	(6,866,871		(1,542,870)	(458,173)
	162,837,23	3 148,370,701	23,210,734	6,602,291
8. CURRENT ASSETS				
Inventories	118,694,64	72,150,932	116,555,399	16,067,854
Trade and other receivables	29,208,88	0 18,097,132	28,807,195	5,314,059
Bank and cash balances	6.355.85	8 17,771,516	6.355.858	5,218,446
	154,259,37			
9. TRADE AND OTHER PAYABLES		AN / /		
Trade	18,600,24	13,134,078	18,600,240	3,856,704
Other payables	14,350,26			
Other payables	32,950,50			
40 0000000000	02,000,00	2,,0,0,000	02,000,00	5,127,587
10. BORROWINGS Long term loan	934.11	7 9,443,844	934,117	2,773,100
Short term loan	77,868,01			
The short term loan from a local financial The short term loan attract interest of 46 s The long term loan matures on 31 October	institution have a	of tenure range of		
11. CAPITAL EXPENDITURE COMMITMENTS				

Capital expenditure authorised but not yet contracted. Capital expenditure will be funded by the surplus from operations 12. EVENTS AFTER REPORTING DATE

COURS-19 has continued to develop, with a significant number of cases and deaths being reported. Measures taken to contain the virus have a direct impact on the country's economic activities and the Company business in a significant way. Depending on the duration of the COVID-19 crisis and continued negative impact one conomic activity, the company might continue experiencing further negative results and liquidity constraints. The exact impact for the future cannot be predicted.

13. 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 basis is appropriate.

14. LEASESNational Tyre Services leases six properties with an average lease period of 3 years.

LEASES Right of use assets				
Opening balance	64,103,374			
Additions		75,185,804		2,999,679
Amortisation	(13,460,442)	18,029,089	(6,039,441)	(666,769)
Revaluations	12,325,073		12,325,074	
Closing Balance	62,968,005	64,103,374	8,881,407	2,595,774
Lease liabilities				
Opening balance	15,518,190			292,411
Monetary(loss)/ on lease liability	(11,944,783)	(6,734,133)		-
Additions		10,215,463		2,999,679
Finance cost	7,988,424		7,005,055	1,264,686
Lease payments	(9,818,955)		(9,818,955)	-
Revaluation	12,325,074		12,325,074	-
Closing balance	14,067,950	15,518,190	14,067,950	4,556,776
Short term lease expense	140,893		140,893	

Samora Machel Branch with a lease period of 1 Year Lessor: Seeff Properties

15.Hyperinflation The Public Account

15.Hyperinflation
The Public Accountants and Auditors Board through its pronouncement provided guidance to all entitles that report based on the International Financial Reporting Standards (IFRS) on the application of Financial reporting in Hyperinflationary Economies Standard (IRS 29) art Jambabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 apply the requirement of LNS 29 "Financial reporting in Hyperinflationary economies".

Source of indices
The source of the price indices used was the Reserve Bank of Zimbabwe website
Patter are the indices and adjusting factors used up to 31 March 2021

MONTH	INDICES	ADJUSTING FACTOR	
CPI as at 30 April 2020	953.36		
CPI as at 31 May 2020	1097.65		
CPI as at 30 June 2020	1445.21		
CPI as at 31 July 2020	1958.72	1,4	
CPI as at 31 August 2020	2123.97	1.3	
CPI as at 30 September 2020	2205.24	1.2	
CPI as at 31 October 2020	2301.67		
CPI as at 30 November 2020	2374.24		
CPI as at 31 December2020	2474.51		
CPI as at 31 January 2021	2608.79	1.0	
CPI as at 28 February 2021	2698.89		
CPI as at 31 March 2021	2759.83	1.0	
MONTH	INDICES	ADJUSTING FACTOR	
CPI as at 31 March 2019	104.04		
CPI as at 31 March 2020	810.04		
CPI as at 31 MARCH 2021	2759.83		



Tel/Fax: +263 (242) 703876/7/8 Ceil: +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

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF

NATIONAL TYRE SERVICES LIMITED

Qualified Opinion

We have audited the financial statements of NATIONAL TYRE SERVICES LIMITED set out on pages 8 to 33, which comprise the statement of financial position as at 31 March 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion except for the effects of the matters discussed in the basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of NATIONAL TYRE SERVICES LIMITED as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Qualified Opinion

Non-compliance with International Accounting Standard 21 (IAS 21), Effects of Changes in Foreign Exchange Rates

Prior to 22 February 2019, the Zimbabwean economy was characterized by a multi-tiered pricing model. Under the model, a single product had different prices depending on the mode of payment, whether United States Dollar (US Dollar), Real Time Gross Settlement (RTGS), mobile money or bond notes. The multi-tiered pricing model was evidence of the emergence of a new currency, the Zimbabwe Dollar (ZWL), which was being used alongside these modes of payment. The new currency, the ZWL, was then formally acknowledged through the issue of Statutory Instrument 33 of 2019 (S.I 33) "Presidential Powers (Temporary Measures) Amendment of Reserve Bank of Zimbabwe Act and Real Time Gross Settlement Electronic Dollars (RTGS) Regulations, 2019. The statutory instrument prescribed parity between the US Dollar and the new local currency (the ZWL) up to the effective date of 22 February 2019.

The new functional currency (ZWL) was effective from 22 February 2019, instead of the fourth quarter of 2018 as evidenced by the separation of the bank accounts into Foreign Currency Accounts and non-Foreign Currency Accounts. The statutory instrument also prescribed how US Dollar balances were to be translated to the ZWL. The delay in recognizing the ZWL as a currency and the translation method of balances from US Dollar to ZWL resulted in a misstatement occurring on comparative financial statements and current year retained earnings opening balance of ZWL 14,347,379.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that in our professional judgement were of most significance in our audit of financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters included in the basis for qualified opinion, the key matters below relate to the financial statements:-

Key audit matter

1. Impairment of plant and equipment

The carrying amount of plant and equipment is material to the financial statements of the company. The directors identified the low-capacity utilization resulting from Covid 19 as the potential indicators of impairment of plant and equipment hence a key audit matter.

How our audit addressed the key audit matter

Our procedures included the following:

- Inspecting the physical condition of the plant and equipment.
- Assessing the reasonableness of the significant assumptions used in coming up with the projected cash flows.
- Testing the reasonableness of the discount rate used by reference to what has been determined by entities with similar operations and the company's borrowing rate.

2. Completeness and accuracy of revenue

The Company operates from 14:(13) branches which are spread throughout the country. Revenue is also characterized by small value and high-volume transactions, the completeness and accuracy of which is dependent on automated information systems.

Completeness and accuracy of revenue was thus considered a key audit matter.

We performed the following procedures:

- Reviewed and tested the Company's key controls over completeness and accurate recognition of revenue.
- Performed analytical procedures on revenue, cost of sales and gross profit realized.
- Vouched a sample of invoices and credit notes issued during the year.
- Performed sequence tests on invoices and credit notes issued during the year.
- We performed gap detection and duplication test.

3. Right of use asset and lease liability

The completeness and valuation of the right of use asset and the related lease liability has been considered to be a key audit matter because of the significance of judgements applied in the determination of the valuation of the right of the use asset and the lease liability.

We performed the following procedures:

- Obtained an understanding of management's approach and assumptions of contracts containing leases.
- Reviewed appropriateness of management's determination of lease term.
- Evaluated the reliability of key data sources and assumptions used in determining the present value of future cash outflows.
- Reviewed financial statement's disclosures to ensure compliance with the standard.
- Assessed the disclosures included by management in the financial statements

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant for the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

Auditor's responsibilities for the audit of the financial statements

The objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or
 error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
 sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material
 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,
 forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that
 are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness
 of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on
 the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may
 cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material
 uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the
 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based
 on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions
 may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

BDO Zimbabwe Chartered Accountants

Harare 10 June 2021