

INDEPENDENT AUDITOR'S REPORT

Grant Thornton

Camelsa Business Park
135 E.D. Mnangagwa Road
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 (242) 442511-4 / +263 8677009063
F +263 (242) 442517 / 496985
E info@zw.gt.com
www.granthornton.co.zw

To the members of National Tyre Services Limited

Report on the Audit of the Inflation Adjusted Financial Statements

Adverse Opinion

We have audited the inflation adjusted financial statements of National Tyre Services Limited set out on pages 8 to 47, which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of the Company's significant accounting policies.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, the inflation adjusted financial statements do not present fairly, in all material respects, the financial position of National Tyre Services Limited as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

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

Inappropriate spot exchange rates

International Accounting Standard 21 defines the spot exchange rate as the exchange rate for immediate delivery. During the current financial year, the Company translated the foreign denominated inventory balances using internally generated exchange rates. The internally generated exchange rates were not considered appropriate spot rates for translations as required by IAS 21. The opinion for the year ended 31 March 2023 was modified in respect of this matter and

the misstatements have not been corrected in the inflation adjusted financial statements for the year ended 31 March 2024.

For all other foreign denominated transactions and balances, there was an accounting system reconfiguration during the year ended 31 March 2024 which resulted in the use of inappropriate spot exchange rates.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the financial statements as a whole.

Valuation of investment property and owner-occupied property

The determination of fair values for assets presented in the inflation adjusted financial statements is affected by the prevailing economic environment. These inflation adjusted financial statements include the investment property and owner-occupied property that is carried at revalued amounts. The valuation of the investment property and owner-occupied property was performed by professional valuers as at 31 March 2023. The investment property and owner-occupied property valuations were determined in USD and then translated to Zimbabwe Dollars (ZWL) using the interbank exchange rate. Although the determined USD values reflected the fair value of the property and equipment in USD, the converted ZWL fair values were not in compliance with IFRS 13 as they may not reflect the assumptions that market participants would apply in valuing similar items of property in Zimbabwe Dollars (ZWL).

The opinions for the years ended 31 March 2022 and 31 March 2023 were modified in respect of this matter as there were no subsequent revaluations of investment property and owner-occupied property, this matter continues to affect the financial statements for the year ended 31 March 2024.

Inappropriate opening balances on system re-implementation

On 1 October 2023, the Company performed an accounting system re-implementation with a view to reconfigure the currency data base in the system. This resulted in significant discrepancies between the opening balances in the new data base as at 1 October 2023 and the balances carried forward as at 30 September 2023 from the old data base. These discrepancies resulted in misstatement in trade and other receivables, prepayments, other payables and inventory.

We were not able to determine whether any adjustments might be necessary to the financial statements to take account of the effects of the inappropriate take on balances.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and we did not provide a separate opinion on these matters. Other than the matters described in the Basis for Adverse Opinion section above, we determined that there were no other key audit matters to communicate in our report.

Other information

The Directors are responsible for the other information. The other information comprises the 'Corporate information', 'Directors' report', 'Corporate governance', 'Chairman's report', and 'Chief Executive Officers' report', which we obtained prior to the date of this auditor's report. The other information does not include the inflation adjusted financial statements and our auditor's report thereon. Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the inflation adjusted financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Inflation Adjusted Financial Statements

Management is responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Inflation Adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 inflation adjusted financial statements.

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

- Identify and assess the risks of material misstatement of the inflation adjusted 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 management.
- Conclude on the appropriateness of management's 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 inflation adjusted 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 auditor's 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 inflation adjusted financial statements, including the disclosures, and whether the inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the inflation adjusted financial statements. We are responsible for the direction, supervision and performance of Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the inflation adjusted financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the effects of the matters described in the Basis for Adverse Opinion, the inflation adjusted financial statements have been properly prepared, in all material respects in accordance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this Independent Auditor's Report is Farai Chibisa.



Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

6 September 2024

HARARE