



National Tyre Services Limited

ABRIDGED UNAUDITED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

CHAIRMAN'S STATEMENT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

a) Economic Overview

The introduction of a new local currency was the major highlight of the first six months of our financial year 2024-2025. The gold backed currency stabilized economic fundamentals which are key for growth and establishment of long-term business strategies. However, the parallel market exchange rate resurfaced towards the end of the first half of the year making it difficult for businesses as inflation emerged, further increasing consumer demand and contributing to economic instability. The Government officially devalued the ZWG by 43% in line with economic realities and upholding its relevance in the market.

b) Operations Review

The business recorded a slight decline in new tyre volumes owing to supply chain glitches. Although volumes were affected, light truck tyres grew by 67% as compared to the same period last year due to strong demand as we supplied operations carrying out drought alleviation programs across the country and companies involved in infrastructure development programs driven by our government.

c) Retreading

Our factories continue to produce highly competitive, quality retreads as well as maintaining good turn-around-time. Retreading factories managed to circumvent power supply limitations through flexible operations.

d) Financial Review

Sales declined by 38% to ZWG 37.6 million (2023: ZWG 58.8 million). Gross profit increased by 2% to ZWG 12 million (2023: ZWG 11.9 million). Total operating expenses reduced to ZWG 10 million (2023: ZWG 24 million). The company incurred a loss before tax of 36 million from a loss of 35 million in the previous year largely due to foreign exchange movements.

e) Dividends

The Directors have considered it prudent not to declare a dividend in consideration of the need to enhance working capital in the business.

f) Outlook

We are cautiously optimistic of a better business operating environment supported by a promising farming season ahead, a development that is expected to significantly boost agricultural production. The Government efforts and strategic initiatives towards vision 2030 will drive spate of developments across a number sectors of the economy, consequently, tyre usage will rise. Meantime, we hope that the country's power utility will continue to prioritize availability of power to industry. The Company has resumed direct procurement of budget brands from China to improve product availability, retain market share while enhancing competitiveness. Prospects of better rental for the country from the second sub-season until the end of the forecast period, which spans from November-March, bring relief to the economy affected by El nino induced drought. We are optimistic of strong demand for Agriculture tyres as a result. As above, Zimbabwe hopes that the upcoming rainy season will improve water levels at Kariba dam and enhance power generation capacity. Availability of electricity will minimize factory operating costs. National Tyre Services has a huge customer base and is establishing a model of improved competitiveness to offer satisfactory service through stock availability across all our branches.

R.J. Moyo
Chairman
19 December 2024

E. NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024 (Continued)

3. REVENUE

	NOT REVIEWED 30.09.2024 ZWG	REVIEWED 30.09.2023 ZWG
Revenue from sale of goods	32,328,798	57,735,910
Revenue from rendering of services	2,326,347	1,057,945
	37,655,145	58,803,854

4. PROFIT BEFORE TAX AND MONETARY GAIN

Profit for the year has been arrived at after charging / (crediting):

	NOT REVIEWED 30.09.2024 ZWG	REVIEWED 30.09.2023 ZWG
Transport charges	413,116	612,355
Technical fees	494,840	528,527
Electricity and lighting	490,480	490,432
Rental income from investment property	1,225,332	1,225,336
Staff remuneration	6,442,710	13,650,069
Remuneration of directors	-	-
-fees for services as directors	250,997	313,832

5. PROPERTY, PLANT AND EQUIPMENT

	UNAUDITED 30.09.2024 ZWG	AUDITED 31.03.2024 ZWG
Carrying amount at beginning of year	134,436,436	135,066,944
Revaluation	-	15,936
Additions	-	18,936
Disposals	-	(646,444)
Depreciation	(1,120,304)	-
Carrying amount at the end of the year	133,316,132	134,459,436

6. LEASES

National Tyre Services leases 3 properties, 2 with a lease period of 3 years and 1 with a lease period of 5 years. In the six months ending 30 September 2024, National Tyre Services 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 retrospective approach, with restatement of comparative information.

	30.09.2024	31.03.2024
Assets		
Right of use assets	3,982,674	3,995,129
Equity and liabilities		
Lease liability	622,631	962,109
7. CURRENT ASSETS		
Inventories	61,096,800	42,811,494
Trade and other receivables	5,820,430	2,028,904
Corporate tax asset	26,040	26,040
Bank and cash balances	1,471,024	817,572
	68,388,254	45,883,010
8. BORROWINGS		
Short term loan	22,892,794	6,575,388
Medium term loan	13,489,280	4,493,722
	36,382,074	11,069,110

The following loans from local financial institutions were outstanding as at reporting date:

Financial Institution	Interest rate per annum	Security
Standard Chartered bank	15.7%	Land and buildings with a carrying amount of USD 2 000 000
FBC bank	18%	Land and buildings with a carrying amount of USD 3 000 000
EcoBank	15.5%	Land and buildings with a carrying amount of USD 750 000
Radun	16.5%	Land and buildings with a carrying amount of USD 910 000

9. TRADE AND OTHER PAYABLES

Trade	7,479,835	4,166,274
Bank overdraft	13,402,800	4,909,592
Corporate tax payable	-	-
Other payables	13,382,024	3,002,386
	34,264,659	11,108,252

10. RELATED PARTY TRANSACTIONS AND BALANCES

Expenses		
Simply Africa (Private) Limited - technical fees	-	38,396
Radun Investments Loan - Investment on Loan	809,357	539,247
Balances		
Payables:		
Simply Africa (Private) Limited - technical fees	78,808	78,808
Radun Investments Loan	13,489,280	4,493,722

11. CAPITAL EXPENDITURE COMMITMENTS

Capital commitments authorised but not contracted for	1,134,467	540,222
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12. CONVERSION FROM ZIMBABWEAN DOLLAR TO ZIMBABWE GOLD

Following the Introduction of the Zimbabwean Gold Currency by the Reserve Bank of Zimbabwe (RBZ) on 5 April 2024 and the Statutory Instrument (SI) 60 of 2024, all the previously existing Zimbabwean Dollar (ZWL) balances were converted into ZWG as at that date. The swap rate of ZWG 1: ZWS 2,488,7242 was used as guided by the closing interbank exchange rate and the price of gold as at that date. The previously reported balances for September (Income statement) were Initiated to the 31st of March 2024. These amounts were converted using the same rate for adoption as the comparative balances and current results in the Abridged financial results for the period ended 30 September 2024.

Month	Indcets	Conversion factor
September 2023	44,720.87	9.60
March 2024	429,219.69	1.00

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 concern basis is appropriate.

A. ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

	NOT REVIEWED 30.09.2024 ZWG	REVIEWED 30.09.2023 ZWG
Revenue	37,655,145	58,803,854
Gross Profit	12,217,587	11,991,833
Exchange loss / gain	(30,776,716)	(42,016,725)
Other income	1,232,450	2,216,978
Fair value adjustments on investment property	(34,388,748)	(2,786,843)
Loss from operations	(2,075,121)	(44,851)
Finance charges	(36,460,866)	(30,833,417)
Profit before tax and monetary gain	(38,535,987)	(45,280,266)
Monetary gain / (loss)	(9,005,201)	-
Income tax expense	(38,460,866)	(34,660,878)
Profit/(loss) for the period	(38,460,866)	(34,660,878)
Total comprehensive income for the period	(38,460,866)	(34,660,878)
Number of shares in issue (thousands)	253,872	253,872
Earnings per share (cents)	(14)	(14)
Dividend earnings per share (cents)	(14)	(14)
Headline earnings per share (cents)	(14)	(14)

B. ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024

	UNAUDITED 30.09.2024 ZWG	AUDITED 31.03.2024 ZWG
ASSETS		
Non-current assets	169,507,089	160,839,846
Property, plant and equipment	133,316,132	134,436,439
Intangible assets	184,709	184,709
Investment property	21,923,237	21,923,237
Right of use assets	3,982,674	3,995,129
Fair value through other comprehensive income investments	51,023	51,023
Current assets	68,388,254	45,883,010
Total assets	217,895,343	206,722,856
EQUITY AND LIABILITIES		
Shareholders' equity and reserves	131,978,854	168,437,740
Deferred tax	14,648,609	14,648,609
Lease liability	622,631	962,109
Short term loan	22,892,794	6,575,388
Medium term loan	13,489,280	4,493,722
Trade and other payables	34,264,659	11,069,110
Total equity and liabilities	217,895,343	206,722,856

C. ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

	UNAUDITED 30.09.2024 ZWG	AUDITED 31.03.2024 ZWG
Opening balance	168,437,740	131,861,844
Profit/(loss) for the period	(38,460,866)	(36,576,895)
Closing balance	131,978,854	168,437,740

D. ABRIDGED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

	UNAUDITED 30.09.2024 ZWG	AUDITED 31.03.2024 ZWG
Cash flows from operating activities before changes in working capital	(6,339,654)	2,792,109
Changes in working capital	12,068,227	(32,864,963)
Income tax paid	-	(47,140)
Net cash generated from operating activities	(4,271,427)	(30,119,994)
Net cash out flows utilized in investing activities	(2,076,121)	(15,936)
Net cash out flows from financing activities	(2,076,121)	(6,276,845)
Net (decrease) / increase in cash and cash equivalents	653,452	(38,412,741)
Effects of inflation on opening balances of monetary items	-	36,796,240
Cash and cash equivalents at beginning of period	817,572	433,456
Cash and cash equivalents at the end of the period	1,471,024	817,572

E. NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

1. BASIS OF PREPARATION AND PRESENTATION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and disclosure requirements of IAS 34 "Interim Financial Reporting". They are also prepared in accordance with the disclosure requirements of the Companies and Other Business Entities Act (Chapter 24:31).

2. DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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.