

MOVING AGRICULTURE



CHAIRMAN'S STATEMENT

REVIEW OF OPERATING ENVIRONMENT

The operating environment remained complex characterised by inflationary pressures and liquidity challenges in the market. The inflationary pressures prompted the Reserve Bank of Zimbabwe on 5 April 2024 to introduce a new currency, the Zimbabwe Gold (ZiG) backed by gold and foreign exchange reserves.

The El Nino weather phenomenon caused delayed onset of the rainy season coupled with severe heat and long dry spells which negatively impacted production in the agriculture sector. On the 3rd of April 2024, the Zimbabwean Government declared a state of national disaster due to the devastating drought as more than 80% of the country received below normal rainfall.

The tobacco marketing season commenced on 13 March 2024. National tobacco crop sold by end of April 2024 was 18% below prior year at 95.3 million kgs. The average tobacco price remained firm at US\$3.58 per kg, 19% ahead of prior year average price. Indications are that the national tobacco crop size for 2024 will be lower than prior year by 20%-25% due to the impact of the El Nino induced drought.

PERFORMANCE OVERVIEW

The Group changed its functional currency to United States Dollar (USD) at the beginning of the financial year. The half year financial performance has therefore been presented in USD and considerations made in coming to this decision have been detailed on Note 2.1.

Revenue of US\$19.9million generated during the period was 7% below last year. The Group was affected by the dry weather which resulted in lower volumes in the agriculture cluster of the business. The dollarisation of the economy in the period resulted in higher operating costs. A rigorous rationalisation and optimisation exercise is currently underway to curtail cost expansion.

VOLUMES OVERVIEW

AGRICULTURAL OPERATIONS

Packaging

Hessian volumes were 18% below comparative period due to the reduction in national tobacco crop as farmers battled with the drought. Tobacco paper volumes were 40% ahead of prior year as the market continued to respond positively to the locally coated tobacco paper. The company started exporting tobacco paper into Zambia in the first quarter of the year.

Agricultural trading

Agricura's volumes were depressed during the period compared to prior year reflecting the impact of the El Nino induced drought. The strategic move to increase production in the unit is progressing well with the animal health remedies plant under construction and anticipated to be completed in the second half of the year.

Farming operations

Tobacco yields achieved were satisfactory whilst the banana plantation was affected by the drought. In response to the dry spell, the winter cropping plan was significantly reduced to accommodate all crops under irrigation.

MARKETPLACE OPERATIONS

Tobacco-related services

The strategy to serve the much larger contracted tobacco market is yielding fruits, with 83% of the total volumes handled coming from this segment. Tobacco contract volumes were 7% below prior year and independent auction volumes were 57% below prior year. The independently funded tobacco crop market size continues to shrink and represented 6% of the national tobacco crop in the period. The reduction in estimated national crop size has a direct impact on the volumes that are handled through the Company's floors.

Commodities Exchange

ZMX is in its infancy, and it is expected that the trading volumes will increase as the country imports grain to cover the gap caused by the drought.

LOGISTICS OPERATIONS

End to end logistics services

The logistics business recorded improved volume growth in the period due to the new business model, which supports the customer throughout the value chain. The rail service from both Maputo and Beira continued to operate and performance to date was satisfactory. Tobacco handling volumes were 26% ahead of comparative period due to improved volumes from existing clients. General cargo handling volumes were 47% ahead of comparative period due to increased fertilizer received via the Beira corridor. General cargo storage volumes were 64% below prior year as most commodities are received by customers on a just-in-time basis. FMCG distribution volumes were 22% ahead of prior year due to increased business from existing customers. Forwarding volumes remained strong due to improved volumes from existing customers.

Premier Forklift hours were 5% ahead of the comparative period as the business continues to effectively serve its clients. Forklift sales were significantly ahead of the prior year as most customers resumed investing in capital expenditure in the period.

Vehicle rental services

Rental days were 6% below prior year attributable to a reduced fleet size.

REAL ESTATE OPERATIONS

The level of voids across the cluster remains satisfactory due to improved demand for warehouse space. The Group completed the construction of a new world class 15,000 square meter warehouse at a prime location.

OUTLOOK

The Group will continue to pursue key strategic initiatives in line with its "moving agriculture" strategy.

The afore-mentioned challenges in the operating environment are expected to persist. Cost containment and cash flow management will be a priority for the rest of the year.

DIVIDEND

The Directors deemed it prudent not to declare a dividend for the six months ended 30 April 2024.

For and on behalf of the Board



A.S. Mandiwanza
(Chairman)

25 June 2024

GROUP ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended 30 April 2024

	Notes	30 April 2024 Reviewed US\$	30 April 2023 Unaudited US\$
Revenue from contracts with customers		19,974,841	21,521,567
Cost of sales		(4,372,925)	(4,431,481)
Gross profit		15,601,916	17,090,086
Other operating income		576,783	594,360
Fair value gain on biological assets		378,523	485,298
Other Operating expenses		(4,583,655)	(3,857,135)
Staff costs		(5,336,281)	(5,073,659)
Earnings before interest, taxation, depreciation and amortisation		6,637,286	9,238,950
Depreciation and amortisation		(1,478,713)	(970,455)
Operating profit		5,158,573	8,268,495
Fair value gain on financial assets through profit or loss		5,876	200,335
Share of loss from investment in associate		(69,028)	(46,562)
Net finance costs	8	(605,746)	(531,291)
Profit before tax from operations		4,489,675	7,890,977
Profit before tax		4,489,675	7,890,977
Income tax charge	9	(1,125,458)	(1,950,650)
Profit for the period		3,364,217	5,940,327
Equity holders of the parent		3,277,335	5,876,407
Non-controlling interest		86,882	63,920
3,364,217		5,940,327	
Number of shares in issue		360,678,838	359,619,162
Earnings per share (cents)		0.91	1.63
Headline earnings per share (cents)		0.83	1.53
Total comprehensive income		3,364,217	5,940,327
Attributable to:			
Equity holders of the parent		3,277,334	5,876,407
Non-controlling interest		86,882	63,920
3,364,217		5,940,327	

GROUP ABRIDGED STATEMENT OF FINANCIAL POSITION

As At 30 April 2024

	Notes	30 April 2024 Reviewed US\$	31 October 2023 Unaudited US\$
ASSETS			
Non-current assets			
Property, plant and equipment		36,482,449	34,044,690
Investment properties		32,476,000	32,476,000
Investment in associate		300,887	364,621
Intangible assets		903,067	926,319
Biological assets		391,170	331,924
Right of use assets		817,130	1,118,997
71,370,703		69,262,551	
Current assets			
Biological assets		1,546,020	513,744
Inventories		5,837,951	5,669,801
Prepayments		4,354,224	4,593,999
Trade and other receivables		7,652,002	5,428,573
Financial assets at fair value through profit or loss		458,080	494,467
Cash and cash equivalents		2,393,842	3,734,474
22,242,119		20,435,058	
Total assets		93,612,822	89,697,609
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital and premium		6,503,321	6,503,321
Non-distributable reserves		17,233,870	17,233,870
Retained earnings		35,591,333	32,847,519
Attributable to equity holders of parent		59,328,524	56,584,710
Non-controlling interest		4,550,994	4,464,112
Total equity		63,879,518	61,048,822
Non-current liabilities			
Interest bearing loans and borrowings		3,006,079	1,913,539
Deferred tax liabilities		9,929,249	9,929,249
Lease liabilities		558,491	653,278
13,493,819		12,496,066	
Current liabilities			
Interest bearing loans and borrowings		8,995,432	9,045,591
Provisions		725,221	487,923
Trade and other payables		5,087,189	5,295,872
Income tax payable		1,146,354	857,615
Lease liability		285,289	465,720
16,239,485		16,152,721	
Total equity and liabilities		93,612,822	89,697,609

GROUP ABRIDGED REVIEWED RESULTS

For The Six Months Ended 30 April 2024

The Directors of TSL Limited are pleased to announce the Group abridged reviewed results for the six months ended 30 April 2024.

GROUP ABRIDGED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 April 2024

	30 April 2024 Reviewed US\$	30 April 2023 Unaudited US\$
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	4,489,675	7,890,977
Non-cash adjustments to reconcile profit before tax to net cash flows	(627,842)	(107,780)
	3,861,833	7,783,197
Net in working capital movements	(2,123,190)	(2,791,067)
Operating cash flow	1,738,643	4,992,130
Net finance costs	(605,746)	(531,291)
Income tax	(657,455)	(1,002,289)
Net cash generated from operating activities	475,442	3,458,550
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,111,044)	(2,946,845)
Proceeds on disposal of property, plant and equipment	61,327	27,109
Net cash utilised in investing activities	(2,049,717)	(2,919,736)
CASHFLOW FROM FINANCING ACTIVITIES		
Increase in loans and borrowings	1,042,381	3,273,399
Ordinary dividend paid to equity holders of the parent	(533,521)	(433,590)
Payment of principal portion of lease liability	(275,217)	(244,114)
Payment to minority Shareholder Buy out	-	(780,000)
Net cash generated from financing activities	233,643	1,815,695
Net (decrease) / increase in cash and cash equivalents	(1,340,632)	2,354,509
Cash and cash equivalents at the beginning of the period	3,734,474	4,180,172
Cash and cash equivalents at the end of the period	2,393,842	6,534,681
Represented by:		
Cash and bank balances	2,393,842	6,669,681
Bank overdraft	-	(135,000)
	2,393,842	6,534,681

GROUP ABRIDGED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 April 2024

	Issued share capital and premium US\$	Non- distributable reserves US\$	Retained earnings US\$	Total attributable to equity holders of the parent US\$	Non- controlling interest US\$	Total equity US\$
Balance at 1 November 2022	6,494,992	17,234,385	24,780,977	48,510,354	1,435,527	49,945,881
Total comprehensive income	-	-	9,467,163	9,467,163	145,658	9,612,821
Employee share option expense	-	7,814	-	7,814	-	7,814
Transactions with owners in their capacity as owners	-	-	-	-	2,882,927	2,882,927
Share options exercised	8,329	(8,329)	-	-	-	-
Ordinary dividend	-	-	(1,400,621)	(1,400,621)	-	(1,400,621)
Balance at 31 October 2023	6,503,321	17,233,870	32,847,519	56,584,710	4,464,112	61,048,822
Balance at 1 November 2023	6,503,321	17,233,870	32,847,519	56,584,710	4,464,112	61,048,823
Total comprehensive income	-	-	3,277,335	3,277,335	86,882	3,364,217
Ordinary dividend	-	-	(533,521)	(533,521)	-	(533,521)
Balance at 30 April 2024	6,503,321	17,233,870	35,591,333	59,328,524	4,550,994	63,879,518

NOTES TO THE FINANCIAL RESULTS

For The Six Months Ended 30 April 2024

1. BASIS OF PREPARATION

The financial results have been prepared based on statutory records, which are maintained on a historical cost basis, except for certain biological assets and financial instruments that are measured at fair value. The Group's reviewed abridged consolidated interim financial statements are in compliance with the requirements of the Zimbabwe Companies and Other Business Act (Chapter 24:31) and the Zimbabwe Stock Exchange (ZSE) Listing Requirements. The Listing Requirements require interim financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and, as a minimum, contain the information required by international Accounting Standards ("IAS") 34 (Interim Financial Reporting).

2. PRESENTATION AND FUNCTIONAL CURRENCY

2.1 Change in functional currency for the Group

These abridged consolidated interim financial statements are presented in United States Dollars ("US\$"), which is the functional and presentation currency of the Group. The Group changed its functional currency from Zimbabwe Dollars (ZWL) to United States Dollars ("US\$"), with effect from November 1, 2023.

The Group assessed its functional currency in accordance with the requirements of the International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21). In assessing the functional currency, the following primary and secondary factors we considered:

- The currency that mainly influences sales prices for goods and services;
- The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services;
- The currency that mainly influences labor, material, and other costs of providing goods or services;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

IAS 21 requires that when translating financial statements prepared under IAS 29 ("Financial Reporting in Hyperinflationary Economies") into a different presentation and functional currency, an entity applies a closing rate at the date of the most recent statement of financial position (October 31, 2023). The resulting translated amounts are treated as the historical costs for subsequent periods.

The Directors are of the opinion that using the provisions of IAS 21 to translate the Group's inflation-adjusted financial statements from previous periods as a basis for presenting comparative and opening balance sheet information in terms of the new functional currency will result in a material misstatement of the Group's comparative financial statements. In an endeavor to present the best possible view of the comparative financial performance and position of the Group, the Directors translated the financial statements using the procedures below.

The Statement of Profit or loss and other comprehensive income

Transactions were initially split by currency of origin between USD and ZWL;

- ZWL transactions were translated to USD using a transaction-based average rate. The average rate was derived from the pricing rates and rates used for settlement with suppliers; and
- Depreciation was based on the USD values, which were based on transaction-based rates when the property, plant, and equipment was acquired.

The Statement of Financial Position

- Assets were translated using transaction-based rates when the items were acquired;
- Monetary assets and liabilities were translated at the closing rate; and
- Share capital and share premium were translated based on transaction-based rates.

3. FAIR VALUE ADJUSTMENT ON INVESTMENT PROPERTIES

The property valuations done at 31 October 2023 were maintained as at 30 April 2024. No property revaluation was done at half year.

4. AUDITOR'S STATEMENT

These abridged interim consolidated financial statements for the six months ended 30 April 2024 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a qualified review conclusion was issued thereon. This review conclusion is modified with respect to non-compliance with International Accounting Standard (IAS) 21 – The Effects of Changes in Foreign Exchange Rates.

The review conclusion has been made available to management and those charged with governance. The Independent Review Report on the abridged interim consolidated financial statements is available for inspection at the Company's registered office.

The Engagement Partner on the review resulting in this auditor's review conclusion is Farai Chibisa (PAAB Number 0547).

5. GOING CONCERN

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of the financial results on a going concern basis is still appropriate.

6. CONTINGENT LIABILITIES

There were no material contingent liabilities at the reporting date.

7. EVENTS AFTER THE REPORTING DATE

There have been no significant events after the reporting date.

8. NET FINANCE COSTS

	30 April 2024 Reviewed US\$	30 April 2023 Unaudited US\$
Interest on lease liabilities	66,365	102,668
Interest on debts and borrowings	539,381	428,623
Interest on investments with banks during the year	-	-
Net finance costs in profit or loss	605,746	531,291

9. INCOME TAX CHARGE

Current income tax charge	1,125,458	1,950,650
Income tax expense in profit or loss	1,125,458	1,950,650

10. BORROWINGS

The terms and conditions of the borrowings are as below:

Interest bearing loans and borrowings	Interest rate%	Maturity	30 April 2024 Reviewed US\$	30 April 2023 Unaudited US\$
Authorised in terms of Articles of Association			63,879,519	61,048,823
Current interest bearing loans and borrowings:				
Bank borrowings	(2024) : 12%-13.5% (2023) : 12%-15.5%	2024	8,995,432	9,045,591
Non-current interest bearing loans and borrowings:				
Bank borrowings	(2024) : 12%-13.5% (2023) : 12%-15.5%	2025	3,006,079	1,913,539
Total interest bearing loans and borrowings			12,001,510	10,959,130
Actual borrowings as a percentage of authorised borrowings			19%	18%

Secured loans

There is a negative pledge of assets in respect of overdrafts and bank borrowings. The Group has pledged part of its freehold property with a fair value of US\$24.9 million (31 October 2023: US\$21.4 million) in order to fulfil the collateral requirements for the borrowings in place. The counterparties have an obligation to return the securities to the Group. There are no other significant terms and conditions associated with the use of collateral.

11. GROUP ABRIDGED SEGMENT RESULTS

	Logistics Operations	Agriculture Operations	Real Estate Operations	Services	Eliminations	Consolidated
30 April 2024						
Group Revenue	6,997,515	12,539,793	2,189,519	846,761	(2,598,747)	19,974,841
Operating profit	550,540	3,384,725	1,550,123	(326,815)	-	5,158,573
Fair value adjustment and impairments	-	378,523	-	5,876	-	384,399
Cost of sales	(1,534,289)	(2,915,999)	-	-	77,363	(4,372,925)
Staff costs	(2,074,231)	(2,386,171)	(150,716)	(725,163)	-	(5,336,281)
30 April 2023						
Group Revenue	5,859,957	15,704,814	1,769,881	592,250	(2,405,335)	21,521,567
Operating profit	658,350	7,037,414	1,108,420	(535,689)	-	8,268,495
Fair value adjustment and impairments	-	485,298	-	200,335	-	685,633
Cost of sales	(61,427)	(4,370,054)	-	-	-	(4,431,481)
Staff costs	(2,065,517)	(2,197,180)	(158,125)	(652,837)	-	(5,073,659)

12. CAPITAL COMMITMENTS

	2024 US\$	2023 US\$
Capital commitments - authorised but not contracted for	3,991,008	17,712,246

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.grantthornton.co.zw

REPORT ON REVIEW OF INTERIM ABRIDGED CONSOLIDATED FINANCIAL INFORMATION

To the members of TSL Limited

We have reviewed the accompanying interim abridged consolidated financial statements for TSL Limited ('the Group'), as set out on pages 7 to 17, which comprise of the interim abridged statement of financial position as at 30 April 2024, and the related interim abridged consolidated statement of profit or loss and other comprehensive income, interim abridged consolidated statement of changes in equity and interim abridged consolidated statement of cash flows for the six-months then ended, and a summary of significant Group accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the interim abridged consolidated financial statements

Management is responsible for the preparation and fair presentation of this interim abridged consolidated financial statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and the Group's accounting policies, this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of interim abridged consolidated financial statements that are free of material misstatement whether due to fraud or error.

Our responsibility is to express a conclusion on these interim abridged consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information 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.

Basis for Qualified Conclusion

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

Change in functional and presentation currency.

The Group changed its functional and presentation currency from Zimbabwe Dollars (ZWL) to United States Dollars (USD) effective 1 November 2023. The change in functional currency entails all amounts, including comparatives being translated from ZWL to USD in accordance with IAS 21 - The Effect of Changes in Foreign Exchange Rates (IAS 21). The Group's previous functional currency (ZWL) was a currency of a hyperinflationary economy, as such IAS 21 requires that the ZWL inflation adjusted amounts for the period prior to the change in functional currency, and the previously stated comparative consolidated inflation adjusted financial statements be translated to USD at the closing exchange rate at the date of change in functional currency.

In preparing the USD comparative financial information for the six months to 30 April 2023 and for the year ended 31 October 2023, management translated ZWL transactions and balances to USD by separating the USD and ZWL components of the transactions and balances. The USD components of the transactions and balances were then maintained as if the USD had always been the functional currency of the Group, resulting in possible misstatement of opening balances as at 1 November 2023. The ZWL components of the transactions and balances were translated to USD using translation methods disclosed in note 2.1 to these interim abridged consolidated financial statements.

The balances as at 30 April 2024 for retained earnings, non-distributable reserves, lease liabilities, property, plant and equipment, investment property and deferred tax liabilities contain material amounts carried forward from 31 October 2023. As a result, the balances may contain misstatements arising from the translation of ZWL balances as at 1 November 2023 to USD on change of the functional and presentation currency of the Group.

Exchange rates applied to translate ZWL and ZiG transactions and balances for the period from 1 November 2023 to 30 April 2024.

During the current period, the Group's ZWL and ZiG transactions and balances were translated into the functional and presentation currency of the Group (USD) using internally generated exchange rates, which were not considered appropriate spot exchange rates for translations as required by IAS 21.

The accounting treatment adopted in the translation of the ZWL and ZiG amounts for the period from 1 November 2023 to 30 April 2024 constitutes a departure from the requirements of IAS 21. Had the appropriate spot exchange rates been used in such translation, some elements of the interim abridged consolidated financial statements would have been materially different.

The effects of the above non-compliance with the requirements of IAS 21 have been considered to be material but not pervasive to the interim abridged consolidated financial statements.

Qualified Conclusion

Based on our review, except for the effects of the matters described in the *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the accompanying interim abridged consolidated financial statements does not present fairly, in all material respects, the financial position of TSL Limited as at 30 April 2024, and its financial performance and cash flows for the six months then ended in accordance with International Financial Reporting Standards (IFRSs).

The engagement partner on the review engagement resulting in this independent review conclusion is Farai Chibisa.

Grant Thornton

Farai Chibisa

Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

HARARE

26 June 2024