



TANGANDA TEA COMPANY LIMITED UNAUDITED HALF YEAR RESULTS

FOR THE SIX MONTHS ENDED 31 MARCH 2024



SALIENT FEATURES

	6 MONTHS ENDED 31 MARCH 2024 USD
Revenue	Decreased by 6% to USD11.1 million
Export sales	Decreased by 7.67% to USD5.33 million
Local sales	Decreased by 4.34% to USD5.77 million
Operating profit	Decreased by 37% to USD2.6 million

CHAIRMAN'S STATEMENT

Environmental Overview

The operating environment during the first half of the year was characterized by exchange rate volatility, depreciation of the local currency, upward inflationary pressures and rapid changes in policies as regulatory authorities responded to inflation and divergent exchange rates. The introduction of the new structured currency, the Zimbabwe Gold (ZiG) on 5 April 2024, post the reporting period has fostered relative stability in the economy. The economy continued on a dollarization trend with 80% of transactions conducted in foreign currency as reported by the Zimbabwe National Statistics Agency.

The El Nino climatic phenomenon impacted the agricultural sector especially during the first quarter of the financial year affecting crop production.

Change in functional and reporting currency

The Directors have assessed the company's functional currency and the requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and resolved to change the functional and reporting currency to United States Dollars with effect from 1 October 2023. The process of changeover from reporting in Zimbabwe Dollars to United States Dollars was guided by IFRS. In conformance with IFRS, the inflation adjusted numbers reported in the prior year have been converted using the applicable closing exchange rates.

Centenary milestone

The Company celebrates the growth and resilience of the business over a century.

Financial Performance

The financial statements are presented in United States Dollars following the change in functional and reporting currency on 1 October 2023. Revenue for the half year of USD11.10 million was 6% lower than prior year of USD11.80 million. Profit after tax grew by 25% to USD1.97 million from USD1.58 million. Included in other income are fair value gains on biological assets and fruit on bearer plants of USD1.5million.

REVIEW OF OPERATIONS

Agriculture

The late onset of the rain and its relatively uneven distribution led to a 8.96% decline in bulk tea production to 5 082 tonnes from 5 582 tonnes produced in the prior year. Bulk tea exports of 3 005 tonnes were 12% below the previous year of 3 415 tonnes. The average export selling price of bulk tea declined to USD1.38 per kg from the prior year's average selling price of USD1.45 per kg.

Avocado and macadamia harvest commenced in earnest at the end of the reporting period. International macadamia nut prices are showing signs of firming by about 20% over prior year based on first post period end shipments of macadamia nuts to China. Coffee exports of 58 tonnes were 32% above 44 tonnes achieved in prior year. Average export selling price of USD6.24 per kg was firmer compared to USD5.03 per kg realized same period prior year.

Beverage

Packed tea sales volumes of 625 tonnes were 33% below 929 tonnes achieved in prior year. Notwithstanding that the customer order book was full, a combination of managing customers to reduce defaulting customer risk and packaging supply constraints are among factors that resulted in reduction in sales volumes. Packed tea exports into the region increased by 78% over prior year following diversification into the Democratic Republic of Congo.

Outlook

The operating environment is expected to remain complex due to rapid policy changes and escalation of costs. The tax measures adopted in the 2024 budget have an impact of increasing cost of production.

The demand for our products remains relatively strong despite the impact of complex macro-economic factors on the local, regional and international markets. Sustainable market diversification will continue to be pursued to expand the regional and international markets.

The Company is optimistic that it has put in place mitigatory strategies to navigate the difficult terrain. Focus is on improving efficiencies across the company by re-engineering all processes and managing costs.

Dividend

The Board has recommended not to declare an interim dividend having considered the need to preserve cashflow and to reinvest into the business.

Appreciation

I extend my continued appreciation to our valued customers and suppliers for their continued support and to our shareholders, other stakeholders, including regulatory authorities, for their assistance and guidance. I also extend my gratitude to fellow Board members, management and staff for their dedication and commitment to sustaining the business in challenging times.

H. Nkala
Chairman

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Notes	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD*	
Revenue	4	11,097,185	11,801,479
Cost of sales		(7,509,366)	(5,763,233)
Gross profit		3,587,819	6,038,246
Other expenses		(1,678,706)	(2,308,663)
Selling and distribution expenses		(1,870,915)	(1,972,384)
Decrease in expected credit losses		345,832	12,444
Other income		2,216,032	2,356,127
Operating profit		2,600,062	4,125,770
Net finance costs		(299,018)	(686,846)
Net monetary loss		-	(1,648,531)
Profit before tax		2,301,044	1,790,393
Income tax expense	6	(330,300)	(214,414)
Profit for the period		1,970,744	1,575,979
Other comprehensive income		-	-
Total comprehensive income for the period		1,970,744	1,575,979
Basic earnings per share (cents)		0.75	0.60
Diluted earnings per share (cents)		0.75	0.60
Headline earnings per share (cents)		0.75	1.08

*Prior year amounts reported in ZWL now reported in USD, refer to note 2.2 on change in functional currency

CONDENSED STATEMENT OF FINANCIAL POSITION

Notes	As at 31 March 2024 USD	As at 30 September 2023 USD*	
ASSETS			
Non-current assets			
Property, plant and equipment	20,194,292	20,283,842	
Right of use asset	13,740	16,794	
Biological assets	1,657,314	1,163,106	
	21,865,346	21,463,742	
Current assets			
Inventories	9	8,197,979	5,882,897
Produce on bearer plants		2,598,252	220,106
Trade and other receivables	10	6,222,900	4,266,194
Bank and cash balances		286,677	152,249
	17,305,808	10,521,446	
Total assets	39,171,154	31,985,188	
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	320,075	320,075	
Share premium	7,675,801	7,675,801	
Non-distributable reserve	2,599,156	2,599,156	
Retained earnings	13,256,187	11,285,443	
Total shareholders' equity	23,851,219	21,880,475	
Non-current liabilities			
Deferred tax	3,599,281	3,205,636	
Lease liability	18,438	25,284	
Long-term borrowings	12	809,294	1,267,716
	4,427,013	4,498,636	
Current liabilities			
Trade and other payables	11	8,166,207	4,277,939
Lease liability		13,407	12,852
Current portion of long-term borrowings	12	2,713,308	1,216,981
Bank overdraft		-	93,373
Other financial liabilities		-	4,932
	10,892,922	5,606,077	
Total liabilities	15,319,935	10,104,713	
Total equity and liabilities	39,171,154	31,985,188	

*Prior year amounts reported in ZWL now reported in USD, refer to note 2.2 on change in functional currency



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CONDENSED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL USD	SHARE PREMIUM USD	NON-DISTRIBUTABLE RESERVES USD	RETAINED EARNING USD	TOTAL SHARE - HOLDERS' EQUITY USD
Balance at 1 October 2022*	321,396	7,707,466	2,609,878	16,040,402	26,679,142
Profit for the period	-	-	-	1,575,978	1,575,978
Dividend paid	-	-	-	(183,866)	(183,866)
Balance at 31 March 2023*	321,396	7,707,466	2,609,878	17,432,514	28,071,254
Balance at 1 October 2023*	320,075	7,675,801	2,599,156	11,285,443	21,880,475
Profit for the period	-	-	-	1,970,744	1,970,744
Balance at 31 March 2024	320,075	7,675,801	2,599,156	13,256,187	23,851,219

*Prior year amounts reported in ZWL now reported in USD, refer to note 2.2 on change in functional currency

CONDENSED STATEMENT OF CASHFLOWS

Notes	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD*
Cash flows from operating activities		
Cashflow (utilised in)/generated from operations	14 (616,383)	104,825
Cash flows from investing activities		
Purchase of property, plant and equipment	(334,791)	(774,802)
Expenditure on biological assets	(12,407)	(38,618)
Proceeds on disposal of property, plant and equipment	-	869
Interest received	109	225
Net cash utilised in investing activities	(347,089)	(812,326)
Cash flows from financing activities		
Proceeds from borrowings	2,640,000	4,001,576
Repayment of borrowings	(1,157,607)	(1,773,435)
Dividend paid	-	(183,866)
Interest paid	(297,617)	(685,204)
Lease payments	(7,800)	(6,992)
Net cash generated from financing activities	1,176,976	1,352,079
Net increase in cash and cash equivalents	213,504	644,578
Cash and cash equivalents at the beginning of the period	58,876	188,538
Net effect of exchange rates on cash and bank balances	14,297	7,338
Cash and cash equivalents at the end of the period	286,677	840,454
Comprising of		
Bank and cash balances	286,677	840,454

*Prior year amounts reported in ZWL now reported in USD, refer to note 2.2 on change in functional currency

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2024

1. Corporate information

The Company is incorporated and domiciled in Zimbabwe.

2. Basis of preparation

The Company's condensed financial statements for the six months ended 31 March 2024, from which this press release has been extracted from have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing Requirements and in a manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31), (COBE). The Listing Requirements require 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). The condensed Company's financial statements have been prepared based on the statutory records that are maintained under the historical cost basis, except for biological assets which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These financial results are presented in United States Dollars (USD).

The condensed financial statements have been prepared under the supervision of Henry Nemaire Chartered Certified Accountant, the Company Finance Director, registered public accountant, PAAB number 04741.

2.1 Accounting policies

Accounting policies and methods of computation applied in the preparation of the condensed financial statements are consistent, in all material respects, with those used in the preparation of the latest annual report with the exception of the change in the functional and presentation currency as per note 2.2.

New applicable standards and improvements which became effective in the current year have been complied with and have had no material impact on these interim financial statements.

2.2 Change in functional currency and presentation currency

Following the promulgation of Statutory Instrument ("SI") 185 of 2020, issued on 24 July 2020, the Company has continued to see a steady increase in the use of foreign currency across its businesses and, in accordance with the requirements of IAS 21 (Effects of Changes in Foreign Exchange Rates), has been through a process of assessing its functional currency. In assessing functional currency, the following factors were considered:

- the currency that mainly influences sales prices for goods and services (the currency in which sales prices for goods and services are denominated and settled).
- the currency which influences labour, material and other costs of providing goods and services.
- the currency in which funds from financing activities are generated.
- the currency in which receipts from operating activities are usually retained.

The Directors concluded that based on the above factors, there has been a change in the Company's functional currency from ZWL to United States Dollars ("USD") with effect from 1 October 2023 and the change in the functional currency led to the Company changing its presentation currency from ZWL to USD.

Procedures to convert comparative financial results to USD

In line with International Accounting Standards ("IAS") 21, "The Effects of Changes in Foreign Exchange Rates", the Company translated its last reported inflation-adjusted financial statements using the closing exchange rate at the reporting date to derive and present comparative financial statements under the newly assessed functional currency.

All current year transactions were translated using the spot rate at the date of transaction and all monetary assets and monetary liabilities denominated in other currencies were translated to the presentation currency using the closing rate. Below are the ZWL to USD exchange rates applied:

	INTERBANK EXCHANGE RATE
31 March 2023	929.8618
30 September 2023	5,466.7466
31 March 2024	22,055.4738

3. Going Concern

The Directors have satisfied themselves that the Company is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to use the going concern basis in the preparation of these financial statements.

4. Revenue by product

	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD
Bulk tea	4,132,284	4,546,334
Macadamia	180,862	727,670
Coffee	368,602	194,440
Packed tea	5,998,509	5,991,006
Water	416,928	342,029
	11,097,185	11,801,479

All revenue recognised at a point in time

	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD
Property, plant and equipment excluding bearer plants	250,676	258,893
Bearer plants	169,775	210,528
Right of use asset	3,053	2,919
	423,504	472,340

6. Taxation

	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD
Current Tax	(63,345)	380,645
Deferred Tax	393,645	(166,231)
	330,300	214,414

7. Segment information

For Management purposes, the Company is organised into 2 operating segments and information relating to these two segments are as detailed below:

Agriculture - This division, based in the Chipinge district, consists of five estates inter-cropped with tea, coffee, avocados and macadamia nuts. Tea and coffee are processed in bulk form for sale, either on the international market or to the Beverage Division for local and regional packed tea sales.

Beverage - The division consists of a tea blending and packaging plant, as well as a distribution warehouse in Mutare. Packed tea from this factory is sold and distributed through distribution depots in Harare, Bulawayo, Gweru, and Mutare. Depots handle product in a first in first out method. Packed tea is also exported into various regional markets. Major company brands include, Tanganda, Stella, Silver, Joko, Tanganda Special Blend, Tanganda Tips, Fresh Leaves, Tanganda Healthi Green, Nella Rooibos bags and Natra Fresh Rooibos (leaf and bags), Resurrection, Rosella, Makoni, tinga mira water and High Country Coffee.



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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

7. Segment information continued

	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD
Revenue		
Agriculture	5,471,816	6,566,886
Beverage	6,415,438	6,333,035
Inter-segment revenue [^]	(790,069)	(1,098,442)
External revenue	11,097,185	11,801,479
Operating Profit		
Agriculture	(528,485)	5,597,518
Beverage	4,127,308	1,982,693
Total operating profit for reportable segments	3,598,823	7,580,211
	Half year ended 31 March 2024 USD	Year ended 30 Sept 2023 USD
Segment assets		
Agriculture	31,843,197	24,091,875
Beverage	5,875,858	6,676,124
Total	37,719,055	30,767,999
Segment Liabilities		
Agriculture	6,219,081	2,352,866
Beverage	1,326,246	1,535,414
Total	7,545,327	3,888,280

The accounting policies of the reportable segments are the same as the whole company accounting policies. Segment operating profit represents segment profit before allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Reconciliation of information on reportable segments to IFRS measures

	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD
Revenue		
Total revenue for reportable segments	11,887,254	12,899,921
Elimination of inter-segment revenue	(790,069)	(1,098,442)
Consolidated revenue	11,097,185	11,801,479
Operating Profit		
Total Operating income for reportable segments	3,598,823	7,580,211
Finance income	109	225
Administration and other operating costs	(1,457,545)	(3,454,878)
Finance Costs	(299,127)	(687,071)
Exchange gains/(losses)	458,784	436
Monetary gain/(loss)	-	(1,648,530)
Consolidated profit before tax	2,301,044	1,790,393
	Half year ended 31 March 2024 USD	Year ended 30 Sept 2023 USD
Assets		
Total assets for reportable segments	37,719,055	30,767,999
Other assets ^{^^}	1,452,099	1,217,189
Consolidated total assets	39,171,154	31,985,188
Liabilities		
Total liabilities for reportable segments	7,545,327	3,888,280
Other liabilities ^{^^}	7,774,608	6,216,433
Consolidated total liabilities	15,319,935	10,104,713

[^] Inter-segment revenue represents unprocessed agriculture produce transferred to the beverages division for further processing and sale.

^{^^} Excluded from Segment assets and liabilities are centrally administered assets such as bank and cash balances, tax assets and liabilities which are centralised.

8 Fair Value Measurement

8.1 Fair Value Hierarchy

IFRS 13 Fair Value Measurement specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

8.2 Valuation of Biological Assets

Biological assets comprise of gum and wattle plantations, livestock and produce growing on the bearer plants. The present value of expected net cash flows from plantations, discounted at the weighted average cost of capital, was used to determine fair value of timber plantations. The fair value for livestock was determined by reference to the market price and these valuations were carried out by a professional valuer not connected to the Company. Produce growing on bearer plants is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows. Fair values of tea bushes on plantations, macadamia nuts on plantations, coffee beans on plantations and avocado fruit on plantations is determined using Level 3 inputs on the fair value hierarchy, whilst fair values for timber plantations and livestock is determined using level 3 inputs.

	Half year ended 31 March 2024 USD	Year ended 30 Sept 2023 USD
9. Inventories		
Raw and packaging materials	1,211,075	973,478
Finished goods	519,497	116,304
Consumables	3,437,508	2,516,036
Agricultural produce	3,029,899	2,277,079
	8,197,979	5,882,897

	Half year ended 31 March 2024 USD	Year ended 30 Sept 2023 USD
10. Trade and other receivables		
Trade receivables	3,528,586	4,023,784
Less: expected credit loss	(167,793)	(513,625)
	3,360,793	3,510,159
Prepayments	1,968,248	631,067
Other receivables	893,859	124,968
	6,222,900	4,266,194

	Half year ended 31 March 2024 USD	Year ended 30 Sept 2023 USD
11. Trade and other payables		
Trade payables	5,074,304	2,296,799
Social security and other taxes	183,192	151,211
Accrued expenses	2,648,113	1,479,317
Provisions	260,598	350,612
	8,166,207	4,277,939

12. Borrowings

Interest-bearing borrowings constitute bank loans from various local financial institutions which accrue interest at a weighted average rate of 10.19% at the end of the period. The facilities have got different maturity dates and will be reviewed when they mature. Bank loans of USD3.5 million are secured by the assignment of export proceeds to various financial institutions in line with the level of indebtedness of the Company to each of the financial institutions.

	Half year ended 31 March 2024 USD	Year ended 30 Sept 2023 USD
13. Capital expenditure for the period		
Purchase of property, plant and equipment excluding bearer plants	334,791	948,548
Capital Expenditure incurred on bearer plants	12,407	647,235
	347,198	1,595,783

	Half year ended 31 March 2024 USD	Half year ended 31 March 2023 USD
14. Cashflow Information		
Cash generated from operations		
Profit before tax	2,301,044	1,790,393
Adjustment for non-cash items:		
Depreciation	423,504	472,340
Loss on disposal of property, plant and equipment including biological assets	3,890	1,237,912
Net fair value adjustments	(1,457,706)	(2,820,769)
Impairment of non-current assets	-	43,528
Net finance costs	299,018	686,846
Net exchange (gains)/losses	(458,784)	(436)
Cash generated from operations before changes in working capital	1,110,966	1,409,814
Changes in working capital:		
Increase in inventories	(3,717,323)	(2,251,976)
Increase in trade and other receivables	(1,893,362)	(648,484)
Increase in trade and other payables	3,888,268	1,915,994
Tax paid	(4,932)	(320,523)
Cashflow (utilised in)/ generated from operations	(616,383)	104,825

15. Restatement of prior year

In the prior year, the Company did not disclose the expected credit losses on the face of the statement of profit or loss and other comprehensive income as per the requirements of IFRS and consequently, in order to correct the presentation, prior year expected credit losses have been presented separately from selling and distribution expenses. The impact of the reclassification is shown below:

	Prior year after restatement 31 March 2023 USD	Prior year before restatement 31 March 2023 USD
Selling and distribution expenses	1,972,384	1,959,394
Decrease in expected credit losses	(12,444)	-

16. Earning per share

Basic earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares outstanding during the period

Diluted earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares outstanding during the period plus weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Headline earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders adjusted for profit or loss on disposal of assets for the period

17. Subsequent events

The Reserve bank of Zimbabwe governor announced the introduction of a new currency called the Zimbabwean Gold (ZiG) in his 2024 monetary policy statement. All banks were ordered to convert the Zimbabwean dollars into the new currency with effect from 5 April 2024. The introduction of the new currency does not have any impact on the financial information reported for the 6 months ended 31 March 2024.