TSL Limited Group's Abridged Audited Results

For the year ended 31 October 2016

SALIENT FEATURES

- Revenues down 3% to US$ 47.2 million.
- Operating profit down 17% to US$ 5.6 million.
- Profit before tax down 18% to US$ 4.3 million (Before restatement, PBT down 30%).
- Profit after tax down 3% to US$ 3.2 million.
- Net Asset Value per share up 5% to 21cps.
- Current ratio improved from 1.4 to 1.6.
- Gearing ratio improved to 15% from 19%.

The Directors of TSL Limited are pleased to announce the Group's abridged audited results for the year ended 31 October 2016.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Full Year Ended 31Oct 2016 Audited US$	Restated Full Year Ended 31 Oct 2015 Audited US$
Revenue	47,235,811	48,598,657
Profit from operations	5,633,884	6,756,935
Fair value adjustments and impairments	155,755	(459,548)
Net finance costs	(1,532,220)	(1,130,796)
Profit before tax	**4,257,419**	**5,166,591**
Income tax charge	(1,106,558)	(1,916,447)
Profit for the period	**3,150,861**	**3,250,144**
Attributable to:		
Equity holders of the parent	3,312,621	3,095,821
Non-controlling interest	(161,760)	154,323
	3,150,861	**3,250,144**
Number of shares in issue	357,102,445	357,102,445
Earnings per share (cents)	0.9	0.9
Headline earnings per share (cents)	0.8	1.0
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of property	378,304	852,662
Deferred tax on revaluation of property	(97,413)	(219,560)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Gain on available for sale investment	1,279,396	-
Deferred tax on gain on available for sale investment	(12,794)	-
Total other comprehensive loss, net of tax	1,547,493	633,102
Total comprehensive income	**4,698,354**	**3,883,246**
Attributable to:		
Equity holders of the parent	4,811,107	3,596,178
Non-controlling interest	(112,753)	287,068
	4,698,354	**3,883,246**

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 Oct 2016 Audited US$	Restated As at 31 Oct 2015 Audited US$
ASSETS		
Non-current assets		
Property, plant and equipment	31,531,902	31,355,652
Investment properties	35,165,556	34,156,500
Available-for-sale investment	6,900,000	5,620,604
Biological assets	1,292,256	1,409,765
Intangible assets	817,074	817,074
Deferred tax asset	-	254,244
	75,706,788	**73,613,839**
Current assets		
Inventories	7,617,589	8,775,631
Amounts due from former associate company	295,472	1,996,562
Trade and other receivables	10,395,546	10,152,374
Cash and bank balances	3,267,629	2,162,585
	21,576,236	**23,087,152**
Investment held-for-sale	2,077,000	1,900,000
Total assets	**99,360,024**	**98,600,991**
EQUITY AND LIABILITIES		
Equity		
Issued share capital and premium	6,469,824	6,469,824
Non-distributable reserves	42,836,656	41,338,170
Retained earnings	23,234,698	21,100,515
Attributable to equity holders of parent	**72,541,178**	**68,908,509**
Non-controlling interest.	2,591,559	2,704,312
Total equity	**75,132,737**	**71,612,821**
Non-current liabilities		
Interest bearing loans and borrowings	3,079,347	2,089,598
Deferred tax liabilities	7,776,178	8,151,583
	10,855,525	**10,241,181**
Current Liabilities		
Interest bearing loans and borrowings.	8,462,125	10,952,176
Provisions	268,068	502,852
Trade and other payables	4,342,545	5,164,242
Income tax payable	299,024	127,719
	13,371,762	**16,746,989**
Total equity and liabilities	**99,360,024**	**98,600,991**
Current ratio	1.6	1.4

SUPPLEMENTARY INFORMATION

	Full Year Ended 31 Oct 2016 Audited US$	Restated Full Year Ended 31 Oct 2015 Audited US$
Capital commitments - authorised but not contracted for	2,053,500	2,161,100
Depreciation on property, plant and equipment	2,039,221	2,214,836

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Full Year Ended 31 Oct 2016 Audited US$	Restated Full Year Ended 31 Oct 2015 Audited US$
OPERATING ACTIVITIES		
Profit before tax	4,257,419	5,166,591
Non-cash adjustments to reconcile profit before tax to net cash flows	3,332,796	(1,013,063)
Net (reduction)/increase in working capital	(297,413)	4,052,124
Operating cash flow	**7,292,802**	**8,205,652**
Net finance costs paid	(1,532,220)	(1,130,796)
Income tax paid	(1,166,621)	(1,647,941)
Dividends received from associate	720,211	-
Net cash generated from operating activities	**5,314,172**	**5,426,915**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(2,471,001)	(2,156,446)
Proceeds on disposal of property, plant and equipment	587,148	249,575
Repayment of loan by former associate	353,465	-
Acquisition of subsidiary, net of cash acquired	-	(220,896)
Net cash used in investing activities	**(1,530,388)**	**(2,127,767)**
FINANCING ACTIVITIES		
Repayment of finance lease liability	-	(158,975)
Net decrease in loans and borrowings	(1,500,302)	(893,495)
Dividends paid to equity holders of parent	(1,178,438)	(1,418,000)
Net cash generated used in financing activities	**(2,678,740)**	**(2,470,470)**
Net increase in cash and cash equivalents	**1,105,044**	**828,678**
Cash and cash equivalents at the beginning of the period	2,162,585	1,333,907
Cash and cash equivalents at the end of the period	**3,267,629**	**2,162,585**
Represented by:		
Cash and bank balances	3,267,629	2,162,585
	3,267,629	**2,162,585**

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2016

	Issued share capital and premium	Non-distributable reserves	Retained earnings	Total attributable to equity holders of parent	Non-controlling interest	Total equity
Balance at 1 November 2014	6,469,824	40,837,813	19,422,694	66,730,331	2,417,244	69,147,575
Profit for the period	-	-	3,095,821	3,095,821	154,323	3,250,144
Other comprehensive income	-	500,357	-	500,357	132,745	633,102
Total comprehensive income	-	500,357	3,095,821	3,596,178	287,068	3,883,246
Dividends	-	-	(1,418,000)	(1,418,000)	-	(1,418,000)
Balance at 31 October 2015 (Restated)	**6,469,824**	**41,338,170**	**21,100,515**	**68,908,509**	**2,704,312**	**71,612,821**
Profit / (loss) for the period	-	-	3,312,621	3,312,621	(161,760)	3,150,861
Other comprehensive income	-	1,498,486	-	1,498,486	49,007	1,547,493
Total comprehensive income	-	1,498,486	3,312,621	4,811,107	(112,753)	4,698,354
Dividends	-		(1,178,438)	(1,178,438)	-	(1,178,438)
Balance at 31 October 2016	**6,469,824**	**42,836,656**	**23,234,698**	**72,541,178**	**2,591,559**	**75,132,737**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

1. BASIS OF PREPARATION

The consolidated financial statements, from which these abridged consolidated financial statements are an extract, have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act [Chapter 24.03] and the Zimbabwe Stock Exchange.

2. PRESENTATION AND FUNCTIONAL CURRENCY

The Group's presentation and functional currency is the United States Dollar (US$).

3. ACCOUNTING POLICIES

The accounting policies are consistent with those used in preparing the 31 October 2015 Group financial statements.

4. AUDIT STATEMENT

The consolidated financial statements for the year ended 31 October 2016 were audited by Ernst & Young Chartered Accountants (Zimbabwe). An unqualified opinion was issued on the consolidated financial statements. The audit opinion is available for inspection at the Company's registered office.

5. GOING CONCERN

The abridged consolidated financial results have been prepared on a going concern basis as the directors are of the opinion that the Company is a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

6. CONTINGENT LIABILITIES

There are no material contingent liabilities at the reporting date.

7. EVENTS AFTER THE REPORTING DATE

There have been no significant events after the reporting date at the time of issuing this press statement.

8. NET FINANCE COSTS

The major components of net financing costs are shown below.

	Full Year Ended 31 Oct 2016 Audited US$	Restated Full Year Ended 31 Oct 2015 Audited US$
Interest on debts and borrowings	1,632,420	2,191,681
Interest on borrowings recovered from former associate	-	(925,000)
Interest on investments with banks during the year	(100,200)	(135,885)
Net finance costs in profit or loss	**1,532,220**	**1,130,796**

9. TAXATION

The major components of income tax expense for the full years ended 31 October 2016 and 31 October 2015 are shown below.

	2016	2015
Current income tax charge	1,331,925	1,606,353
Withholding tax on interest income and directors fees	4,851	4,029
Capital gains tax	1,150	-
Deferred tax relating to origination and reversal of temporary differences	(231,368)	306,065
Income tax expense in profit or loss	**1,106,558**	**1,916,447**

10. BORROWINGS

The terms and conditions of the borrowings are as below:

			As at 31 Oct 2016 Audited US$	Restated As at 31 Oct 2015 Audited US$
Authorised in terms of Articles of Association			112,699,106	107,419,232
Interest bearing loans and borrowings	**Interest rate%**	**Maturity**	**31 Oct 2016 US$**	**31 Oct 2015 US$**
Current Interest bearing loans and borrowings:				
Bank borrowings	5%-12%	2017	8,462,125	10,952,176
Non-current Interest bearing loans and borrowings:				
Bank borrowings	5%-12%	2018 - 2019	3,079,347	2,089,598
Total interest bearing loans and borrowings			**11,541,472**	**13,041,774**
Actual borrowings as a percentage of authorised borrowings			10%	12%

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 carrying amount of US$ 22 600 000 (31 October 2015 : US$ 34 400 000) 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. MEASUREMENT PERIOD ADJUSTMENTS - ACQUISITION OF SUBSIDIARY

During the year, the Group completed the measurement of the assets of the farming subsidiary it acquired in October 2015. This resulted in machinery & equipment and accounts receivable balances decreasing by US$ 798,117 and US$ 132,611 respectively. The decrease resulted in the goodwill initially recognised increasing by $930,728. As the initial goodwill was impaired, the additional goodwill has also been impaired. As permitted by IFRS 3.45, the above differences were adjusted retrospectively as measurement period adjustments (restatement) with the following impact on the previously reported 2015 balances:

	Full Year Ended 31 October 2015 Audited US$
Statement of financial position:	
Decrease in property, plant and equipment	798,117
Decrease in accounts receivable balance	132,611
Decrease in retained earnings	**930,728**
Income statement:	
Increase in fair value adjustments and impairment	930,728

12. GROUP CONDENSED SEGMENT RESULTS

For the year ended 31 October 2016	**Logistics Operations**	**Agriculture Operations**	**Real Estate Operations**	**Services**	**Consolidated**
Revenue-external customers	18,081,016	21,195,631	4,719,919	3,239,245	**47,235,811**
Depreciation and amortisation	864,366	697,431	298,834	178,590	**2,039,221**
Fair value adjustment and impairments	-	700,170	952,268	(1,496,683)	**155,755**
Segment profit /(loss)	1,219,596	1,444,800	2,123,827	845,661	**5,633,884**
Operating assets	12,044,359	21,396,276	54,242,632	1,882,683	**89,565,950**
Operating liabilities	1,242,806	2,245,363	795,315	327,129	**4,610,613**
Other disclosures:					
Available for-sale-investment	-	-	-	6,900,000	**6,900,000**
Investment held-for-sale	-	-	-	2,077,000	**2,077,000**
Capital expenditure	276,215	980,596	1,031,730	125,672	**2,414,213**

For the year ended 31 October 2015 (Restated)	**Logistics Operations**	**Agriculture Operations**	**Real Estate Operations**	**Services**	**Consolidated**
Revenue -external customers	21,380,225	19,323,056	4,792,702	3,102,674	**48,598,657**
Depreciation and amortisation	1,131,946	469,274	428,240	189,084	**2,218,544**
Fair value adjustment and impairments	-	-	111,410	(570,958)	**(459,548)**
Segment profit /(loss)	2,359,852	2,549,228	2,590,634	(742,779)	**6,756,935**
Operating assets	13,364,509	20,073,047	52,020,876	4,550,637	**90,009,069**
Operating liabilities	2,463,709	1,794,504	573,774	835,107	**5,667,094**
Other disclosures:					
Available for-sale-investment	-	-	-	5,620,604	**5,620,604**
Investment held-for-sale	-	-	-	1,900,000	**1,900,000**
Capital expenditure	1,366,299	352,939	407,518	29,690	**2,156,446**

13. REVIEW OF THE ECONOMIC ENVIRONMENT

The macroeconomic environment in 2016 was challenging. Cash and foreign currency shortages became more pronounced; aggregate consumer demand continued to wane and agriculture, in general, was negatively impacted by the El Nino weather pattern. Tobacco especially fared relatively well, with national output increasing from 197 million kgs to 202 million kgs - a growth of 2.6%. The regulatory environment also experienced some significant changes with the introduction of Bond Notes pegged at par to the US dollar, the implementation of tighter exchange control and the enactment of Statutory Instrument 64 of 2016 which is intended to reduce the importation of products which have local equivalents.

All these factors affected the Group and its customers to varying degrees. In the light of this, the Group has produced a somewhat mixed set of results. Whilst the Logistics Operations were heavily impacted by the general operating environment, and the Trading businesses saw shrinkage in volumes due to the weather patterns, tobacco-related operations did, however, perform strongly.

Real Estate Operations meanwhile, posted satisfactory results considering the state of the industry. The Group has, to a marked extent, benefited from the diversity of its operations.

14. PERFORMANCE OVERVIEW

Group revenues were down 3% to US$ 47.2 million. Whilst the decline in revenues was more pronounced in the Logistics and Trading Operations, these were largely mitigated by increased volume growth in the Tobacco-related businesses and the inclusion, for the first time, of the revenues from the Group's Farming Operations.

Margin compression across all business units, in response to the environment, coupled with an increase in the contribution from sale of product to the overall sales mix have resulted in Group operating profit declining by 17% to US$ 5.6 million. The Group has been systematically reducing its costs of operations and in the current year this has translated to a saving of US$ 1.4 million.

Group Profit Before Tax decreased by 18% to US$ 4.3 million. In previous years, the Group benefited from the recovery of financing costs from its former associate. As a consequence of the disposal of the Group's interest in the associate in 2015, net financing costs, in absolute terms, have increased from US$ 1.1 million to US$ 1.5 million. This additional cost has been largely offset by the fair value uplift in the Group's investment properties of US$ 0.95 million, which was based on independent, professional valuations. Group Profit After Tax has decreased by 3% to US$ 3.2 million.

During the year, the Group also completed the measurement of the assets of the farming subsidiary it acquired at the end of the previous financial year, which had been accounted for on provisional numbers, resulting in machinery and equipment and accounts receivable balances decreasing by US$ 0.8 million and US$ 0.13 million respectively. Consequently, a measurement period adjustment (restatement) of US$ 0.93 million has been retrospectively adjusted as permitted by International Financial Reporting Standards and has impacted the previously reported 2015 balances as detailed in Note 11. Profit before tax, before the restatement was down 30% on the previously reported numbers. After restatement, Profit before tax is down 18%.

The trending in the level and cost of funding and cash reserves remains satisfactory. Borrowings are down 12% on last year and the Group's gearing has been reduced from 19% to 15%. The Group will continue to improve cash generation and reserves and carefully monitor its financial commitments in the light of the trading environment.

Agricultural Operations

Tobacco related services

Tobacco Sales Floor delivered a solid revenue and profit performance for the year, despite a slow start to the season. The Company took a commanding share of independently auctioned crop on the back of a clearer marketing strategy, increased support to farmers, timely payment to growers and improved operational efficiencies.

Propak Hessian changed its business model at the beginning of the financial year, which allowed it to offer a more competitively priced product through better organized distribution channels. This translated into increased volumes and improved market share both with merchants and independent farmers.

Agricultural trading

Due to the El Nino weather patterns, the uptake of agricultural inputs in both Agricura and TSL Trading was significantly lower than in previous years - negatively impacting both revenues and profitability. The businesses have remained focused on enhancing the quality of the product offering in line with international trends, improving their visibility and distribution reach and boosting agronomic support and payment convenience to farmers. Adequate stocks have been secured for what is expected to be a better agricultural season in 2016/17 including support of the Government's initiatives to increase agricultural productivity in the country.

Agricultural commodity production

The first full year of the Company's farming activities proved satisfactory from a volumes and quality of crop perspective. The prices obtained from the sale of the maize, wheat, soyas and bananas were satisfactory. Whilst the yields on the tobacco crop were good, greater attention will be placed on improving quality in coming seasons. The business has secured off-taker funding for some of its produce in the 2016/17 season and will continue to seek sustainable long-term marketing arrangements.

Logistics Operations

End to end logistics services

Overall, Bak Logistics' revenues and profitability were materially down on last year. The Distribution business saw a decline in volumes as some of the Company's customers were negatively impacted, on the one hand, by foreign currency shortages and a slow down in the importation of product and on the other, by weaker consumer demand in the FMCG sector. Volumes in the General Cargo business were also lower than in previous years as customers in the agro commodities space were affected by slow movement of agro inputs and significant challenges in the importation of grains.

Meanwhile, volumes were higher in the ports businesses due to increased business with existing customers and the tobacco handling business performed to the same levels as in the previous year. The business is focused on offering its services to a broader range of customers, containing costs in line with the reduced profitability, increasing efficiencies and leveraging on our international relationships.

Premier Forklift's revenue and profit performance were subdued owing to margin compression in the tobacco-related sector. The Company has made significant strides in winning new, non-tobacco related business as part of the strategy to broaden the customer base. Forklift sales have also continued to improve due to the strengthening of the sales and after sales functions but remains dependent on the ability of customers to access foreign currency. The relocation of the Company's operations in the coming year to the centre of our Logistics Operations, is expected to reduce some of the operating costs that had hitherto remained fixed.

The freight forwarding and customs clearing business, Key Logistics has performed to expectation, although a marked slow down in business volumes has been experienced since the introduction of the Government's SI 64 and a slow down in forex payments. Delays at the country's borders and inability by some customers to access foreign currency threaten to reduce the volumes cleared going forward. The business will continue to exploit all available opportunities to create value.

Vehicle rental

The tourism and vehicle hire markets remained depressed and resultantly revenues were lower than in the prior year. Profitability at Avis has, however, remained positive due to cost containment and realignment of the business model in the management of the asset disposal cycles. This strategy will continue for the foreseeable future.

Real Estate Operations

The cluster's performance remains satisfactory despite downward adjustments of rentals in response to the market. The property portfolio has been buoyed by the long-term contracts that are held, mainly with well-established counterparties. Third party tenancy has largely remained at prior year levels. The cluster has managed to preserve the value of its property portfolio through planned maintenance and upgrade of its facilities, resulting in a fair value uplift in 2016 of US$ 0.95 million.

The Group has, through the Courts, been able to restore its rights to land that is earmarked for future development primarily as an integrated commercial and industrial complex. Feasibility work which had, until recently, been put on hold is now underway and could present an interesting opportunity for the Company's growth in the near to medium term.

Investments

The Group continues to maintain its non-controlling interests in Nampak Zimbabwe Limited, and Cut Rag Processors. Nampak Zimbabwe produced a solid set of results in the current year. In line with the requirements of International Financial Reporting Standards, an external professional valuation of the investment was performed resulting in a fair value gain of US$ 1.28 million which has been reported in Other Comprehensive Income. A professional valuation was also performed on our Investment in Cut Rag Processors, which is held-for-sale, resulting in a fair value gain of US$0.2 million.

15. DIRECTORATE

Mrs. Priscilla Mutembwa resigned from the Board effective 1 April 2016. The Board thanks Mrs. Mutembwa for her invaluable contributions during her tenure.

We welcome Mr. Morgan Nzwere who was appointed as a non-executive director to the Board on 18 February 2016.

16. PROSPECTS

Indications are that the macroeconomic environment will remain challenging, however, the Group's strategy will remain largely unchanged. The focus will be on ensuring that the existing businesses continue to perform at satisfactory levels. This will be achieved by:-

1. carefully seeking out opportunities for business growth whilst at the same time prudently managing costs and
2. continuing to look out for investment opportunities that complement the overall strategy for the Group's clusters namely Agriculture, Logistics and Real Estate.

17. DIVIDEND

At their meeting held on 25 January 2017, the Directors declared a final dividend of US 0.3 cents per share payable in respect of all the ordinary shares of the Company. This dividend is in respect of the financial year ended 31 October 2016 and will be payable in full to all the shareholders of the Company registered at close of business on 10th March 2017.

The payment of this dividend will take place on or about 20th March 2017. The shares of the Company will be traded cum-dividend on the Stock Exchange up to the market day of 3rd March 2017 and ex-dividend as from 6th March 2017. The Company's share register will be closed for the period 6 to 11 March 2017.

25 January 2017
By Order of the Board
Tobacco Sales Administration Services (Private) Limited
Secretaries

Directors: A S Mandiwanza (Chairman), W Matsaira* (Chief Executive Officer), K Naik, P Shah, B Ndebele, H Rudland, R Costa, N Swanepoel, M Nzwere, P Mujaya*, D Odoteye* (Chief Finance Officer). (* Executive)