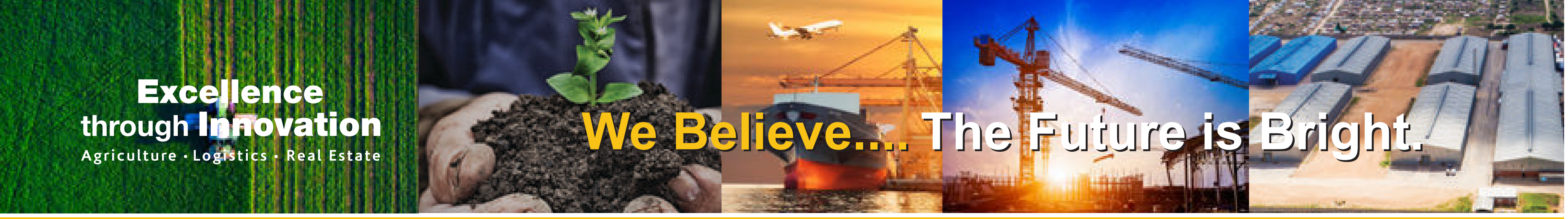

TSL LIMITED

TSL LIMITED GROUP ABRIDGED AUDITED RESULTS

For the year ended 31October 2018

SALIENT FEATURES

- Revenues up 19% to $ 52.1 million
- Operating profit up 30% to $ 9.1 million
- Operating profit before tax up 20% to $ 7.6 million
- Available for sale investment disposed of at a profit of $ 7.7 million
- Current ratio improved to 1.8 from 1.4
- Net Asset Value per share up 5% to 24.3 cps
- Gearing ratio marginally down to 13% from 14%
- 2017 comparatives restated by balance sheet reclassification of hessian wraps from inventories to PPE (Refer to Note 11)
- Major capital projects deferred in H2 2018, to be undertaken in FY 2019

The Directors of TSL Limited are pleased to announce the Group's abridged Audited results for the year ended 31 October 2018

GROUP ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	Full Year Ended 31 Oct 2018 Audited $	Restated (Note 11) Full Year Ended 31 Oct 2017 Audited $
Revenue	52,082,975	43,775,067
Profit from operations	9,134,072	7,002,016
Fair value adjustments and impairments	(190,462)	623,209
Net finance costs	(1,302,282)	(1,244,843)
Profit before tax from operations	**7,641,328**	**6,380,382**
Profit on disposal of available for sale investment	7,661,437	-
Profit before tax	**15,302,765**	**6,380,382**
Income tax charge	(2,392,922)	(1,537,132)
Profit for the period	**12,909,843**	**4,843,250**
Attributable to:		
Equity holders of the parent	12,282,828	4,258,642
Non-controlling interest	627,015	584,608
	12,909,843	**4,843,250**
Number of shares in issue	357,102,445	357,102,445
Earnings per share (cents)	3.4	1.2
Headline earnings per share (cents)	1.2	1.1
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of property	955,114	871,801
Deferred tax on revaluation of property	(245,942)	(224,489)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Recycling of available-for-sale investment reserve	(3,086,151)	-
Gain on available-for-sale investment	-	3,140,368
Deferred tax on gain on available-for-sale investment	30,862	(31,404)
Total other comprehensive income net of tax	(2,346,117)	3,756,276
Total comprehensive income	**10,563,726**	**8,599,526**
Attributable to:		
Equity holders of the parent	9,850,708	7,986,680
Non-controlling interest	713,018	612,846
	10,563,726	**8,599,526**

GROUP ABRIDGED STATEMENT OF FINANCIAL POSITION

	Full Year Ended 31 Oct 2018 Audited $	Restated (Note 11) Full Year Ended 31 Oct 2017 Audited $
ASSETS		
Non-current assets		
Property, plant and equipment	39,712,628	38,766,499
Investment properties	38,378,150	36,255,860
Available-for-sale investment	-	10,040,368
Intangible assets	991,284	817,074
	79,082,062	**85,879,801**
Current assets		
Biological assets	1,678,706	499,429
Inventories	9,272,944	4,487,965
Inventory prepayments	2,616,841	2,741,275
Trade and other receivables	11,504,498	9,218,314
Held-for-trading investments	3,658,354	-
Cash and bank balances	3,422,416	2,309,674
	32,153,759	**19,256,657**
Investment held-for-sale	1,998,144	2,077,000
Total assets	**113,233,965**	**107,213,458**
EQUITY AND LIABILITIES		
Equity		
Issued share capital and premium	6,469,824	6,469,824
Non-distributable reserves	44,511,884	46,944,004
Retained earnings	31,861,958	26,042,724
Attributable to equity holders of parent	**82,843,666**	**79,456,552**
Non-controlling interest	3,917,423	3,204,405
Total equity	**86,761,089**	**82,660,957**
Non-current liabilities		
Interest bearing loans and borrowings	1,762,580	3,093,745
Deferred tax liabilities	6,879,272	7,686,202
	8,641,852	**10,779,947**
Current liabilities		
Interest bearing loans and borrowings	9,623,039	8,558,571
Bank overdraft	281,425	216,069
Provisions	658,282	451,098
Trade and other payables	5,595,460	3,479,265
Income tax payable	1,672,818	1,067,551
	17,831,024	**13,772,554**
Total equity and liabilities	**113,233,965**	**107,213,458**
Current ratio	1.8	1.4

SUPPLEMENTARY INFORMATION

	Full Year Ended 31 Oct 2018 Audited $	Restated (Note 11) Full Year Ended 31 Oct 2017 Audited $
Capital commitments - authorised but not contracted for	21,800,000	6,450,000
Depreciation on property, plant and equipment	3,527,763	1,992,233

GROUP ABRIDGED STATEMENT OF CASH FLOWS

	Full Year Ended 31 Oct 2018 Audited $	Restated (Note 11) Full Year Ended 31 Oct 2017 Audited $
OPERATING ACTIVITIES		
Profit before tax	15,302,765	6,380,382
Non-cash adjustments to reconcile profit before tax to net cash flows	(2,512,973)	3,842,074
	12,789,792	**10,222,456**
Net reduction in working capital	(5,400,254)	(4,577,387)
Operating cash flow	**7,389,538**	**5,645,069**
Net finance costs paid	(1,302,282)	(1,244,843)
Income tax paid	(2,810,383)	(1,114,474)
Dividends received from investment	-	300,000
Net cash generated from operating activities	**3,276,873**	**3,585,752**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(6,203,279)	(4,109,179)
Proceeds on disposal of property, plant and equipment	275,392	243,324
Purchase of held-for-trading investments	(4,000,000)	-
Purchase of intangible assets	(186,963)	-
Proceeds on disposal of available for sale investment	14,615,654	-
Repayment of loan by former associate	-	66,541
Net cash generated /(used) in investing activities	**4,500,804**	**(3,799,314)**
FINANCING ACTIVITIES		
Net (decrease) / increase in loans and borrowings	(266,697)	110,844
Dividends paid to equity holders of parent		
Ordinary dividend	(1,669,960)	(1,071,306)
Special dividend	(4,793,634)	-
Net cash used in financing activities	**(6,730,291)**	**(960,462)**
Net increase /(decrease) in cash and cash equivalents	**1,047,386**	**(1,174,024)**
Cash and cash equivalents at the beginning of the period	2,093,605	3,267,629
Cash and cash equivalents at the end of the period	**3,140,991**	**2,093,605**
Represented by:		
Cash and bank balances	3,422,416	2,309,674
Bank overdraft	(281,425)	(216,069)
	3,140,991	**2,093,605**

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2018

	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 2016	6,469,824	43,215,966	22,855,388	72,541,178	2,591,559	75,132,737
Profit for the period	-	-	4,258,642	4,258,642	584,608	4,843,250
Other comprehensive income	-	3,728,038	-	3,728,038	28,238	3,756,276
Total comprehensive income	-	3,728,038	4,258,642	7,986,680	612,846	8,599,526
Dividends	-	-	(1,071,306)	(1,071,306)	-	(1,071,306)
Balance at 31 October 2017	**6,469,824**	**46,944,004**	**26,042,724**	**79,456,552**	**3,204,405**	**82,660,957**
Profit for the period	-	-	12,282,828	12,282,828	627,015	12,909,843
Other comprehensive income	-	(2,432,120)	-	(2,432,120)	86,003	(2,346,117)
Total comprehensive income	-	(2,432,120)	12,282,828	9,850,708	713,018	10,563,726
Ordinary dividend	-	-	(1,669,960)	(1,669,960)	-	(1,669,960)
Special dividend	-	-	(4,793,634)	(4,793,634)	-	(4,793,634)
Balance at 31 October 2018	**6,469,824**	**44,511,884**	**31,861,958**	**82,843,666**	**3,917,423**	**86,761,089**

NOTES TO THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 OCTOBER 2018

1. BASIS OF PREPARATION

The consolidated financial statements, from which these abridged consolidated financial results 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. The Directors of TSL Limited are responsible for the preparation and fair presentation of the annual Group financial statements, of which this press release represents an extract.

2. PRESENTATION AND FUNCTIONAL CURRENCY

The Group had in previous financial periods used the United States of America Dollar ("US$") as its presentation and functional currency. The macroeconomic developments, fiscal and monetary policy changes disclosed in note 7, led to the reassessment of whether the US$ still met the primary and secondary indicators of the functional currency of the Group, in accordance with the provisions of IAS 21, with effect from 1 October 2018. The Directors, based on their interpretation of the IFRS had considered the Monetary Policy Statement ('MPS') of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of IAS 10 "Events after the reporting period". However, this could not be effected because at law there was no local currency in Zimbabwe until 22 February 2019. The RTGS was also legally not recognised as a currency prior to the currency changes announced on 22 February 2019 which are detailed on note 7. The Directors, in compliance with Statutory Instrument 41 of 2019, which prescribed that where IFRS is not aligned to local laws, then local laws take precedence, therefore resolved not to effect the change in functional currency as at and for the year ended 31 October 2018.

3. ACCOUNTING POLICIES

The accounting policies are consistent with those used in preparing the 31 October 2017 Group financial statements except for the change in classification of hessian wraps as detailed in note 11.

4. AUDIT STATEMENT

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 October 2018, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe). An adverse opinion was issued thereon because of non-compliance with International Accounting Standard 21 (The effects of Foreign Currency Exchange Rates). Other than this matter, no other key audit matters were communicated in the auditor's report. The auditor's report on these financial statements is available for inspection at the Company's registered office.

5. GOING CONCERN

The Directors have assessed the ability of the Group to continue operating as a going concern, including the impact of SI33/19, and believe that the preparation of these financial results on a going concern basis is still appropriate.

6. CONTINGENT LIABILITIES

There are no material contingent liabilities at the reporting date.

7. EVENTS AFTER THE REPORTING DATE

On 20 February 2019, the RBZ Governor announced a new Monetary Policy Statement whose highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars "RTGS$". RTGS$ became part of the multi-currency system.
- RTGS$ to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions.
- Establishment of an interbank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$2.50.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS $ as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS$ at a rate of 1:1 to the USD and would become opening RTGS$ values from the effective date.

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TSL LIMITED

The Directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 (IAS 10) "Events after the reporting period" as it was considered as reflective of underlying conditions as at the reporting date of 31 October 2018 and were confirmation of market practice which had come to regard the RTGS balances as an underlying currency.

However given the accounting restrictions imposed by SI33/19, these subsequent events have not been adjusted for and management have prepared the financial statements based on an exchange rate of 1:1 to the US dollar in line with SI33/19 and guidance issued by Public Auditors and Accountants Board ("PAAB"). Management has prepared a sensitivity analysis of the statement of financial position as part of the disclosures so as to give the readers an appreciation of the impact of this event.

The impact of the matters referred to in Note 2 on the 2018 Statement of Financial Position (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying different exchange rates is shown below:

As at 31 October 2018	Total RTGS$ denominated monetary and non-monetary balances	Total US$ denominated monetary balances	Total US$ denominated non-monetary balances	Total RTGS$ translated at a rate of US$1: RTGS$1	Total RTGS$ translated at a rate of US$1: RTGS$2.50	Total RTGS$ translated at a rate of US$1: RTGS$3.75	Total RTGS$ translated at a rate of US$1: RTGS$5
ASSETS							
Property, plant and equipment	17,224,246	-	22,488,382	39,712,628	73,445,201	101,555,679	129,666,156
Investment properties	-	-	38,378,150	38,378,150	95,945,375	143,918,063	191,890,750
Available-for-sale investment	-	-	-	-	-	-	-
Intangible assets	817,074	-	174,210	991,284	1,252,599	1,470,362	1,688,124
Biological assets	1,092,473	-	586,233	1,678,706	2,558,056	3,290,847	4,023,638
Inventories	9,272,944	-	-	9,272,944	9,272,944	9,272,944	9,272,944
Inventory prepayments	1,358,701	1,258,140	-	2,616,841	4,504,051	6,076,726	7,649,401
Trade and other receivables	10,947,483	557,015	-	11,504,498	12,340,021	13,036,289	13,732,558
Held-for-trading investments	3,658,354	-	-	3,658,354	3,658,354	3,658,354	3,658,354
Cash and bank balances	3,225,602	196,814	-	3,422,416	3,717,637	3,963,655	4,209,672
Investment held-for-sale	-	-	1,998,144	1,998,144	4,995,360	7,493,040	9,990,720
Total assets	47,596,877	2,011,969	63,625,119	113,233,965	211,689,598	293,735,959	375,782,317
LIABILITIES							
Interest bearing loans and borrowings (non-current)	1,762,580	-	-	1,762,580	1,762,580	1,762,580	1,762,580
Deferred tax liabilities	(494,449)	-	7,373,721	6,879,272	17,939,854	27,157,005	36,374,156
Interest bearing loans and borrowings.	9,623,039	-	-	9,623,039	9,623,039	9,623,039	9,623,039
Bank overdraft	281,425	-	-	281,425	281,425	281,425	281,425
Provisions	435,189	223,093	-	658,282	992,922	1,271,788	1,550,654
Trade and other payables	5,150,911	444,549	-	5,595,460	6,262,284	6,817,970	7,373,656
Income tax payable	1,672,818	-	-	1,672,818	1,672,818	1,672,818	1,672,818
Total liabilities	18,431,513	667,642	7,373,721	26,472,876	38,534,922	48,586,625	58,638,328
EQUITY							
Issued share capital and premium	6,469,824	-	-	6,469,824	6,469,824	6,469,824	6,469,824
Non-distributable reserves	44,511,884	-	-	44,511,884	44,511,884	44,511,884	44,511,884
Retained earnings	31,861,958	-	-	31,861,958	31,861,958	31,861,958	31,861,958
Non-controlling interest.	3,917,423	-	-	3,917,423	3,917,423	3,917,423	3,917,423
Functional Currency Translation Reserve	-	-	-	-	86,393,587	158,388,245	230,382,900
Total equity	86,761,089	-	-	86,761,089	173,154,676	245,149,334	317,143,989
Total equity and liabilities	105,192,602	667,642	7,373,721	113,233,965	211,689,598	293,735,959	375,782,317

8. NET FINANCE COSTS

	Full Year Ended 31 Oct 2018 Audited $	Restated (Note 11) Full Year Ended 31 Oct 2017 Audited $
Interest on debts and borrowings	1,312,065	1,291,007
Interest on investments with banks during the year	(9,783)	(46,164)
Net finance costs in profit or loss	**1,302,282**	**1,244,843**

9. TAXATION

The major components of income tax expense for the full years ended 31 October 2018 and 31 October 2017 are shown below:

Current income tax charge	3,242,458	1,877,617
Withholding tax on interest income and directors fees	23,309	5,384
Capital gains tax	149,883	-
Deferred tax relating to origination and reversal of temporary differences	(1,022,728)	(345,869)
Income tax expense in profit or loss	**2,392,922**	**1,537,132**

10. BORROWINGS

The terms and conditions of the borrowings are as below:

Authorised in terms of Articles of Association			130,141,634	123,991,436
Interest bearing loans and borrowings	**Interest rate%**	**Maturity**	**31 Oct 2018 $**	**31 Oct 2017 $**
Current Interest bearing loans and borrowings: Bank borrowings	5%-10% (2017 : 5%-10%)	2019	9,623,039	8,558,571
Non-current Interest bearing loans and borrowings: Bank borrowings	5%-10% (2017 : 5%-10%)	2020 - 2021	1,762,580	3,093,745
Total interest bearing loans and borrowings			**11,385,619**	**11,652,316**
Actual borrowings as a percentage of authorised borrowings			9%	9%

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$ 32.5 million (31 October 2017 : US$ 30.6 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. PRIOR PERIOD RESTATEMENT - HESSIAN WRAPS

Propak Hessian (Private) Limited leases out hessian wraps to the tobacco industry. These wraps have historically been accounted for as inventories. The wraps have a useful life of 4 years and are generally not sold, and are therefore more appropriately classified as property, plant and equipment in accordance with International Accounting Standard 16.

The effect of this prior period reclassification (which has no impact on the income statement) on the Group's audited financial results for the year ended 31 October 2017 was as follows:

Statement of financial position:	As previously reported	Prior period Adjustment	Restated
Inventories	9,111,164	(4,623,199)	4,487,965
Total current assets	25,956,856	(4,623,199)	21,333,657
Property, Plant and Equipment	34,143,300	4,623,199	38,766,499
Total non-current assets	81,256,602	4,623,199	85,879,801

12. GROUP CONDENSED SEGMENT RESULTS

For the year ended 31 October 2018	Logistics Operations $	Agriculture Operations $	Real Estate Operations $	Services $	Elimi-nations* $	Consoli-dated $
Revenue-external customers	16,990,815	35,078,710	3,890,784	3,172,286	(7,049,620)	**52,082,975**
Depreciation and amortisation	986,313	2,052,252	296,222	192,976	-	**3,527,763**
Fair value adjustment and impairments	-	609,557	(306,153)	(493,866)	-	**(190,462)**
Segment profit	1,414,064	7,264,766	1,908,853	6,207,826	-	**16,795,509**
Operating assets	13,989,498	31,934,716	57,502,207	3,159,762	-	**106,586,183**
Operating liabilities	2,045,030	3,937,863	192,473	78,376	-	**6,253,742**
Other disclosures:						
Available for-sale-investment	-	-	-	3,658,354	-	**3,658,354**
Investment held-for-sale	-	-	-	1,998,144	-	**1,998,144**
Capital expenditure	2,185,054	2,319,246	1,244,246	454,733	-	**6,203,279**
For the year ended 31 October 2017						
Revenue-external customers	14,579,113	29,106,142	3,818,065	3,051,773	(6,780,026)	**43,775,067**
Depreciation and amortisation	825,508	748,912	294,576	123,237	-	**1,992,233**
Fair value adjustment and impairments	-	66,605	556,604	-	-	**623,209**
Segment profit	792,137	4,431,119	1,604,072	174,688	-	**7,002,016**
Operating assets	10,825,564	25,632,393	56,077,841	1,743,218	-	**94,279,016**
Operating liabilities	1,121,767	1,794,323	381,696	632,577	-	**3,930,363**
Other disclosures:						
Available for-sale-investment	-	-	-	10,040,368	-	**10,040,368**
Investment held-for-sale	-	-	-	2,077,000	-	**2,077,000**
Capital expenditure	1,523,640	1,186,821	1,333,818	64,900	-	**4,109,179**

*The Group owns properties for storage and warehouse purposes that are leased to other Group companies and the head office offers management services to Group companies at terms and on conditions similar to third parties. In prior years, this was included in Group revenues, cost of sales and other operating costs.

13. REVIEW OF THE ECONOMIC ENVIRONMENT

For the better part of the financial year, there was positive sentiment in the operating environment as the new national thrust was focused on the economy. This manifested itself in some growth in certain sectors. However, the underlying economic fundamentals remained difficult. There was a shortage of foreign currency and this fuelled inflation, eroded disposable incomes and complicated trading and pricing of products and services.

The 2017/18 rainfall season was reasonable, although a mid-summer drought was experienced in January. Zimbabwe achieved its highest ever recorded volume of tobacco produced at 253 million kilograms. The average national tobacco price receded marginally to $ 2.92/kg from $2.96/kg.

14. FUNCTIONAL CURRENCY

The Group has in previous financial periods used the United States of America Dollar ("US$") as its presentation currency and functional currency. The fiscal and monetary policy pronouncements made in October 2018, led to a reassessment of the functional currency and a justification to conclude that, under IAS 21 Effects of Foreign Exchange Rates, that there was a change in functional currency. However, this could not be effected because, at law, there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirements and International Financial Reporting Standards ("IFRS") resulted in auditors expressing an adverse opinion on the financial statements, which is a market wide phenomenon.

15. PERFORMANCE OVERVIEW

The Group produced a positive set of results for the year ended 31 October 2018. Revenue increased by 19% to $ 52.1 million, operating profit was up 30% to $ 9.1 million and profit before tax from operations was 20% above prior year at $ 7.6 million.

The agriculture cluster performed strongly. The tobacco-related businesses benefitted from the growth in national tobacco volumes. The agro- inputs business had a good year, given the reasonable 2017/18 rainfall season and its early procurement of product to ensure better availability. These factors resulted in marked volume growth.

The logistics cluster performed well. There was significant volume growth in general cargo and tobacco handled. The ports and distribution divisions continue to be affected by low levels of imports. The cluster has signed on a few significant customers which should see a steady increase in volumes handled over time.

The real estate cluster's performance was satisfactory with minimal voids. Three new warehouses were constructed and brought into use at the Vorstermans Complex. The planned project upgrades which were intended to start in the second half of the year were deferred to the 2019 financial year, given the volatility of pricing in the market.

During the period, the Group disposed of its entire 16.53% stake in Nampak Zimbabwe Limited, which had been designated as available for sale since October 2014. A non-operating profit on disposal of $7.7 million has been shown in the income statement. A special cash dividend of $4.8 million was distributed to shareholders. $10 million of the proceeds has been set aside for capital projects to be undertaken in the 2019 financial year.

The Group's financial position remains sound. Net Asset Value per share has increased by 5% to 24.3 cents. The Group's current ratio improved from 1.4 to 1.8, buoyed by funds from the disposal of the investment in Nampak. Cash generation remains healthy and efforts will be concentrated on improving this. Gearing has been marginally reduced to 13% from 14% as the Group continues to carefully control its financial commitments. The preservation of value on the balance sheet and the generation of foreign currency are key priorities for the Group.

Agricultural Operations

Tobacco related services

Tobacco Sales Floor recorded satisfactory results and maintained its dominant position in the auctioning of the independent crop.

Propak Hessian achieved volume growth of 36% above prior year underpinned by a larger national tobacco crop size and an increase its market share. Foreign currency constraints, particularly in the second half of the year, were largely addressed through assistance from our tobacco merchant partners and allocations from the Reserve Bank. TSL Trading, which was a division of Propak, was discontinued at the end of the year, in order to concentrate on the core business of agricultural produce packaging.

Agricultural trading

Agricura achieved good growth in both sales volumes and expansion of its customer base largely attributable to timely product procurement and availability. An Agricura branded fertilizer was introduced and appears to have been well received by the market. Two new branches were opened to expand the Unit's distribution network. Competition is expected to intensify due to the Government's relaxation of the special import permit requirements for agricultural inputs in October 2018.

Farming operations

Overall, the farming operations had a good year with the tobacco crop fetching better prices under the existing off-taker arrangement. Commercial and seed maize yields were down given disease pressures and the dry spell in January. The wheat and soya bean crop have fared reasonably well both in terms of yield and prices. The company exported its trial peas and prices received were satisfactory.

Logistics Operations

End to end logistics services

Bak Logistics has had an improved year. General cargo volumes were considerably up on prior year as the company introduced value-add services particularly for fertiliser importers. Tobacco volumes handled for existing merchants also increased. The distribution and ports businesses experienced a considerable decline in volumes of imports, which is reflective of the operating environment.

Premier Forklifts benefited from an extended processing season due to the larger tobacco crop. Forklift sales improved as the year progressed, resulting in an overall good performance for the business.

Key Logistics, the freight forwarding and customs clearance business, continues to perform satisfactorily whilst expanding its customer base. The performance of this business is heavily dependent on the ability of its customer base to import product.

Vehicle rental

Avis recorded growth in car hires to foreign travellers during the first half of the year. The Unit remains profitable and continues to generate foreign currency.

Real Estate Operations

The increased demand for warehousing due to the larger tobacco crop positively impacted the Unit's performance. Void levels were satisfactory given that certain leases with tenants were terminated in preparation for property redevelopments which had been slated for the second half of the year. Phase one of the Vorstermans development project was completed and the three new warehouses have been fully let.

Investments

The Group's investment in Cut Rag Processors (Private) Limited remains held-for-sale. A buyer has expressed interest and details of the transaction are at an advanced stage.

16. OUTLOOK

A review of the Group's 5 year strategy was completed. The renewed purpose of the Group is to "move agriculture" and to that end, the focus is to bring significant efficiencies to Zimbabwean agricultural supply chains. We will work closely with producers and processors of agro- commodities to ensure that they can get the requisite inputs, commodity exchange services and end-to-end logistics solutions at a price and in a manner that allows them to compete locally and regionally. As we embark on this growth journey we will be investing in our people, upgrading our infrastructure and market presence, developing our technology platforms and leveraging on our local and international partnerships.

The generation of foreign currency remains a priority for the Group and all our business units are taking advantage of the available local and regional opportunities. Our growth will largely be organic, however we are actively seeking acquisitive opportunities that will complement our defined strategy.

Agricultural Operations

Tobacco related services

The cluster has invested substantially in re-engineering and upgrading its business processes, accessibility and facilities. Emphasis remains on growing our share of both the independent and contracted crop. A large national crop is expected in 2019 at similar levels to those in 2018. The final output will, however, depend on rainfall patterns in the second half of the farming season.

Stocking of hessian will be crucial and efforts have been intensified to ensure that adequate resources are available. The business is considering proposals to invest in other agro-packaging solutions for the market.

Agricultural trading

Agricura (Private) Limited has invested in new machinery to automate the powder chemicals production factory. More equipment and machinery upgrades will be undertaken in 2019 to improve efficiencies and product competitiveness. Going forward, we will strengthen key partnerships with international players in the industry and increase the product offering of the company.

Farming operations

The mix will remain largely unchanged being tobacco, soyas, wheat, commercial maize and bananas. Farm produce for export will be expanded. The bulk of the farm's crops will be produced under irrigation in order to reduce dependence on the unpredictable weather.

Logistics Operations

End to end logistics services

Bak Logistics (Private) Limited is actively expanding its customer base and its efficiencies in handling of various commodities. New tobacco clients have been signed up, and their green and packed tobacco will be handled through our end-to-end operations. We will continue to invest in increasing our forklift capacity to support the movement of agro-commodities and bulk minerals. The new Warehouse Management System software is currently being installed and is expected to be completed before April 2019.

Vehicle rental

Avis serves a growing market of foreign tourists and business travellers and the strategy is to increase and upgrade the vehicle fleet to meet the needs of this segment.

Real Estate Operations

The major property upgrade projects that were deferred in the second half of the year will be undertaken in the 2019 financial year, creating new industrial warehousing space. On the more significant development projects, the company will look to partner with investors. The company is currently investing in upgrading its technology platform and developing its human capital.

17. DIRECTORATE

Mr. Washington Matsaira, who has been the Group CEO since 2012 retired on 30 April 2018. The Board thanks him for his invaluable contributions to the Group in some very challenging times. He will remain on the Board as a Non-Executive Director with effect from 1 May 2018.

The Board wishes to welcome Mr. Patrick Devenish as Group CEO with effect from 1 May 2018.

Messrs., Kiritkumar Naik, Raphael Costa and Nick Swanepoel resigned from the Board during the year. The Board thanks them for their wise counsel and diligence during their tenure which was characterised by some very trying times.

18. DIVIDEND

At their meeting held on 29 January 2019, the Directors declared an interim dividend of 0.70 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 2018 and will be payable in full to all the shareholders of the Company registered at close of business on 15th February 2019.

The payment of this dividend took place on 25th February 2019. The shares of the Company were traded cum-dividend on the Stock Exchange up to the market day of 12th February 2019 and ex-dividend as from 13th February 2019.

26 April 2019
By Order of the Board
Tobacco Sales Administration Services (Private) Limited
Secretaries

Building a better
working world

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Independent Auditor's Report

To the Shareholders of TSL Limited

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of TSL Limited Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 October 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 October 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS$) and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US$ to RTGS$) and the 1:1 RTGS$:US$ exchange rate as at and prior to the 31 October 2018 year end.

Based on International Financial Reporting Standards IAS 21-*The Effects of Changes in Foreign Exchange Rates* ("IAS 21") the functional currency of an entity is *the currency of the primary economic environment in which the entity operates* and *reflects the underlying transactions, events and conditions that are relevant to it.* In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."*

In addition, International Financial Reporting Standards IAS10 - *Events after the Reporting Period* ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that events in the market and subsequent promulgation of the RTGS$ as a formal currency supports that there was a change in functional currency from US$ to RTGS$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS$:US$ exchange rate and this occurred prior to the 31 October 2018 year end.

This impacts the basis for measuring transactions that occurred between 01 October and 31 October 2018, the valuation of assets and liabilities at year end as well as the accounting for foreign exchange differences. We believe that the consolidated financial statements are required to be adjusted for these changes and that it is inappropriate to provide note disclosures as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The functional currency applied by the directors is the United States Dollar (US$) and the financial statements are presented in US$. Although the directors assessed these changes as constituting an adjusting event, the balances and transactions on the financial statements of the group were not converted to US$ at an RTGS$:US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because the directors applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. The directors have provided more information on their approach in Note 3 and Note 31 to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had RTGS$ been designated as the functional currency and a different RTGS$:US$ currency rate been determined and applied by the directors, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. Other information consists of the Financial Highlights, the Chairman's Statement & Review of Operations, Corporate Governance Report and the Report of the Directors which were obtained prior to the date of this report. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group'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 the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 group'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 consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

  We communicate with the directors 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 the directors 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 the directors, we determine those matters that were of most significance in the audit of the consolidated 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, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fungai Kuipa (PAAB Practicing Certificate Number 335).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare
26 April 2019