TSL LIMITED GROUP ABRIDGED AUDITED RESULTS

FOR THE YEAR ENDED 31 OCTOBER 2019

SALIENT FEATURES

- Functional currency from US$ to ZWL$
- Inflation adjusted accounts disclosed as primary set of accounts
- Professional valuation of the real estate portfolio done in US$, no ZWL$ inputs
  Conservative valuation taken
- Financial position remains sound
- Overall volume perfomance satisfactory
- Gearing remains low. Low foreign currency exposure
- Held-for-sale investment disposed for real value

The Directors of TSL Limited are pleased to announce the Group's abridged audited results for the year ended 31 October 2019.

GROUP ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October	Note	INFLATION ADJUSTED 2019 ZWL$	INFLATION ADJUSTED 2018 ZWL$	HISTORICAL 2019 ZWL$	HISTORICAL 2018 ZWL$
Revenue		454,931,516	281,352,231	205,810,240	52,082,975
Profit from operations		194,518,732	49,342,258	90,584,865	9,134,072
Fair value adjustments and impairments		26,135,578	(1,028,876)	211,720,567	(190,462)
Net exchange gains		51,649,738	-	20,984,295	-
Net monetary loss		(87,187,391)	-	-	-
Net finance costs		(6,228,485)	(7,034,927)	(2,701,434)	(1,302,282)
Profit before tax from operations		**178,888,172**	**41,278,455**	**320,588,293**	**7,641,328**
Profit on disposal of held-for-sale investment		12,526,864	-	12,526,864	-
Profit on disposal of available-for-sale investment		-	41,387,083	-	7,661,437
Profit before tax		**191,415,037**	**82,665,538**	**333,115,158**	**15,302,765**
Income tax charge	9	(67,277,910)	(12,926,562)	(46,535,230)	(2,392,922)
Profit for the period		**124,137,127**	**69,738,976**	**286,579,928**	**12,909,843**
Attributable to:					
Equity holders of the parent		113,791,233	66,351,837	282,812,420	12,282,828
Non-controlling interest		10,345,894	3,387,139	3,767,508	627,015
		124,137,127	**69,738,976**	**286,579,928**	**12,909,843**
Number of shares in issue		357,102,445	357,102,445	357,102,445	357,102,445
Earnings per share (cents)		31.9	19	79.2	3.4
Headline earnings per share (cents)		39.2	6	24.1	1.2
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Revaluation of property		29,853,096	5,159,526	128,449,905	955,114
Deferred tax on revaluation of property		(11,464,285)	(1,328,578)	(29,191,507)	(245,942)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Recycling of available-for-sale investment reserve		-	(16,671,388)	-	(3,086,151)
Deferred tax on gain on available-for-sale investment		-	166,714	-	30,862
Translation of a foreign subsidiary		16,620,525	-	16,620,525	-
Total other comprehensive income net of tax		35,009,336	(12,673,726)	115,878,923	(2,346,117)
Total comprehensive income		**159,146,463**	**57,065,250**	**402,458,851**	**10,563,726**
Attributable to:					
Equity holders of the parent		148,771,849	53,213,525	391,607,309	9,850,708
Non-controlling interest		10,374,614	3,851,725	10,851,542	713,018
		159,146,463	**57,065,250**	**402,458,851**	**10,563,726**

GROUP ABRIDGED STATEMENT OF FINANCIAL POSITION

As at 31 October	INFLATION ADJUSTED 2019 ZWL$	INFLATION ADJUSTED 2018 ZWL$	HISTORICAL 2019 ZWL$	HISTORICAL 2018 ZWL$
ASSETS				
Non-current assets				
Property, plant and equipment	266,247,363	214,527,618	186,644,905	39,712,628
Investment properties	240,416,246	207,318,766	240,416,246	38,378,150
Intangible assets	5,695,177	5,354,916	1,184,022	991,284
	512,358,786	**427,201,300**	**428,245,173**	**79,082,062**
Current assets				
Biological assets	4,021,343	9,068,370	4,021,343	1,678,706
Inventories	76,084,321	50,092,437	43,877,949	9,272,944
Inventory prepayments	48,673,617	14,136,175	15,844,588	2,616,841
Trade and other receivables	88,034,061	62,147,298	68,568,076	11,504,498
Held-for-trading investments	4,780,671	19,762,428	4,780,671	3,658,354
Cash and bank balances	63,904,046	18,487,892	63,904,045	3,422,416
	285,498,058	**173,694,601**	**200,996,670**	**32,153,758**
Investment held-for-sale	-	10,793,974	-	1,998,144
Total assets	**797,856,844**	**611,689,875**	**629,241,843**	**113,233,964**
EQUITY AND LIABILITIES				
Equity				
Issued share capital and premium	34,949,989	34,949,989	6,469,824	6,469,824
Non-distributable reserves	35,379,651	240,453,197	153,306,773	44,511,884
Retained earnings	507,667,209	172,118,297	308,100,047	31,861,958
Attributable to equity holders of parent	**577,996,849**	**447,521,484**	**467,876,645**	**82,843,666**
Non-controlling interest.	31,416,157	21,161,919	14,746,681	3,917,423
Total equity	**609,413,006**	**468,683,403**	**482,623,324**	**86,761,089**
Non-current liabilities				
Interest bearing loans and borrowings	826,802	9,521,457	826,802	1,762,580
Deferred tax liabilities	78,529,559	37,161,829	48,468,907	6,879,272
	79,356,361	**46,683,286**	**49,295,709**	**8,641,852**
Current liabilities				
Interest bearing loans and borrowings.	17,379,836	51,983,657	17,379,838	9,623,039
Bank overdraft	5,223,087	1,520,258	5,223,087	281,425
Provisions	3,280,121	3,556,038	3,280,121	658,282
Trade and other payables	57,686,387	30,226,670	45,921,720	5,595,459
Income tax payable	25,518,045	9,036,563	25,518,042	1,672,818
	109,087,476	**96,323,186**	**97,322,807**	**17,831,023**
Total equity and liabilities	**797,856,844**	**611,689,875**	**629,241,843**	**113,233,964**
Current ratio	**2.6**	**1.8**	**2.1**	**1.8**

SUPPLEMENTARY INFORMATION

31 October	INFLATION ADJUSTED 2019 ZWL$	INFLATION ADJUSTED 2018 ZWL$	HISTORICAL 2019 ZWL$	HISTORICAL 2018 ZWL$
Capital commitments - authorised but not contracted for	300,000,000	117,763,600	300,000,000	21,800,000
Depreciation on property, plant and equipment	22,987,586	19,056,976	4,887,509	3,527,763

GROUP ABRIDGED STATEMENT OF CASH FLOWS

For the year ended 31 October:	INFLATION ADJUSTED 2019 ZWL$	INFLATION ADJUSTED 2018 ZWL$	HISTORICAL 2019 ZWL$	HISTORICAL 2018 ZWL$
OPERATING ACTIVITIES				
Profit before tax	191,415,037	82,665,537	333,115,158	15,302,765
Non-cash adjustments to reconcile profit before tax to net cash flows	(83,404,484)	(13,575,080)	(193,258,357)	(2,512,973)
	108,010,513	**69,090,456**	**139,856,801**	**12,789,792**
Net reduction in working capital	(16,411,881)	(29,172,172)	(66,912,701)	(5,400,254)
Operating cash flow	**91,598,637**	**39,918,284**	**72,944,100**	**7,389,538**
Net finance costs paid	(6,228,485)	(7,034,927)	(2,701,434)	(1,302,282)
Income tax paid	(29,218,123)	(15,181,689)	(11,237,785)	(2,810,383)
Net cash generated from operating activities	**56,152,029**	**17,701,668**	**59,004,881**	**3,276,873**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and investment properties	(47,376,302)	(33,510,113)	(23,613,170)	(6,203,279)
Proceeds on disposal of property, plant and equipment	3,098,869	1,487,668	1,339,855	275,392
Purchase of held-for-trading investments	-	(21,608,000)	-	(4,000,000)
Purchase of intangible assets	(410,783)	(1,009,974)	(247,732)	(186,963)
Proceeds on disposal of held for sale investment	17,522,224	78,953,763	17,522,224	14,615,654
Net cash (used in)/generated from investing activities	**(27,165,992)**	**24,313,343**	**(4,998,823)**	**4,500,804**
FINANCING ACTIVITIES				
Net (decrease) / increase in loans and borrowings	25,664,851	(1,440,697)	6,821,021	(266,697)
Dividends paid to equity holders of parent				
Ordinary dividend	(12,937,562)	(9,021,124)	(5,287,112)	(1,669,960)
Special dividend	-	(25,895,211)	-	(4,793,634)
Net cash (used in)/generated from financing activities	**12,727,289**	**(36,357,032)**	**1,533,909**	**(6,730,291)**
Net increase in cash and cash equivalents	**41,713,326**	**5,657,979**	**55,539,967**	**1,047,386**
Cash and cash equivalents at the beginning of the period	16,967,633	11,309,654	3,140,991	2,093,605
Cash and cash equivalents at the end of the period	**58,680,959**	**16,967,633**	**58,680,958**	**3,140,991**
Represented by:				
Cash and bank balances	63,904,045	18,487,891	63,904,045	3,422,416
Bank overdraft	(5,223,087)	(1,520,258)	(5,223,087)	(281,425)
	58,680,958	**16,967,633**	**58,680,958**	**3,140,991**

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2019

HISTORICAL	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 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**
Effects of adopting IFRS 9	-	-	(1,287,218)	(1,287,218)	(22,283)	(1,309,501)
Restated opening balances	**6,469,824**	**44,511,884**	**30,574,740**	**81,556,448**	**3,895,140**	**85,451,588**
Profit for the period	-	-	282,812,420	282,812,420	3,767,508	286,579,928
Translation of a foreign subsidiary	-	-	-	-	-	-
Transfer between reserves	-	-	-	-	-	-
Other comprehensive income	-	108,794,889	-	108,794,889	7,084,034	115,878,923
Total comprehensive income	-	108,794,889	282,812,420	391,607,309	10,851,542	402,458,851
Dividends	-	-	(5,287,112)	(5,287,112)	-	(5,287,112)
Balance at 31 October 2019	**6,469,824**	**153,306,773**	**308,100,048**	**467,876,645**	**14,746,682**	**482,623,327**

INFLATION ADJUSTED	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 2017	34,949,989	253,591,510	140,682,795	429,224,294	17,310,196	446,534,490
Profit for the period	-	-	66,351,837	66,351,837	3,387,135	69,738,972
Other comprehensive income	-	(13,138,312)	-	(13,138,312)	464,588	(12,673,724)
Total comprehensive income	-	(13,138,312)	66,351,837	53,213,525	3,851,723	57,065,248
Ordinary dividend	-	-	(9,021,124)	(9,021,124)	-	(9,021,124)
Special dividend	-	-	(25,895,211)	(25,895,211)	-	(25,895,211)
Elimination of revaluation reserve	-	(240,054,162)	240,054,162	-	-	-
Balance at 31 October 2018	**34,949,989**	**399,035**	**412,172,460**	**447,521,484**	**21,161,919**	**468,683,403**
Effects of adopting IFRS 9	-	-	(5,358,914)	(5,358,914)	(120,376)	(5,479,290)
Restated opening balances	**34,949,989**	**399,035**	**406,813,546**	**442,162,570**	**21,041,543**	**463,204,113**
Profit for the period	-	-	113,791,232	113,791,232	10,345,894	124,137,127
Translation of a foreign subsidiary	-	-	-	-	-	-
Other comprehensive income	-	34,980,616	-	34,980,616	28,720	35,009,336
Total comprehensive income	-	34,980,616	113,791,232	148,771,848	10,374,614	159,146,463
Dividends	-	-	(12,937,569)	(12,937,569)	-	(12,937,569)
Balance at 31 October 2019	**34,949,989**	**35,379,651**	**507,667,209**	**577,996,849**	**31,416,157**	**609,413,006**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2019

1. BASIS OF PREPARATION
The inflation adjusted consolidated financial results, from which these abridged consolidated financial statements are an extract, have been prepared in accordance with International Financial Reporting Standards (IFRS), except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates" and the requirements of the Companies Act [Chapter 24.03] and the Zimbabwe Stock Exchange (ZSE) listing rules. 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.

The Group adopted IAS 29 -"Financial Reporting in Hyper-Inflationary Economies" effective 1 October 2018 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board "PAAB". The consolidated financial statements have been prepared under the current cost basis as per the provisions of IAS 29. The Group used the price indices provided by Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors up to 31 October 2019:

	Index	Conversion factor
CPI as at 31 October 2019	540.2	1.00
CPI as at 31 October 2018	100.0	5.40

2. PRESENTATION AND FUNCTIONAL CURRENCY
These inflation adjusted financial results are presented in Zimbabwe Dollars (ZWL$) which is the Group functional and presentation currency. The Group had been using the United States Dollar (US$) as its functional and reporting currency since 2009. In 2016 the monetary authorities introduced the Bond note which was at par with the US$. On the 1st of October 2018 an Exchange Control Directive RT120/2018 was promulgated directing all banks to separate domestic and Nostro currency accounts. On the 22nd of February 2019 Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency called the RTGS Dollar. Another Exchange Control Directive RU 28 of 2019 was issued at the same time and it introduced an interbank market for the RTGS Dollar and the USD as well as other currencies in the multi-currency regime. On June 24 2019 the government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that local transactions be done in local currency (ZWL$). The Group followed the legal instruments and changed the functional currency on the 22nd of February 2019. The requirement to comply with Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework. This has resulted in the adoption of accounting treatment in the current year's Group's financial statements which is at variance from that which would have been applied if the Group had been able to fully comply with IFRS. The Group adopted the exchange rate of 1:1 between the US$ and ZWL$ for the period 1 October 2018 to 23 February 2019 and thereafter adopted the interbank exchange rates.

3. ACCOUNTING POLICIES
The accounting policies are consistent with those used in preparing the 31 October 2018 Group financial statements except for the effects of adoption of IFRS 9 - Financial Instruments and IFRS 15- Revenue from Contracts with Customers, whose effective dates were 1 January 2019. Furthermore, as indicated above, the Group applied IAS 29 effective 1 October 2018.

4. ADOPTION OF IFRS 9 - FINANCIAL INSTRUMENTS
IFRS 9 became effective for the Group on 1 November 2018, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduced new requirements which include the classification and measurement of financial instruments and expected credit loss (ECL) models. (As permitted by IFRS 9 the Group elected not to restate its comparative financial statements and applied the modified retrospective approach. Consequently comparative information is reported on an IAS 39 basis and is not fully comparable to prior year information, an adjustment was therefore made to opening retained earnings . Under IFRS 9, the allowance for credit losses has been calculated using the expected credit loss model compared to the incurred loss model under IAS 39.

5. FAIR VALUE ADJUSTMENT ON INVESTMENT PROPERTIES
Property valuations rely on historical market evidence for calculation of inputs. Such market evidence does not exist at present to calculate ZWL values. The company's independent property valuers adopted the approach of converting US$ valuation inputs at the interbank foreign exchange rate of 15.7 at 31 October 2019. The valuers concerns with this approach were that it ignored market dynamics of demand and supply. The approach did not take into consideration the fact that different property sub-sectors would respond differently to the new currency and that a conversion at the closing interbank rate would likely overstate property values. Given the above concerns, the Directors have elected to use a much more conservative basis to value the Group's real estate portfolio. The Directors used the actual US$ rental yield achieved during the year of 5% to determine the ZWL$ value of the underlying property portfolio. The implied conversion rate adopted was ZW$1:US$7 instead of the closing exchange rate of ZW$1:US$15.7.

6. AUDIT STATEMENT
The inflation adjusted consolidated financial statements from which this abridged version has been extracted have been audited by Ernst & Young Chartered Accountants (Zimbabwe). An adverse opinion has been issued thereon in respect of non-compliance with the requirements of International Accounting Standard (IAS) 21, "The effects of foreign exchange rates" and the valuation of investment properties, freehold land and buildings. The auditor's report on these inflation adjusted consolidated financial statements is available for inspection at the Group's registered office.

7. GOING CONCERN
The inflation adjusted 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.

8. CONTINGENT LIABILITIES
There are no material contingent liabilities at the reporting date.

9. EVENTS AFTER THE REPORTING DATE
There have been no significant events after the reporting date at the time of issuing this press statement.

10. NET FINANCE COSTS

	INFLATION ADJUSTED		HISTORICAL	
	31 Oct 2019 Audited ZWL$	31 Oct 2018 Audited ZWL$	31 Oct 2019 Audited ZWL$	31 Oct 2018 Audited ZWL$
Interest on debts and borrowings	6,296,148	7,087,780	2,718,812	1,291,007
Interest on investments with banks during the year	(67,663)	(52,844)	(17,379)	(46,164)
Net finance costs in profit or loss	**6,228,485**	**7,034,936**	**2,701,434**	**1,244,843**

11. TAXATION
The major components of income tax expense for the full years ended 31 October 2019 and 31 October 2018 are shown below:

Current income tax charge	37,374,458	17,515,757	34,137,101	3,242,458
Withholding tax on interest income and directors fees	-	125,914	-	23,309
Capital gains tax	1,823,707	809,667	945,906	149,165
Deferred tax relating to origination and reversal of temporary differences	28,079,744	(5,524,776)	11,452,222	(1,022,010)
Income tax expense in profit or loss	**67,277,915**	**12,926,562**	**46,535,230**	**2,392,922**

12. BORROWINGS - INFLATION ADJUSTED
The terms and conditions of the borrowings are as below:

	Interest rate%	Maturity	31 Oct 2019 US$	31 Oct 2018 US$
Authorised in terms of Articles of Association			723,934,990	130,141,634
Interest bearing loans and borrowings				
Current interest bearing loans and borrowings:				
Bank borrowings	5%-40% (2018 : 5%-10%)	2020	17,379,838	9,623,039
Non-current interest bearing loans and borrowings:				
Bank borrowings	5%-40% (2018: 5%-10%)	2021 - 2022	826,802	1,762,580
Total interest bearing loans and borrowings			**18,206,640**	**11,385,619**
Actual borrowings as a percentage of authorised borrowings			3%	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 ZWL$308 million (31 October 2018: ZWL$ 176 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.

13. GROUP ABRIDGED SEGMENT RESULTS

INFLATION ADJUSTED

For the year ended 31 October 2019	Logistics Operations	Agriculture Operations	Real Estate Operations	Services	Eliminations and adjustments	Consolidated
Revenue-external customers	190,995,303	265,410,942	34,292,570	10,128,329	(45,895,627)	**454,931,516**
Depreciation and amortisation	(8,940,546)	(12,783,319)	(30,989)	(1,232,732)		**(22,987,586)**
Fair value adjustments	-	-7,285,569	32,298,830	1,122,317	-	**26,135,578**
Segment profit	38,292,397	76,698,081	38,818,072	47,263,976	(9,657,490)	**191,415,036**
Operating assets	116,887,343	227,122,964	522,010,398	98,524,356	(166,688,217)	**797,856,845**
Operating liabilities	37,823,780	55,589,244	41,321,990	45,198,792	8,510,035	**188,443,841**
Other disclosures:						
Held-for-trading investment				4,780,668	-	**4,780,668**
Capital expenditure	20,924,811	22,924,772	1,766,220	961,849	-	**46,577,652**

For the year ended 31 October 2018	Logistics Operations	Agriculture Operations	Real Estate Operations	Services	Eliminations and adjustments	Consolidated
Revenue-external customers	91,784,383	189,495,191	21,018,015	17,136,689	(38,082,047)	**281,352,231**
Depreciation and amortisation	5,328,063	11,086,265	1,600,191	1,042,456	-	**19,056,976**
Fair value adjustment and impairments	-	3,292,827	(1,653,839)	(2,667,864)	-	**(1,028,876)**
Segment profit /(loss)	7,638,774	39,244,266	10,311,624	(7,852,407)	-	**49,342,257**
Operating assets	75,571,268	172,511,336	310,626,922	36,831,463	-	**595,540,989**
Operating liabilities	11,047,252	21,272,336	1,039,739	423,387	-	**33,782,714**
Other disclosures:						
Held for-trading investment	-	-	-	10,793,974	-	**10,793,974**
Held-for-sale investment	-	-	-	19,762,428	-	**19,762,428**
Capital expenditure	11,803,662	12,528,367	6,721,417	2,456,468	-	**33,510,113**

14. REVIEW OF THE OPERATING ENVIRONMENT
There were significant fiscal and monetary policy changes in the financial year under review. As part of currency reforms embarked on in October 2018, the fiscal and monetary authorities outlawed the use of multi-currencies and by June 2019 had reintroduced the Zimbabwean dollar (ZWL$). The local currency depreciated from a fixed exchange rate of US$1: ZWL$ 1 at the beginning of the year to US$1: ZWL$ 15.7 by 31 October 2019.

Rising inflation eroded disposable incomes and reduced consumer spending power. Access to foreign currency remained problematic and shortages of fuel and electricity became more pronounced and impacted business to varying degrees. With effect from 31 July 2019, the Public Accountants and Auditors Board (PAAB) pronounced that Zimbabwe is recognized as a hyperinflationary environment and consequently, inflation adjusted financial statements have been prepared as the primary financial statements.

The country experienced one of the worst droughts in over two decades, leaving large segments of the population food insecure. Meanwhile, national tobacco volumes hit a new high of 260 million kgs. Average tobacco prices were approximately 30% down on last year at an average of US$ 2.03/kg from US$ 2.92/kg in 2018.

The operating environment remains volatile and unpredictable.

15. REPORTING CURRENCY AND COMPLIANCE WITH IFRS
Change in functional and reporting currency
The Group's financial statements are presented in Zimbabwe Dollars (ZWL$) for the current year. There was a change in the functional and reporting currency following the reintroduction of the local currency where the Group had previously transacted and reported in the United States Dollar (US$).

Currency conversions
The requirement to comply with the legislation, Statutory Instrument 33 of 2019, made it impossible to comply with International Financial Reporting Standards due to the inconsistencies between the legislation and International Accounting Standard 21 "The effects of changes in Foreign Exchange Rates".

Property valuations
Property valuations rely on historical market evidence for calculation of inputs. Such market evidence does not exist at present to calculate ZWL$ values. The company's independent property valuers adopted the approach of converting US$ valuation inputs at the interbank foreign exchange rate of 15.7 at 31 October 2019. The valuers concerns with this approach were that it ignored market dynamics of demand and supply. The approach did not take into consideration the fact that different property sub-sectors would respond differently to the new currency and that a conversion at the closing interbank rate would likely overstate property values.

Given the above concerns, the Directors have elected to use a much more conservative basis to value the Group's real estate portfolio. The Directors used the actual US$ rental yield achieved in the year of 5% to determine the ZWL$ value of the underlying property portfolio.

Note to users of financial statements
The Group's consolidated financial statements have not in all material respects been prepared in compliance with the requirements of IAS 21-The Effects of Changes in Foreign Exchange Rates.

The reporting period was characterized by multiple exchange rates and therefore the Board advises users to exercise caution in the interpretation of these financial statements.

16. PERFORMANCE OVERVIEW

Positioning overview
The Group's financial position remains sound. Strategies have been actively deployed to protect the value of the company and deliver value to stakeholders. The Group has maintained minimal foreign currency exposures and its gearing remains low at 3% from 13% in prior year. Part of the income generated was used in the procurement of trading inventories with longer expiry periods, both as an inflation hedge and in preparation for upcoming seasons. Further capital has been invested in upgrading facilities, technologies and plant and equipment in pursuit of the "moving agriculture" strategy. Excess cash was returned to shareholders in the form of dividends.

Volumes overview

Agricultural Operations

Tobacco related services
Tobacco Sales Floor invested in upgrading its handling facilities, re-engineering the business processes to eliminate queues and secured on additional volumes from merchants. The improved merchants' volume coupled with the higher national tobacco crop size resulted in a good overall performance.

Propak Hessian signed on new customers to increase market share by 4% and benefitted from the larger national tobacco crop. Support was received from our tobacco merchant partners to import inventories.

Agricultural trading
Agricura's volumes were significantly lower owing to the drought and erosion of aggregate consumer demand. The company strategically invested in inventories both as an inflation hedge and to ensure product availability in ensuing seasons and invested in upgrading its plant and machinery in preparation for local manufacturing in the near future. The unit also achieved a double ISO certification as it improves its product and service offering.

Agricultural commodity production
Overall, yields for all crops were higher than in prior year given the thrust to only grow irrigated crops. The tobacco crop fared well, fetching prices above industry average and on par with prior year. Banana volumes are well above last year, as the new plantation has started producing. Yields and quality of the trial run of chillies have been satisfactory. The winter wheat crop achieved lower than expected yields. The irrigation programme was negatively affected by erratic power supply and extended load shedding.

Logistics Operations

End to end logistics services
The logistics business recorded strong volume growth in the tobacco handling (up 27%) and inland ports operations (up 24%) as a result of new clients signed up, handling of bulk minerals and increased volumes from existing clients. Premier Forklifts recorded a 26% volume increase due to the larger national tobacco crop which resulted in extension of processing of tobacco.

Volumes in the general cargo business were down 24% due to non-movement of fertiliser stocks that had been imported by clients in anticipation of a reasonable farming season. The distribution and freight forwarding businesses experienced volume decline largely attributable to reduced consumer spend and difficulties accessing foreign currency for imports by our client base.

A new Warehouse Management System was installed across the entire business and is expected to significantly improve the customer experience through increased efficiencies and real-time tracking of product.

Vehicle rental
Avis recorded a 5% reduction in rental days due to fuel shortages and social unrest experience earlier on in the year. The unit continues to generate foreign currency.

Real Estate Operations
Occupancies in the real estate business were at the same levels as in the prior year. Void levels remain satisfactory at under 4%.

Investments
The Group's investment in Cut Rag Processors (Private) Limited was successfully disposed of during the year. The proceeds are earmarked to fund expansion projects in the future.

17. OUTLOOK
The afore-mentioned economic pressures are expected to persist in the short to medium term.

The Group will continue to position itself to take advantage of the opportunities for growth in pursuit of the "moving agriculture" strategy. We will continue to invest in our people, upgrading our infrastructure, market presence, developing our technology platforms and leveraging on our local and international partnerships.

Foreign currency generation remains a key priority across the Group and all business units are strategically exploring regional expansion. Several initiatives are at various stages of execution to create and preserve value whilst defending capital.

18. DIVIDEND
At their meeting held on 30 October 2019, the Directors declared a second interim dividend of ZWL$ 7.28 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 2019 and was paid on or about the 25th of November 2019.

By Order of the Board
Tobacco Sales Administration Services (Private) Limited Secretaries
28 January 2020

Directors: A S Mandiwanza (Chairman), P Devenish* (Chief Executive Officer), P Shah, B Ndebele, H Rudland, W Matsaira, M Nzwere, J Gracie, D Garwe, E Muvingi, B Zamchiya, P Mujaya*, D Odoteye* (Chief Operating Officer). (* Executive)

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Independent Auditor's Report

To the Shareholders of TSL Limited

Report on the Audit of the Inflation adjusted consolidated Financial Statements

Adverse Opinion

We have audited the inflation adjusted consolidated financial statements of TSL Limited and its subsidiaries (the Group), set out on pages 8 to 70, which comprise the inflation adjusted consolidated statement of financial position as at 31 October 2019, and the inflation adjusted consolidated statement of comprehensive income, inflation adjusted consolidated statement of changes in equity and inflation adjusted consolidated statement of cash flows for the year then ended, and notes to the inflation adjusted consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated financial statements do not present fairly the financial position of the Group as at 31 October 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards IAS 21 - The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8

As explained in note 3 to the inflation adjusted consolidated financial statements, the Group applied the United States Dollar (US$) as its functional currency for the period 1 November 2018 to 22 February 2019 and the Zimbabwe Dollar (ZWL) for the period 23 February 2019 to 31 October 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the Group changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The inflation adjusted consolidated financial statements are presented in ZWL.

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. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTGS$, Bond notes and Bond coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US$ to RTGS$/ZWL) and to determine an appropriate spot rate as required by IAS 21.

We believe that events in the market and subsequent promulgation of the ZWL as a formal currency supports that there was a change in functional currency from US$ to ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal ZWL1 : US$1 exchange rate and this occurred effective 1 October 2018.

Accordingly, the inflation adjusted consolidated financial statements of the Group include balances and transactions denominated in US$ that were not converted to ZWL at a ZWL: US$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 2.2 to the inflation adjusted consolidated financial statements.

In respect of the above matter we issued an adverse opinion in the prior year as the effects of the departure from IFRS were pervasive to the financial statements but could not be quantified owing to the nature of the matter.

The Directors' approach in the current year, was to prospectively apply the change in functional currency from US$ to ZWL from 23 February which is incorrect. The correct approach would have been a retrospective restatement as a prior period error in terms of *International Financial Reporting Standards - IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors.*

Therefore, the Directors have not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing.

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 October 2018 to 31 October 2019 it is noted that its application was based on inappropriate numbers as a result of the non-compliance with IAS 21 / IAS 8 as described above.

As a result of these matters:

- All corresponding numbers remain misstated on the Statements of Financial Position, Cash Flows, Profit or Loss and Changes in Equity.
- As opening balances enter into the determination of cash flows and performance our current year opinion is modified in respect of the impact of this matter on the Statement of Cash Flows, Statement of Profit or Loss and Statement of Changes in Equity.

Our conclusion on the current period's inflation adjusted consolidated financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

In addition to the impacts on the corresponding numbers, current year performance and cash-flows the matter continues to impact the balances on the Statement of Financial Position as many of these still comprise amounts from opening balances. Whilst this matter might not affect all accounts in the statement of financial position the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

<u>Exchange rates used after the date of change in functional currency (Non-compliance with IAS 21)</u>

As at year end 31 October 2019 the Directors translated foreign denominated transactions using the interbank rate. In addition, the Directors translated all foreign currency transactions from 23 February 2019 to 31 October 2019 using these rates.

The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21 as the rates were not accessible for immediate delivery. The IFRS interpretations Committee concluded in their September 2018 paper that the closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

We therefore believe that the exchange rates for transactions and balances between the US$ and the RTGS$/ZWL used by the Group did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above. Had the correct rate been used most balances and amounts would have been materially different.

Valuation of investment properties and freehold land and buildings
The Group's investment properties and freehold land and buildings are carried at ZWL$240 416 246 and ZWL$150 559 907 respectively as at 31 October 2019. These properties were revalued as at that date in line with group policy. The Directors' approach is detailed on Notes 12 and 13 to the financial statements. We were unable to obtain sufficient appropriate audit evidence about the fair value of the properties, as market evidence to support the inputs used in the valuation was not available due to the short period since the change in functional currency. Consequently, we were unable to quantify the impact to the financial statements.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated financial statements.

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 Inflation adjusted 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 ethical responsibilities in accordance with these requirements and 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 matters 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. The other information comprises the Chairman's Statement, the Directors' Report and the Statement of Corporate Governance and Responsibility; but does not include the inflation adjusted consolidated and Company financial statements and our auditor's report thereon. Our opinion on the inflation adjusted consolidated and Company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Chairman's Statement, the Directors' Report and the Statement of Corporate Governance and Responsibility are expected to be made available to us after the date of this auditor's report.

In connection with our audit of the inflation adjusted 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 inflation adjusted 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 and we could not obtain sufficient appropriate evidence regarding the valuation of properties. 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 Financial Statements
The directors are responsible for the preparation and fair presentation of the inflation adjusted 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 inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted 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.

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Auditor's Responsibilities for the Audit of the Inflation adjusted consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 inflation adjusted 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 inflation adjusted 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 inflation adjusted 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 inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted 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 inflation adjusted 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.

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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 inflation adjusted 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 inflation adjusted 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 Fungai Kuipa (PAAB Practising Certificate Number 335).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit

Harare
27 February 2020