



STARAFRICA CORPORATION LIMITED

TRADING UPDATE FOR THE QUARTER ENDED 30 JUNE 2020

ECONOMIC ENVIRONMENT

The economy has continued to present a challenging trading environment for most businesses. In particular, the hyper-inflationary environment, liquidity challenges, foreign currency shortages and COVID-19 pandemic have adversely impacted operations. Introduction of the Foreign Exchange Auction Trading System (Auction) at the end of quarter is however envisaged to alleviate the foreign currency inadequacies. The erratic supply of utilities such electricity, fuel and water, have since intensified.

BUSINESS PERFORMANCE

First Quarter Performance

Sugar sales volumes at Goldstar Sugars Harare (GSSH) were 7% lower than those recorded in prior year comparative period mainly due to intermittent water supply as well as disruptions presented by the COVID-19 pandemic. Export sales volumes however grew by 100% compared with prior year comparative period as the product gained market share in additional markets which include South Africa and the DRC. Sales volumes for Country Choice Foods (CCF), which is into mainly sugar derivatives, were 23% lower than prior year comparative mainly as a result of the continued decline in the currency's purchasing power as consumers have been appropriating their income to basic food items. The Properties business maintained its occupancy levels, with collections having been affected as tenants grappled from the slowdown in business as a result of the COVID-19 pandemic.

IMPACT OF CORONAVIRUS (COVID -19)

The country has seen a significant increase in COVID-19 infections and deaths during the quarter under review, the bulk of these coming from returning citizens. The national lockdown which commence in the latter half of March 2020 continues, having been relaxed to level 2 which allowed more businesses to operate albeit under some restrictions.

At enterprise level, the company continues to provide employees with the requisite protective clothing (PPE), soap to wash hands frequently and sanitizing liquid. Information on COVID-19 is displayed on notice boards and the company clinic issues periodic reminders and updates on the pandemic. Social distancing continues to be encouraged at all workstations. The COVID-19 Cross Functional Crisis Management Task Force continually reviews the COVID-19 situation, assesses, monitors and manages the development and impact of the pandemic on the enterprise, and puts in place additional measures as may be necessary from time to time.

The impact on the company's business during the quarter under review was only felt through delays in the supply chain, in respect of foreign sourced inputs, as the company continued to operate as it is deemed an essential service (which is allowed to operate uninterruptedly). Its key customers have also continued operating during the lockdown. Demand for the company's products has been healthy on both the local and export markets. Supply of raw materials to the sugar refining plant and Country Choice Foods, including packaging material was stable during the quarter under review, especial consequent upon the improvement of cartage from South Africa.

The company has maintained healthy levels of stocks of both raw materials and finished product, which position was facilitated by a prudent cash management strategy that ensured solvency throughout the quarter.

OUTLOOK

The effects and projections of COVID-19 remain uncertain and post the reporting period, Zimbabwe is experiencing an upsurge in infections and deaths which are projected to peak in September 2020. However, we continue to be hopeful that the efforts and measures being pursued by our Government and the world at large will smother the full impact of this pandemic. The company may not be spared the ravages of the pandemic but it remains resilient as local demand for its products continues to be strong. Efforts to increase our share of the exports market are bearing fruit. The supply of major raw inputs continues to be stable. The Board remains confident that the company will continue on its upward trajectory despite the current challenges emanating from COVID-19.

By Order of the Board



A .J. Musemburi

Company Secretary
14 August 2020