



TRADING UPDATE FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 MARCH 2020



ECONOMIC ENVIRONMENT

The trading environment for the period under review continued to be challenged by economic factors which included depreciation of the local currency and a rise in hyperinflation. Performance was negatively affected by erratic supply of utilities such as electricity, water and fuel as well as a shortage of foreign currency. The company continued pursuing initiatives to manage operational costs, employ cost effective procurement strategies and explore export opportunities.

BUSINESS PERFORMANCE

Fourth Quarter Performance

Granulated sugar sales volumes at Goldstar Sugars Harare (GSSH) were slightly lower than the comparative period in prior year largely due to both water and power interruptions. Sales volumes for Country Choice Foods (CCF), which produces premium value added sugar products, were also marginally lower when compared with prior year due to the general slowdown in the economy. Occupancy levels at the properties unit remained constant as the company sought to balance the need to increase yields through rental adjustments with that of keeping occupancy at reasonable levels.

Full Year Performance

Volumes for the year ended 31 March 2020 declined marginally in sympathy with the movement in the fourth quarter and also as a result of electricity challenges witnessed in the months of July and August 2019. As a result, the GSSH plant went on shut down during that time. There has been a significant improvement in the power supply situation. Supply of water from the City of Harare has been erratic in some instances, while alternative sources such as boreholes were hampered by low water tables. The company is working on ways to ensure consistent water supplies at optimal costs.

Sales at CCF were adversely affected by the plant shutdown and thereafter the general macro-economic environment. However, CCF's contribution to group results is not significant. The properties' occupancy remained stable with no major movements in tenant activity from those obtaining at the beginning of the year.

IMPACT OF CORONAVIRUS (COVID -19)

Following the declaration of COVID-19 as a pandemic by the World Health Organization (WHO), Zimbabwe has implemented various measures through several statutory instruments. These measures include the national lockdown that commenced on the 30th of March 2020 and is still in progress.

The assessment of the commercial risks stemming from the pandemic is ongoing. The economy in general, which has already been fragile due to hyperinflation and foreign currency challenges, will be negatively impacted the hardest. However, the impact so far on the company's business has been marginal as the company and its key customers have continued operating during the lockdown. The supply of raw materials to the sugar refining plant was stable during the quarter under review except for packaging materials sourced from South Africa, whose cartage was slowed down by the lockdown in that country. However, the migration to Level 4 of the lockdown in South Africa should see an improvement in the procurement of these raw materials going forward.

Business Continuity Plan In Light Of The COVID-19 Pandemic And The Lockdown Order

A general cross functional Crisis Management Task Force, chaired by the Chief Executive, was established and tasked with the following:

- Assessing, monitoring and managing the development and impact of COVID-19 in compliance with the requirements and guidelines issued by Government and local authorities.

- Contingency and response planning which takes into account business continuity, work force management and business specific risk mitigation.
- Internal and external communication of safety measures and response plans with employees, customers, suppliers, regulators/government bodies and other key stakeholders in the business.

A communiqué was issued to the workforce outlining the preventative measures to be taken to combat the spread of COVID-19. The company has also kept in touch with captains of industry to share notes on trends and strategy.

The company drafted a circular to all stakeholders outlining the initiatives that were put in place to sustain operations as much as possible while ensuring that a safe operating environment continued to obtain in all strategic business units. The company has also kept in touch with major customers who have indicated that they intend to remain open while taking on board all the measures recommended by the Ministry of Health and WHO guidelines to keep the environment safe for their employees and customers.

The holding of meetings internally and externally was limited to extremely urgent cases and, in any such cases, not more than three people would meet. Otherwise all communication and interaction shall as much as possible be done over the distance, on line, in memos, notices on notice boards and using telephones, mobile phones etc.

The company reviewed stocking levels upwards to ensure business continuity. It also pre-ordered sufficient supplies and materials including those consumables required to maintain a healthy environment (tissues, hand sanitizers, soaps, masks etc.) and will continually review the impact of short-term changes to the supply chain and logistics models to avoid disruption. Pro-active cash management measures have been put in place to ensure that the company has sufficient liquidity to weather the storm.

The company has had to bear costs of creating a safer working environment. The business solvency position has not been affected as the company has renegotiated trade terms with both suppliers and customers to take into account the new COVID-19 operating environment.

OUTLOOK

The effects and projections of COVID-19 remain uncertain and indications are that they will materially impact the global economy, including Zimbabwe. We are hopeful that measures being pursued by Government and the world at large will smother the full impact of this pandemic. The company remains resilient as local demand for its products continues to be strong. Efforts to increase our share of the exports market have been enhanced. There have not been any major constraints in the supply of major raw material inputs. 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
13 May 2020