



TRADING UPDATE FOR THE QUARTER ENDED 31 MARCH 2020

OPERATING ENVIRONMENT

The operating environment in the quarter ended 31 March 2020 remained constrained as characterised by the continued foreign currency shortages and deteriorating hyperinflation which closed the quarter at 676.39%. In addition, fuel and electricity supply remained erratic resulting in disruptions of works on the construction sites.

Towards the end of the quarter, the World Health Organisation (WHO) notified of a novel strain of the coronavirus in Wuhan, China, which culminated in being declared a Public Health Emergency of International Concern. On 17 March 2020 His Excellency, President Emmerson Mnangagwa, declared this outbreak a National Disaster and ordered a lockdown on 30 March 2020, which was uplisted to Level 2 on 4 May 2020.

BUSINESS PERFORMANCE

The business commenced the year with a solid order book which was dominated by Roads and Housing infrastructure, Mining and Agriculture segments. In the quarter under review most of the projects progressed satisfactorily and in line with programmes. However, disruptions relating to delayed supply of contracting materials, in particular fuel, were occasionally experienced.

The inflation adjusted Turnover increased by 86% from the comparative period owing largely to the improved order book mix and productivity efficiencies across the projects.

UPDATE ON EFFECTS OF THE COVID-19 PANDEMIC

The COVID-19 pandemic outbreak resulted in the total or partial lockdown of economies across the world. Zimbabwe was not spared of its negative effects. The lockdown of 30 March 2020 limited access to various projects and suspended works, with the exception of two significant projects categorised as Essential Works, that the Authorities sanctioned to continue operating under controlled Safety, Health, Environment & Quality conditions and WHO guidelines.

The lockdown impacted negatively on the commercial aspects of the company in relation to the certification of work done and subsequent payments thereof, resulting in long cashflow cycles. These delays were resolved following the relaxation of the lockdown conditions to Level 2. Meanwhile, additional measures have been put in place to mitigate any systematic risks arising from its stakeholders.

In line with its Business Continuity Plan, the company was able to comply with the requirements of the lockdown and will continue to place emphasis on risk management in the short to medium term.

The Directors of the company have conducted a solvency test and confirm that it is still a solvent concern.

OUTLOOK

While the COVID-19 pandemic is forecast to negatively impact the business operations, the extent is largely dependent on the duration and spread of the virus and the impact on customers, suppliers and employees. Based on the information readily available, the measurement of the extent of COVID-19 on the company cannot at this stage be reliably computed. The Board remains alert to this risk and ready to implement appropriate mitigatory measures to protect the value of the company.

By Order of the Board

Masimba Corporate Services (Private) Limited
Company Secretaries

15 May 2020