

COMMENTARY

Trading Environment

The economic difficulties facing Zimbabwe have been exacerbated by the COVID-19 pandemic which has engulfed the whole world. A shrinking economy was already expected and will now be even greater than anticipated. This will have a negative impact on almost all businesses in Zimbabwe as consumer spending declines further.

The trading environment remains extremely difficult with regulation changes without notice or consideration for the consequences. Travel restrictions have made it difficult for staff to travel and in many instances, the Group has had to provide contracted transport at a substantial additional cost. Despite these challenges we have been able to keep most operations operational to maintain customer service.

Volume performance and profitability

Volume throughput during the quarter has been erratic, obviously the national shutdown in April reduced throughput to almost zero for the greater part of the month. Subsequently, volumes have recovered, however there have been substantial changes in product mix. Overall, volumes were marginally higher than the same quarter last year because of increased market share in a number of product groups.

While revenue rose substantially both in historical and inflation adjusted terms, profitability remains difficult to assess because of rapidly changing exchange rates and distorted indices. Margins continue to be under pressure while expenses are rising with inflation and devaluation. Based on assessment of the balance sheet, we believe that we are continuing to build shareholder value in real terms.

Outlook

Zimbabwe has been through periods of extreme uncertainty in the past, however, we are possibly facing even greater uncertainties than ever before, which makes it extremely difficult to predict the future performance of the Group. Having said that, we will continue to focus on growth of shareholder value, with the confidence that we have the resources to survive short term business disruptions such as those that we had in April of this year.

GROUP REVENUES

GROUP			
Qtr to Jun 2020		Qtr to Jun 2019	
Inflation Adjusted ZWL\$ '000	Historical ZWL\$ '000	Inflation Adjusted ZWL\$ '000	Historical ZWL\$ '000
1 124 690	875 612	882 093	113 435

Revenue

SEGMENT REPORTING

Segment information for the reporting periods are as follows:

	Engineering		Retail		Total	
	Inflation Adjusted ZWL\$ '000	Historical ZWL\$ '000	Inflation Adjusted ZWL\$ '000	Historical ZWL\$ '000	Inflation Adjusted ZWL\$ '000	Historical ZWL\$ '000
Quarter ending 30 June 2020						
Segment Revenue	23 829	18 551	1 100 861	857 061	1 124 690	875 612
Quarter ending 30 June 2019						
Segment Revenue	25 158	3 235	856 935	110 200	882 093	113 435

Price Indices used were obtained from the Zimbabwe Statistical Office

	Indices	Conversion Factor
CPI as at 30 June 2020	837.260	1.000
CPI as at 30 June 2019	172.612	4.851
CPI as at 30 June 2018	62.619	13.371

By Order of the Board



M. S. Gurira

7 August 2020

