



STARAFRICA CORPORATION LIMITED

TRADING UPDATE FOR THE QUARTER ENDED 31 DECEMBER 2020

ECONOMIC ENVIRONMENT.

The company operated in an economic environment characterised by increasing hyperinflationary pressures, intermittent power outages and pervasive liquidity challenges which significantly affected the company's production operations. Although the quarter experienced some easing of the Covid-19 induced lockdown restrictions in the operating market, consumer spending remained significantly constrained due to low disposable incomes. The stability of the local currency that resulted from the introduction of the Foreign Currency Auction Trading System has also been sustained during the quarter, which increased confidence in the market and reduced speculative pricing tendencies during the first half of the quarter. However, the festive season recorded increases in the month-on-month Consumer Price Index (CPI) which had been falling in previous months and the period also witnessed an increase in the parallel market rates.

BUSINESS PERFORMANCE.

Goldstar Sugars production and sales volumes for the quarter improved by 65% and 102% respectively from the previous quarter as production returned to normal—after the company had a three-week total shutdown in the previous quarter due to the Covid-19 pandemic. However, for the 9 months to December 2020, there was a 9.4% decrease in production when compared with the prior year comparable period as a result of critical power and water outages which affected production as well as the effects of the Covid-19 pandemic in 2020 which negatively impacted production.

Country Choice Foods has made significant traction in product development and market growth as sales have increased by 24% for the 9 months to December 2020 from the prior year comparable period. Production and sales of new products have started to increase significantly, with products such as peanut butter, honey and pre-mixes well underway in their development and market testing phases. These developments are expected to enhance the company's market footprint locally and, in the region, increase capacity utilisation and spread its risk across multiple product lines.

The company has re-negotiated the amounts due on some of its legacy debts and, thereafter, managed to settle significant portions of amounts outstanding to the creditors. This is expected to improve the gearing position and allow the company to refocus funds on critical plant maintenance and upgrade and to ultimately increase capacity utilisation. The inflationary pressures have put significant pressures on the company from suppliers and customers alike. The rising costs of production mainly as a result of increases in plant maintenance costs have not been transferrable to customers as pressures rose on the company to reduce prices in the face of threats of imported sugar.

In order to stay competitive and in the spirit of mutual beneficiation, the company effected a 15% decrease in manufacturer and bottler-grade sugar prices in December 2020 for its customers and, in turn, also negotiated some decreases in supplier costs with some of its main suppliers. The Property business continues to grapple with lower rental collections than the prior comparable period as tenants' ability to meet their lease obligations has been affected by the adverse effects of the Covid-19 pandemic on the economy.

COVID-19 IMPACT & RISK MANAGEMENT.

The quarter under review saw decreases in the rate of new infections and deaths from the Covid-19 pandemic, which resulted in the easing of the national lockdown restrictions. During the quarter, there was a lower direct impact of the Covid-19 pandemic on the company's operations in contrast with the previous quarter in which operations had to be ground to a halt after some positive cases of Covid-19 had been noted within our workforce. However, the company remained vigilant in its risk mitigation practices as the company continues to check employees' temperature before entry to work premises, provide employees with the requisite personal protective clothing, soap to wash hands frequently and sanitizing liquid. Posters on Covid-19 are being displayed all around the premises and the company clinic continues to issue periodic reminders and health alerts on the pandemic. Social distancing continues to be enforced at all workstations and the company periodically distributes Vitamin C tablets to all employees. The company's Covid-19 Crisis Management Task Force continues to review the Covid-19 situation and put in place additional measures as may be necessary from time to time to ensure smooth business continuity.

OUTLOOK.

The company continues to implement measures to safeguard the health and well-being of all employees, customers and suppliers during this second wave of the Covid-19 pandemic. Measures are being taken to augment current efforts to manage the risk posed by the pandemic such as installing safety shields in high human interaction areas such as office reception areas. Discussions are also underway with the company's medical aid service providers to improve medical cover for all employees in the event of any positive cases being reported which may warrant medical attention. The company also remains optimistic that the envisaged vaccination program by the government of Zimbabwe will yield positive results for the nation in the restoration of normalcy to the trading environment.

The company has maintained enough inventory quantities to hedge against any supply chain interruptions caused by the pandemic and continues to improve its liquidity and solvency position through prudent working capital management practices. The Board remains confident that the ensuing quarter will witness enhanced stability in the market which will boost capacity utilisation of the company as demand for the company's products is expected to remain strong locally and in the region.

By Order of the Board



A.J. Musemburi.
Company Secretary
12 February 2021