



## Trading Update for the 1st Quarter ended 31 December 2021

### Environment

Although the first quarter weather was cooler than prior year, rains were less and very late, with most rains only being received at the tail end of December 2021. In Chipinge and Chimanimani where the majority of our operations are located 172mm of rain had been received in the first quarter to 31 December 2021 compared to 532 mm received in the prior comparative period.

Operations in Chipinge and Chimanimani were relatively least affected by the changes in weather pattern. Irrigation was available but was adversely affected by power cuts. Operations at Kent Estate were more affected as the dryland planting could only be completed in late December 2021. Crops under irrigation at Kent were unaffected by the late rains. The effect of the late rains on dryland crops will be lower than optimum yields on dryland crops. However, improvements in selling prices are expected to make up for any decline in yield.

Inflationary pressures and lack of disposable income continued to affect the operating environment. The widening of the exchange rate gap between the interbank auction rate at which 40% of the Group's export revenue is retained at and the exchange rate that suppliers are charging for locally purchased goods continues to put substantial pressure due to the mismatch in the two rates.

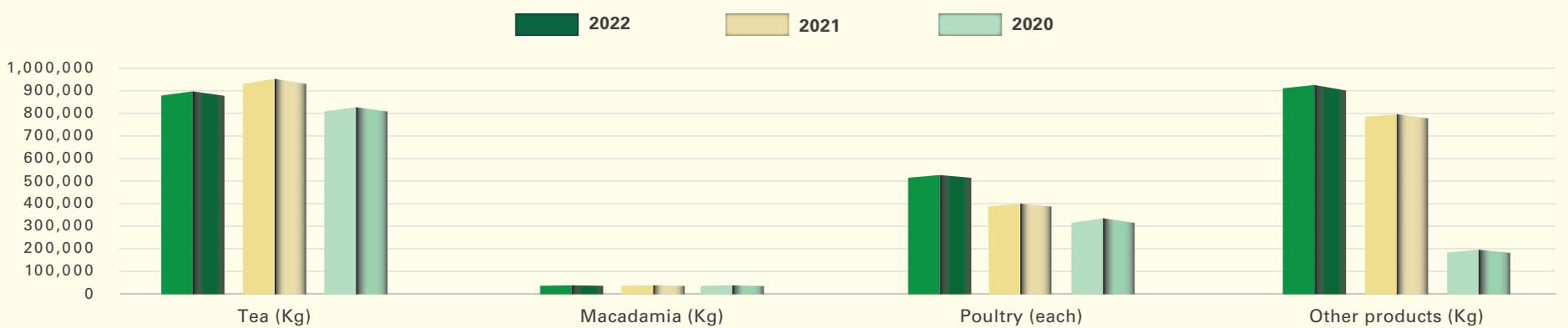
### Business Performance

#### Introduction:

During the 1st quarter, the Group received proceeds from the disposal of 50% of its shareholding in Claremont Orchards Holdings (Private) Limited to Tuinbouw Zonder Grenzen BV (TZG). As a consequence of this transaction, the fruit category has been excluded from the production and sales statistics below. The proceeds from the transaction were used to develop new as well as improve established macadamia orchards, expand macadamia drying facility and purchase equipment for automation of some processes to counteract the effects of shortage of labour in Chipinge.

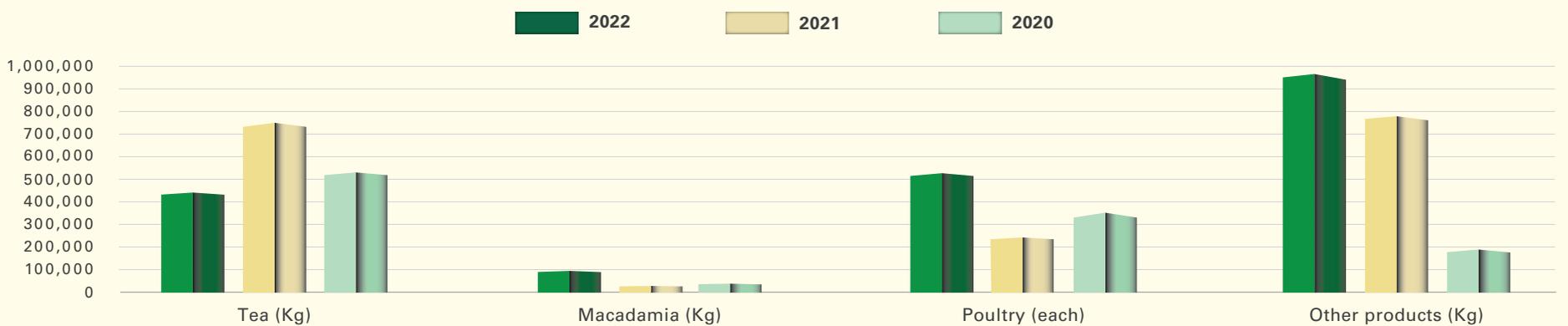
#### Volume performance

1st Quarter Production Volumes



- The delayed rainfall coupled with power cuts experienced in the current period resulted in decline in tea production levels in the 1st quarter.
- Macadamia volumes were 20% ahead of prior comparative period. Macadamia harvest begins in March hence the minimal production levels.
- Poultry is produced on an out-grower model for the largest poultry producer in Zimbabwe. In the current period, the producer increased the number of placements thus resulting in higher production volumes.
- Other products consist of potatoes, commercial maize, seed maize, soya beans, sugar beans and bananas. The category has continued to grow over the years with increasing significance to the Group's revenue and positive contribution to the Group's profitability. The continual growth is due to increased hectareage as well as improved production efficiencies. The Group has continued to invest in more irrigation for this category thereby increasing the number of crops and times the fields are utilised in a year.

1st Quarter Sales Volumes



- The decline in tea sales volumes was mainly due to a decrease in export tea volumes caused by subdued global economic activity as a result of the COVID-19 pandemic and global shortage of shipping containers. As a result, 83% of tea sales were made to the local market.
- The Group closed the 4th quarter of 2021 with some macadamia nut stocks. The sale of these in the 1st quarter of 2022 resulted in the increase in sales volumes in the current period compared to the comparative prior period where most stocks had been sold prior to year-end.
- Poultry sales were in line with production volumes as these are raised on a contract model.
- Sales of other products were higher than production due to the sale of seed maize and seed sugar beans which were going through quality processes at year end of 2021.

### Financial Performance

Revenue for the 1st quarter declined by 19% compared to the prior comparative period as a result of the absence of pome fruit and stone fruit which were no longer part of the product portfolio for the Group going forward as a result of consummation of the disposal of 50% of Claremont Orchards Holdings (Pvt) Ltd.

#### Impact Of Covid-19 Pandemic On The Group

The effect of the pandemic on the Group has mainly been felt in

- ✓ the constraints being encountered by shipping lines such as shortage of shipping containers for export product as well as for importation of materials required by the Group;
- ✓ shipping delays for both exports and imports; and
- ✓ any lockdowns legislated globally slows down economic activity and demand for products.

Locally the Group has largely been unaffected by the pandemic as measures implemented to protect staff members have continued to be strictly monitored and adhered to.

#### Outlook

Normal rainfall is anticipated for the rest of the year. Automation of processes implemented is expected to yield better production volumes as available labour is allocated to harvesting of tea. Early season sales of tea have shown an improvement in selling prices compared to prior year. Macadamia prices are anticipated to remain the same as prior year for good quality nuts. The Group continues to put measures in place to improve nut quality so as to increase the average price for the category.

Cost containment will continue to be an area of focus. Further, greater focus is being given to the effect of the exchange rate mismatch which has had the effect of depleting value for the Group.

#### By Order of the Board

**R.A. Chinamo**  
Company Secretary

17 January 2022

