

## QUARTERLY TRADING UPDATE FOR THE 1ST QUARTER ENDED 30 JUNE 2021

Cottco Holdings Limited is pleased to provide a trading update for the first quarter ended 30 June 2021. This is the first quarterly update after a prolonged period during which the company was under voluntary suspension from the Zimbabwe Stock Exchange and was awaiting the appointment of a board of directors.

### OPERATING ENVIRONMENT

Rainfall in the current agronomic season improved and was more widely distributed than in the past season. Delivery of inputs to farmers also improved for the season under review. As a result the company is targeting an intake of 150,000MT as compared to 82,479MT achieved in 2020.

Lint prices which had collapsed last year to a low of US\$56c/lb during the Covid Pandemic have in 2021 firmed to levels of around US\$88c/lb on the back of increased demand and low world stocks.

Side-marketing continues to be a challenge, although the company has in recent years maintained a market share of over 90%. The promulgation of Statutory Instrument 96 of 2021 is also expected to further curb side-marketing activities.

There have been an increase in COVID 19 cases for the quarter under review resulting in localised lockdowns. The Cotton Industry continues to be classified as essential services and the company is

taking all the necessary precautionary measures to ensure that staff keep safe.

### BUSINESS PERFORMANCE

As at 30 June 2021 the business had achieved 56,681MT being 38% of its intake target and ginning had commenced. The company's order book is full for both lint and ginned seed and the company is forecasting to export 76% of its lint.

Government has committed to clear the 2020 outstanding subsidy balances for farmers who grew cotton under the Presidential Input Scheme. These balances arose as a support price to farmers to encourage increased cotton production. A plan has been agreed with government for the 2021 support price which will ensure that farmers attain a viable price and continue to grow cotton in the forthcoming seasons. Cottco's portion of seed cotton payment is limited to what is viable for the company.

### FINANCIAL PERFORMANCE

The company's cost containment activities and improved operational efficiencies should ensure that the company does not incur a loss for the financial year ended 31 March 2022.

The company has not published its financial statements since 2016 following its suspension from the Zimbabwe Stock Exchange. The company has

agreed with the Zimbabwe Stock Exchange that it will in the meantime publish quarterly updates to shareholders until such a time as the outstanding external audits have been brought up to date.

### OUTLOOK

Cottco has over the past two seasons been testing a high-yielding variety whose output is more than double the yield per hectare even under extreme weather conditions. The company intends to roll-out the high-yielding varieties on a larger scale in the forthcoming seasons in order to improve farmer viability and grow volumes.

Government is currently funding inputs for vulnerable cotton farmers through the Presidential Input Scheme. They have recently signalled an intention to increase their shareholding in Cottco Holdings to 51% from the current 37.1%. As a listed entity shareholders will be kept abreast of proposed actions as we are made aware of them.

By Order of the Board



**Mrs Jacqueline Dube CA (Z)**  
**Acting Company Secretary**