

Operating Environment

The inflationary operating environment was somewhat subdued in the third quarter as foreign currency rates were stable in the auction system and the other markets. This was a result of The Reserve Bank of Zimbabwe increasing interest rates from 80% to 200% causing banks to increase their lending rates to an average of 250%.

The resultant effect was that most borrowings became expensive as it meant that RTGS loans would double after 4-5 months. This crowded out productive sector borrowing but also flushed out speculative borrowings thus slowing down inflation.

The quarter saw little to no effects of COVID-19 as most restrictions were scrapped except for masking in public. However, business has returned to its normal working hours.

Business Performance

During the period under review, revenue saw a positive improvement to prior year comparable period mainly driven by inflation. The revenue for the prior year third quarter was ZWL 2.8 Million (ZWL 7.08 Million Inflation Adjusted) compared to the current year third quarter ZWL 13.9 Million (ZWL 14.2 Million Inflation Adjusted).

The performance of the group will largely depend on the economic environment which affects cost of production and operating costs. However, at a group level we have realised revenue from our real estate businesses in which we are letting out some spaces. This had a positive effect on working capital.

Outlook

Despite market liquidity challenges, the business remains thriving and has measures to cover working capital needs and other capital expenditures. The operating environment remains tight especially on the borrowing side for productive use. However, positive moves of the little difference between the parallel rate and interbank rate should continue thus being a relief on inflationary pressures although unexpected challenges and policy changes may occur.

Under challenging operating circumstances, we believe the business innovation and the strategic new thrust will help the company to continue to thrive. We continue our multifaceted response to the increasingly competitive environment by pursuing new market segments widening our portfolio.

By Order of the Board



J Mwinjilo

Company Secretary (18 November 2022)