



TRADING UPDATE FROM 1 JULY 2022 TO 31 AUGUST 2023

Cottco Holdings Limited (“Cottco” or “the Company”) is pleased to provide a trading update covering the period 1 July 2022 to 31 August 2023.

OPERATING ENVIRONMENT

International lint prices have firmed from US78c/lb at the beginning of July 2023 to US88.76c/lb in recent weeks due to the Northern Hemisphere crop being under threat from drought conditions. Globally the 2023/24 production forecast was lowered by 2.7 million bales, whilst consumption saw an increase of 500,000 bales causing prices to firm.

Oilseed prices saw a decline in the period under review as local and regional supply of soya and sunflower seed increased against a stable local demand from oil expressors. However as the regional crop availability is limited, prices for ginned seed are expected to firm in the last quarter of 2023.

Local market liquidity was extremely tight during the period under review with Cottco initially struggling to access funding from approved facilities. However funding was unlocked as the season progressed and is expected to improve as revenues from the sale of product are received.

Farmer morale improved following the 2021/2022 buying season where they were paid 75% in United States Dollars (USD) and interest to grow the crop was rekindled resulting in 360,224 farmers being registered as compared to 294,202 growers in the previous season.

BUSINESS PERFORMANCE

As the buying season draws to an end the Company has achieved a 48% increase in intake from 46,748 metric tonnes in 2022 to 69,146 metric tonnes in the current season. Cottco has paid USD15.9 million to farmers to date and the remaining 32% is expected to be cleared in the month of September 2023 as market liquidity improves.

Ginning has commenced at all ginning sites and product deliveries are underway. The company's order book continues to surpass available supply.

Cottco's value addition initiative has seen the company converting over 800 tonnes of lint to yarn for the local market.

FINANCIAL PERFORMANCE

Management has been implementing cost containment strategies since 2022 which are expected to improve margins in the year ended 31 March 2024. These include a 100% roll out of Smartfarmer, an Enterprise Resource Management system enabling a real-time capturing of farmer information, which cut back on physical stationery costs as well as employment of data capturing clerks. Savings on procurements have also been realised in the period under review through competitive bidding. A mix of local borrowings and off-shore pre-finance arrangements was utilised in the 2023 Buying Season in order to reduce finance costs. Coupled with the improved intake volumes the Company is forecasting marginal profits for the year ended 31 March 2024.

CHANGE IN EXTERNAL AUDITORS

KPMG Zimbabwe had been External Auditors for Cottco Holdings Limited since 2001. In order to comply with the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange Listing Rules, which discourage engagement of an auditor beyond a period of 10 years, the Board of Cottco agreed to a mutual termination with KPMG on a no-fault basis effective from the 23rd of January 2023.

The Board subsequently appointed BDO Zimbabwe Chartered Accountants as the new external auditors with effect from August 2023. The new external auditors have been tasked with accelerating the completion of the outstanding financial audits from the financial year ended 31 March 2018 to date. The Company's external audits had stalled during the period where the entity did not have a board of directors in place to approve the previously audited financial statements.

MANAGEMENT UPDATES

Following the resignation of the former Managing Director, the process of appointing a substantive

Managing Director is expected to be completed shortly. In the meantime the Company continues to be ably led by Mr. Munyaradzi Chikasha (Head Operations), who has done so since June 2022.

The Board is pleased to advise the appointment of a Substantive Company Secretary Ms Eunice Mupanduki with effect from Monday 28 August 2023. The Board appreciates the dual role played by Mrs Jacqueline Dube as Head of Finance and Acting Company Secretary whilst the recruitment process was ongoing.

UPDATE ON GOVERNMENT INCREASE IN SHAREHOLDING

Following previous updates to shareholders, the Company wishes to advise that work is still ongoing for Government's proposed increase in shareholding in Cottco. To this end shareholders are advised that the Ministry of Finance and Economic Development appointed Grant Thornton to perform a Financial Due Diligence on the entity which has now been completed in August 2023.

OUTLOOK

With the intake season coming to a close the Company is now focused on crop establishment for the 2023/2024 Season. Suppliers for the Presidential Inputs for Cotton Program have commenced delivery of fertilisers for distribution to farmers which will be helpful in early crop establishment given the forecast of El Nino weather patterns for the forthcoming season.

Cottco has paid a deposit and commenced site clearance for a 60 tonnes per day oil expression plant to be located in Gokwe. Commissioning of the plant is targeted for early 2024 and is expected to contribute towards rural transformation and development.

By Order of the Board

Ms. Eunice Mupanduki
Company Secretary



1 Lytton Road, Workington, Harare, Zimbabwe

Directors: Mr S. Jabangwe (Chairperson), Dr O. Muvingi (Deputy Chairperson), Mr M. Chikasha *(Acting Accounting Officer), Dr M. T. Mushunje, Ms M. Marongwe, Mrs M. Magwenzi, Ms C. Tapera *(Executive Director)