



ENVIRONMENT

The expectations are for an El Nino climate condition this season. For the period to mid-December 2023, rainfall was below the average year-to-date and was accompanied by extremely hot weather on all estates. This was not a good start to the season. Thereafter, the weather improved with year-to-date rainfall now exceeding the prior year rainfall.

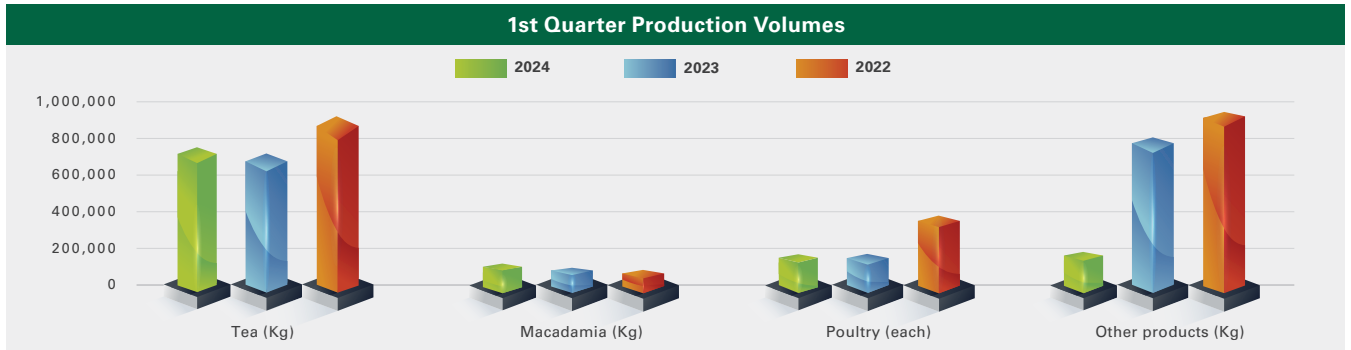
The economic environment continued to be challenging, especially so for exporting agricultural businesses as the 25% RBZ Export retention coupled with the significant disparity between the Interbank rate and the fair market rate used by suppliers became very significant. This disparity is making some export lines unviable due to loss of value on the 25% RBZ retention. It is hoped that the Authorities will implement positive policies that will support the growth of exporting businesses.

The local environment continued to be characterised by further dollarisation of the economy, increasing inflationary pressure and liquidity challenges.

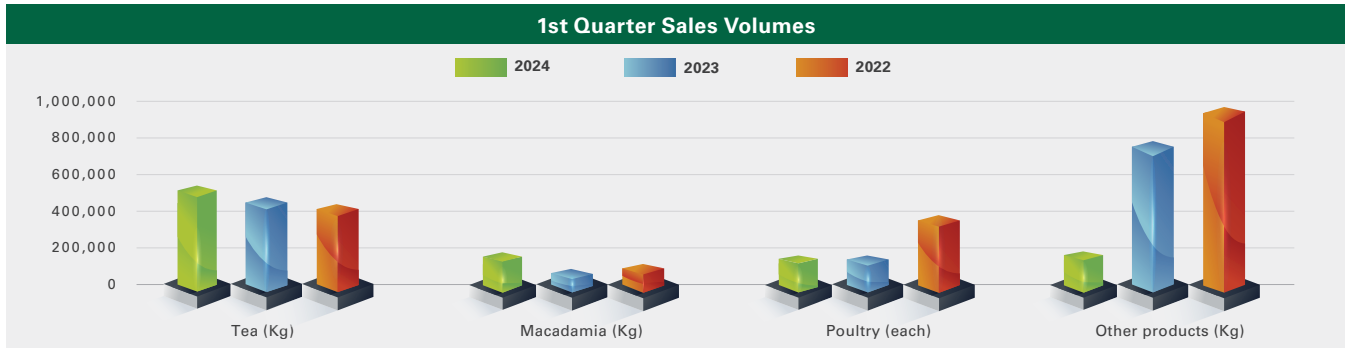
During the period, the solar energy plant installed at Southdown Estate, our largest tea factory, made a positive impact by alleviating the negative effects of power-outage. This has also had the impact of cost saving through reduced reliance on generators and the associated fuel and maintenance cost whilst contributing towards safeguarding and enhancing environmental resources and processes through use of a renewable energy source.

BUSINESS PERFORMANCE

Volume performance:



- Current year Tea production volume at 716 tonnes increased by 2% when compared to 700 tonnes achieved in the prior comparative period. The FY2023 volume was however 20% behind the 898 tonnes produced in FY2022. The 20% decline was due to the deliberate decision made by the Board to focus the business on quality of tea produced as opposed to quantity so as to increase the percentage of tea whose quality meets export parameters which would result in improved selling prices and hence export revenue.
- Macadamia harvesting only commences towards the end of the second quarter, so it is too early to make a determination on macadamia nut production. In the current period, there were some early macadamia nut drop noted. These amounted to 76 tonnes. On the whole, macadamia nut set in the orchards is encouraging and has held. In the global macadamia nut industry, it is still too early to get an indicative view on what the market prices will be. Management is however ensuring the quality will be improved, so as to ensure that the Group is well positioned to take advantage of improvements in selling prices for the forthcoming season.
- Poultry is produced on an out-grower model. Volumes are determined by the poultry operator for whom the chickens are being grown.
- In the current period, other products only consist of bananas, whereas the prior comparative periods also included potatoes which were not part of the cropping plan in the current period. Potatoes were not grown in an effort to preserve the dam water for seed crop irrigation given the predictions for an El Nino this season. Accordingly, there was a volume decline in this category.



- Tea sales volumes for the current year at 529 tonnes were 12% ahead of the sales for the prior comparative period of 473 tonnes. These were also 20% ahead of the 440 tonnes sold in FY2022. Average selling prices for both export and local sales held at the same level as those experienced in the prior comparative period. In an effort to protect value, more tea sales are being channelled into the local market as the 25% RBZ export proceeds retention is having a significantly negative effect on the tea business' profitability given the significant disparity between the Interbank rate and the fair rate used by our local suppliers.
- Sales volumes for macadamia nuts were higher than production volumes due to sale in the current year of stocks held at prior year period end. The 132 tonnes of macadamia nuts sold in the current period were 415% more than the 26 tonnes sold in the prior comparative period.
- Sales of Poultry and Other Products were in line with production volumes.

FINANCIAL PERFORMANCE

Due to the cyclical nature of the Group's operations, sales in the first quarter are minimal. The majority of harvesting and selling occurs in the second half of the year. The first quarter is mainly characterised by incurring costs in preparation for the new agricultural season.

Revenue generated in the current period was USD1,037,724 compared to USD987,135 achieved in the prior comparative period. This represented a 5% increase in revenue, mainly attributable to sales of macadamia stocks which were carried over from the prior comparative period coupled with an increase in tea sales volumes.

OUTLOOK

The 2023/2024 agricultural season is expected to receive lower than normal rainfall. The Group will mitigate the impact of low rainfall through heavy reliance on its irrigation systems.

Early indication is that demand for macadamia nuts will be firm. However, it is still too early to have a view on the market prices, although sales of our early drop nuts have been at an improved price compared to prior year's for similar quality.

The operating environment is expected to continue to be challenging. Focus will remain on cost containment measures, improvement of product quality and production processes.

By Order of the Board

N. Ncube

N. Ncube
Company Secretary

24 January 2024

Directors:

Mr. A.C. Jongwe (Chairman), Mr. P.T. Spear* (Chief Executive Officer), Mr. I. Chagonda, Mr. C.P. Conradie, Mrs.T.C. Mazingi, Mr. J.W. Riekert, Mr. Z.T. Zifamba. * Executive

(A public company incorporated in the Republic of Zimbabwe under company registration number 254B 104/1947)