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TRADING UPDATE

FOR THE FIRST QUARTER ENDED 31 DECEMBER 2023

OPERATING ENVIRONMENT OVERVIEW

The operating environment for the period under review was characterised by rising inflationary pressures, currency volatility and rapid changes in the policy environment. The exchange rate increased by 792% year-on-year, putting further pressure on ZWL operating costs. The economy continued on a dollarization trend with 80% of transactions conducted in foreign currency as reported by the Zimbabwe Statistical Agency. Export proceeds continue to be subject of 25% mandatory liquidation at sub-economic exchange rates. This implied significant tax on the topline reduces exporters' competitiveness and their ability to reinvest export proceeds into value addition and growth in exports.

The threat of the El Nino climatic phenomenon hangs over the agricultural sector. The late onset of the rains and high temperatures experienced during the first quarter of the financial year affected rain-fed crop production.

CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

The Directors have assessed the company's functional currency and the requirements of the International Financial Reporting Standards (IFRS) and have resolved to change the reporting currency to United States Dollars with effect from 1 October 2023. The process of changeover from reporting in Zimbabwe Dollars to United States Dollars will be guided by International Financial Reporting Standards (IFRS).

BUSINESS PERFORMANCE

The late onset of the rains has adversely impacted bulk tea production resulting in a 19% decline in volumes to 1 986 tonnes compared to 2 443 tonnes produced in the prior year. Despite the decline in production, bulk tea export volumes grew by 18% to 1 274 tonnes from 1 076 tonnes achieved in previous year owing to improved logistical arrangements for more export shipments to be processed before the Christmas break.

Packed tea sales volumes of 475 tonnes were 14% below 549 tonnes achieved in prior year. Notwithstanding that the customer order book is full, a combination of packaging supply constraints, power outages and managing customers to reduce defaulting customers' risk are among factors that resulted in a reduction in sales volumes. Subsequently, volumes have started to increase as constraining factors have eased and the cumulative variance has begun to narrow. Packed tea exports into the region grew by 100% in response to the company pursuing and supplying an opportunity that arose to penetrate the Democratic Republic of Congo. Sustainable market diversification will continue to be pursued to expand the regional market.

Avocado and macadamia plantations which are under precision irrigation are looking healthy and the harvest of these crops will commence towards end of the second quarter of the financial year.

FINANCIAL PERFORMANCE

Company revenue for the quarter under review of USD 5 million was 9% below USD 5.5 million achieved in the prior year.

OUTLOOK

The operating environment is expected to remain volatile and complex due to continued inflationary pressures, currency instability, escalation of costs and reduced consumer disposable incomes. Business welcomed the extension of the multi-currency regime to 2030 as this is expected to facilitate some stability within the economy.

The demand for our products remains relatively strong despite the impact of complex macro-economic factors on the local and regional markets. Implementation of diversification of regional markets for packed teas as growth strategy has begun to yield positive results. The confidence from our customers and their support, including the value addition projects in the pipeline for our plantation crops, will help in improving company profitability. Management will continue to focus on improving efficiencies across the company by re-engineering all processes including purchasing, staffing, process flows, agronomic practices, selling, distribution and internal controls.

By Order of the Board

Company Secretary
14 February 2024