

# Trading Update for Quarter ended 31 December 2023

## Trading Environment

The major economic factors remained volatile with the inflation rate increasing steadily from a month-on-month rate of 1% in September to 4.7% in December. The Zimbabwe dollar shed 12% against the United States dollar in the same period putting pressure on costs and margins. Significant activity was witnessed in the construction industry. Increased load shedding was experienced, affecting throughput and efficiencies.

## Volume performance

Production declined by 16% because of electricity load shedding. As a result, sales volumes dropped by 9% compared to the prior year. Demand for bricks remained high though, driven largely by construction of cluster homes in urban areas.

## Financial performance

Revenue for the quarter increased by 130% in hyperinflation terms and by 835% in historical terms compared to the prior year. Revenue continued to be impacted by exchange rate distortions. The company is considering a change in functional currency to the United States dollar in view of the increased ratio of transactions conducted in US dollars. This initiative, which will only be adopted at the beginning of the new financial year, is expected to deal with reporting distortions emanating from multi-currency transacting.

## Business continuity

Building projects have continued to increase into Q2 with cluster home development, educational infrastructure and shopping centres dominating the list of projects. These should provide the critical mass to meet set targets for the year. The ongoing initiative to unlock value from certain assets should provide resources to increase capacity, competitiveness and profitability.

## Solvency

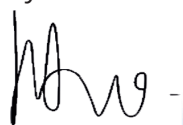
The business remains viable, with a model that continuously provides required working capital to support operations. Focus remains on managing costs, margins and cashflows.

## Outlook

The upsurge in construction projects presents opportunities for real growth despite increasing competition especially in the common brick market. Strategies are being pursued to improve the product mix and maximise margins from high value brick varieties. During the quarter under review, the Company was certified to ISO standards ISO9001:2015 (Quality Management System), ISO14001:2015 (Environmental Management System) and ISO45001:2015 (Occupational Health & Safety Management System). These management systems will ensure a sustainable supply of high quality bricks at affordable prices and cement the brand's dominance in the market.

We will continue to engage ZESA to improve electricity supply to the operations. The taxation measures introduced for the year 2024 which include the reclassification of clay bricks as liable to VAT, will impact on business in the short term, especially from price sensitive customers who are not VAT registered and cannot recover input tax.

By Order of the Board



**M Munginga**  
Company Secretary

7 February 2024

