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TRADING UPDATE FOR THE QUARTER ENDED 30 SEPTEMBER 2020

OPERATING ENVIRONMENT

The trading environment in the last quarter ended 30 September 2020 was largely stable supported by the Foreign Currency Exchange auction system and a contractionary fiscal policy. This, resultantly, contributed to the progressive reduction of month-on-month inflation and stability of prices of construction materials and services.

BUSINESS PERFORMANCE

The volume of works, encompassing roads, mining and housing infrastructure, increased significantly in the quarter under review. A number of works, including the Skyline to Chimanimani road, were completed in the period while the rest are progressing well and are on program.

The business remained profitable in the period under review with profit after tax in hyperinflationary terms at 15,7% (2019: 2%). This improved performance is mainly attributable to productivity and procurement efficiencies.

The financial position remained strong and sufficiently liquid with current and gearing ratios of 1,96 (2019:1,36) and 2% (2019: 2%) respectively. Notwithstanding the obtaining liquidity constraints, the debtors book performed satisfactorily in the period.

Pursuant to the Group's value and growth strategies, significant amounts were expended in capital equipment to support the growing order book. The capital expenditure was funded by internal resources and external borrowings which closed the quarter at ZWL26,767,710 (December 2019: ZWL4,714,360).

The Group celebrated a one million Lost Time Injury Free hours milestone as at end of August 2020 and also retained its Safety, Health, Environmental and Quality Management systems certifications.

OUTLOOK

The world is recording increased COVID-19 infections and this is threatening international trade, local supply chains and execution of works. While the infections in Zimbabwe have been stable, the Board will continue to assess the situation and implement mitigation measures to minimise the impact on the business and its stakeholders.

The order book has remained firm in the nine months period resulting in improved volume and resource utilisation efficiencies. Accordingly, the results for the year ending 31 December 2020 are expected to be significantly ahead of the comparative period.

By Order of the Board

P. Mutiti
Company Secretary

12 November 2020