

AUDITED ABRIDGED FINANCIAL STATEMENTS

For the year ended 30 June 2022

SALIENT FEATURES

| | INFLATION ADJUSTED | | HISTORICAL* | | % |
|--|------------------------------|------------------------------|------------------------------|------------------------------|--------|
| | Audited 30-Jun-22 ZW\$ | Audited 30-Jun-21 ZW\$ | Audited 30-Jun-21 ZW\$ | Audited 30-Jun-21 ZW\$ | |
| Revenue | 4 785 608 535 | 4 316 494 354 | 2 589 992 420 | 1 236 149 192 | ▲ 11% |
| Profit/(loss) before tax | 3 624 837 739 | (5 585 598 318) | 9 800 655 798 | 883 717 219 | ▲ 165% |
| Basic earnings / (loss) per shares (cents) | 288.30 | (111.60) | 559.44 | 16.47 | ▲ 358% |
| Cash generated from operating activities | 1 053 884 159 | 942 215 594 | 660 311 714 | 293 183 297 | ▲ 12% |
| Volume sold : RST | 43 120 | 49 047 | 43 120 | 49 047 | ▼ 12% |
| Volume sold : Poles | 10 169 | 9 464 | 10 169 | 9 464 | ▲ 7% |

MESSAGE FROM THE CHAIRMAN

OPERATING ENVIRONMENT

The full year under review was quite challenging, characterised by a surge in inflation and exchange rate volatility. The adverse effects of international events continued to disrupt global supply chain leading to an increase in commodity prices, mainly fuel, resulting in higher production costs.

EXIT FROM JUDICIAL MANAGEMENT

The Company was placed under Voluntary Provisional Judicial Management in 2015 and subsequently into Final Judicial Management in 2016. Following approval by the Shareholders at the EGM held in January 2022, and the subsequent approval by the High Court on the 14th of March 2022, the Company exited Judicial Management. This led to the reinstatement of the Board of Directors who took over the control of the Company from the Judicial Manager. We express our appreciation and gratitude to Peter Bailey (Judicial Manager), and the management team, who led the Company and weathered the storms during the period of Judicial Management.

FINANCIAL PERFORMANCE

Inflation adjusted revenue for the period was ZW\$4.79 billion (FY2021: ZW\$4.32 billion), 11% increase from prior year, primarily driven by consistent product quality of our Kiln Dried Timber resulting in better average selling prices. The inflation adjusted operating expenses were 85% higher as compared to the previous period mainly driven by inflationary pressures, however, management continues to implement measures to contain costs.

Inflation adjusted net profit before taxation was ZW\$3.62 billion (FY2021: ZW\$5.59 billion loss). Inflation adjusted cash generated from operating activities was ZW\$1.05 billion (FY2021: ZW\$942 million), 12% improvement from prior year. Inflation adjusted Cash and cash equivalents at the end of the period amounted to ZW\$66 million (FY2021: ZW\$83 million).

FORESTRY

Harvesting operations performed very well with the plant optimisation broadly on plan. The outsourcing strategy on harvesting continues to stabilize the sawmills log supply which resulted in high plant capacity utilisation. All logs supplied to the processing plants were from the Company's own plantations with no external logs purchased.

Lumber production volume was 43 930m³ (FY2021: 45 871m³), 4% lower than prior period, driven by low customer demand during the period under review. Lumber sales volume was 43 120m³ (FY2021: 49 047m³), the reduction was mainly because of lower aggregate demand primarily in the local market. Efforts are underway to expand the export market base with particular focus on Zambia, Mozambique, and Botswana.

During the period under review, 713 hectares (FY2021 : 341 hectares) were planted, a significant improvement compared to prior year. The Company is focusing more on improving the Biological Asset, applying best practices, and improving planting methods.

The Company continues to benefit from outsourced Silviculture operations which brought about a more cohesive and efficient plantation management process. The Company is fully mindful of the impact of climate change on the planet and is adapting and conducting its operations in a way that is environmentally friendly. This consciousness prompted the Company in succeeding to attain Forest Steward Council (FSC) Certification. With Imbeza Estate already certified, we are moving forward to having Sheba, Charter, and Tilbury Estates FSC certified by the end of 2023.

Plantation fire damage remains the major business risk, particularly arson. During the year, the Company lost 235 hectares (FY2021: 27 hectares) which is significant compared to the previous period. As a result, the Company has further strengthened its plantation patrol teams, community engagement programs and acquired new firefighting equipment. We are grateful to the Community and law enforcement agencies for their efforts and assistance in apprehending perpetrators of arson.

MANUFACTURING

Treated Poles sales volume was 10 169m³ (FY2021: 9 464m³), a 7.4% improvement from the prior year. Market development remains the key focus of our Poles business as the Company is actively pursuing new opportunities in the local market as well as in the region and beyond.

UPDATE ON ICSID CLAIM - BORDER AWARD

No finalization has yet been reached from ongoing negotiations with the Government of Zimbabwe on the settlement of the Border Timbers Award. The Company has recently initiated discussions with the Government on the settlement structure and timing of the ICSID award. In the meantime, operations on the ground have continued smoothly.

OUTLOOK

The Board of Directors remain committed to its strategy of delivering value for all stakeholders. We believe that the fundamentals in the business remain intact, with healthy forests, a talented and experienced management team, and workforce to support the strategy. The Company's product quality remains highly regarded in the market and the current marketing efforts will increase demand for the Company's Kiln Dried Timber.

Improved performance is anticipated in the Poles business due to increased demand for the product in the SADC region where rural electrification projects and infrastructure developmental projects are attracting financial support. We forecast Poles sales performance to be bolstered by the Mozambique, Botswana, Zambia as well as the local market.

Recapitalisation remains a key priority with our replanting program already on course to reduce the unplanted area to industry standard of 5% in the next three years. The Company is in the process of recapitalising its two Sawmills with the latest milling technology and commissioning of the new machinery is expected by the end of FY2023.

ELIAS HWENGA
CHAIRMAN
31st OCTOBER 2022

AUDITED ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

| | INFLATION ADJUSTED | | HISTORICAL* | |
|--|--------------------|-----------------|-----------------|-----------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| Revenue | 4 785 608 535 | 4 316 494 354 | 2 589 992 420 | 1 236 149 192 |
| Cost of sales | (5 388 910 655) | (3 937 979 340) | (2 702 195 002) | (1 130 474 527) |
| Gross(Loss)/Profit | (603 302 120) | 378 515 014 | (112 202 582) | 105 674 665 |
| Other operating income | 278 503 838 | 339 401 281 | 171 542 170 | 94 002 920 |
| Selling and distribution expenses | (130 376 972) | (375 971 038) | (89 886 755) | (100 261 911) |
| Administration expenses | (1 419 099 631) | (992 175 040) | (951 186 793) | (230 661 319) |
| Other operating expenses | (1 927 684 100) | (516 091 221) | (1 445 936 151) | (126 499 337) |
| Fair value gain/(loss) due to biological assets transformation | 5 502 155 070 | (4 845 580 822) | 12 231 393 494 | 1 161 581 941 |
| Finance income | 7 096 886 | 6 592 135 | 3 948 760 | 2 090 145 |
| Finance costs | (51 747 185) | (79 862 967) | (27 016 345) | (22 209 885) |
| Monetary Gain | 1 969 291 953 | 499 574 340 | - | - |
| Profit/(Loss) before income tax | 3 624 837 739 | (5 585 598 318) | 9 800 655 798 | 883 717 219 |
| Income tax Credit/ (Expense) | 1 204 423 515 | 793 320 943 | 721 451 384 | (175 619 735) |
| Profit/(Loss) for the year | 4 829 261 254 | (4 792 277 375) | 10 522 107 182 | 708 097 484 |
| Other comprehensive income / (loss) for the year, net of tax | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Gain on revaluation of property, plant and equipment | 10 097 862 289 | - | 18 031 389 375 | - |
| Impairment of Briquetting Plant | (66 973 463) | - | (95 984 420) | - |
| Effect on deferred tax | (2 479 635 718) | - | (4 433 632 105) | - |
| | 7 551 253 108 | - | 13 501 772 850 | - |
| Total comprehensive profit / (loss) for the year | 12 380 514 362 | (4 792 277 375) | 24 023 880 032 | 708 097 484 |
| Basic earnings/(loss) (cents)per share | 288.30 | (111.60) | 559.44 | 16.47 |
| Diluted earnings/(loss) (cents) per share | 288.30 | (111.60) | 559.44 | 16.47 |

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on this historic information.

AUDITED ABRIDGED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

| | INFLATION ADJUSTED | | HISTORICAL* | |
|--|-----------------------|-----------------------|-----------------------|----------------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 18 272 699 208 | 8 590 788 986 | 18 134 908 282 | 199 820 414 |
| Biological assets | 14 232 385 376 | 9 282 953 850 | 14 232 385 376 | 3 183 863 177 |
| | 32 505 084 584 | 17 873 742 836 | 32 367 293 658 | 3 383 683 591 |
| Current assets | | | | |
| Biological assets | 1 835 139 120 | 1 310 324 870 | 1 835 139 120 | 449 414 612 |
| Inventories | 1 283 836 434 | 1 189 259 217 | 242 521 126 | 135 770 611 |
| Trade and other receivables | 463 073 099 | 596 698 475 | 463 073 099 | 204 655 364 |
| Cash and cash equivalents | 66 187 597 | 83 476 000 | 66 187 597 | 28 630 560 |
| | 3 648 236 250 | 3 179 758 562 | 2 606 920 942 | 818 471 147 |
| TOTAL ASSETS | 36 153 320 834 | 21 053 501 398 | 34 974 214 600 | 4 202 154 738 |
| EQUITY | | | | |
| Equity attributable to the owners of the parent | | | | |
| Share capital | 58 370 451 | 58 370 451 | 429 425 | 429 425 |
| Non distributable reserve | - | - | - | 90 455 727 |
| Revaluation reserve | 7 551 253 108 | - | 13 640 555 456 | 138 782 607 |
| Retained earnings | 20 141 354 706 | 15 312 093 452 | 13 010 503 686 | 2 397 940 777 |
| Total equity | 27 750 978 265 | 15 370 463 903 | 26 651 488 567 | 2 627 608 536 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Long term borrowings | 1 489 436 310 | 1 182 333 650 | 1 489 436 310 | 405 516 243 |
| Deferred tax | 4 535 332 422 | 3 260 120 219 | 4 455 715 886 | 743 535 166 |
| | 6 024 768 732 | 4 442 453 869 | 5 945 152 196 | 1 149 051 409 |
| Current liabilities | | | | |
| Trade and other payables | 2 025 152 923 | 1 020 490 855 | 2 025 152 923 | 350 007 477 |
| Short term borrowings | 320 999 734 | 198 044 677 | 320 999 734 | 67 925 271 |
| Bank overdrafts | 31 421 180 | 22 048 094 | 31 421 180 | 7 562 045 |
| | 2 377 573 837 | 1 240 583 626 | 2 377 573 837 | 425 494 793 |
| Total liabilities | 8 402 342 569 | 5 683 037 495 | 8 322 726 033 | 1 574 546 202 |
| TOTAL EQUITY AND LIABILITIES | 36 153 320 834 | 21 053 501 398 | 34 974 214 600 | 4 202 154 738 |

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on this historic information.

PASSIONATE
ABOUT DEVELOPING
RESOURCES IN AFRICA

AUDITED ABRIDGED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

| | Share capital ZW\$ | Revaluation reserves ZW\$ | Retained earnings ZW\$ | Total ZW\$ |
|--|-----------------------|------------------------------|---------------------------|-----------------------|
| INFLATION ADJUSTED | | | | |
| Year ended 30 June 2021 | | | | |
| Balance as at 1 July 2021 | 58 370 451 | - | 20 104 370 827 | 20 162 741 278 |
| Loss for the year | - | - | (4 792 277 375) | (4 792 277 375) |
| Balance as at 30 June 2021 | 58 370 451 | - | 15 312 093 452 | 15 370 463 903 |
| Year ended 30 June 2022 | | | | |
| Balance as at 1 July 2021 | 58 370 451 | - | 15 312 093 452 | 15 370 463 903 |
| Profit for the year | - | - | 4 829 261 254 | 4 829 261 254 |
| Other comprehensive gain from revaluation of Property, Plant and Equipment | - | 7 551 253 108 | - | 7 551 253 108 |
| Balance as at 30 June 2022 | 58 370 451 | 7 551 253 108 | 20 141 354 706 | 27 750 978 265 |

| | Share capital ZW\$ | Non distributable reserves ZW\$ | Revaluation reserves ZW\$ | Retained earnings ZW\$ | Total ZW\$ |
|--|-----------------------|------------------------------------|------------------------------|---------------------------|-----------------------|
| HISTORICAL* | | | | | |
| Year ended 30 June 2021 | | | | | |
| Balance as at 1 July 2020 | 429 425 | 90 455 727 | 138 782 607 | 1 689 843 293 | 1 919 511 052 |
| Profit for the year | - | - | - | 708 097 484 | 708 097 484 |
| Balance as at 30 June 2021 | 429 425 | 90 455 727 | 138 782 607 | 2 397 940 777 | 2 627 608 536 |
| Balance as at 1 July 2021 | | | | | |
| Profit for the year | - | - | - | 10 522 107 182 | 10 522 107 182 |
| Other comprehensive gain from revaluation of Property, Plant and Equipment | - | - | 13 501 772 850 | - | 13 501 772 850 |
| Transfer of non-distributable reserve to retained earnings | - | (90 455 727) | - | 90 455 727 | - |
| Balance as at 30 June 2022 | 429 425 | - | 13 640 555 456 | 13 010 503 686 | 26 651 488 567 |

AUDITED ABRIDGED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

| | INFLATION ADJUSTED | | HISTORICAL* | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| Cash flows from operating activities | | | | |
| Profit/(loss) before income tax | 3 624 837 739 | (5 585 598 318) | 9 800 655 795 | 883 717 219 |
| Adjustment for: | | | | |
| - Depreciation | 281 026 580 | 282 836 773 | 7 476 681 | 6 659 130 |
| - Impairment loss on property, plant and equipment | 17 215 580 | - | 17 215 580 | - |
| - Fair value gain/(loss) due to biological transformation of biological assets | (5 502 155 070) | 4 845 580 822 | (12 231 393 494) | (1 161 581 941) |
| - Plantation redemption | 930 268 259 | 1 338 896 345 | 353 399 268 | 384 895 872 |
| - Plantation damage | 24 673 344 | 719 398 | 11 575 136 | 182 196 |
| - Exchange Losses | 1 910 468 520 | 472 592 555 | 1 428 720 570 | 125 685 939 |
| - Allowance/(reversal) for credit losses | 10 279 158 | (301 876 711) | 156 267 033 | (103 537 533) |
| - Finance income | (7 096 886) | (6 592 135) | (3 948 759) | (2 090 145) |
| - Finance costs | 51 747 185 | 79 862 967 | 27 016 345 | 22 209 885 |
| - Other non-cash items | 639 509 318 | (1 107 036 920) | (215 791 376) | 56 321 106 |
| - Monetary gain | (1 969 291 953) | (458 447 239) | - | - |
| - Profit on disposal of Property, Plant and equipment | (1 307 843) | (42 276 024) | (858 261) | (14 499 812) |
| | 10 173 931 | (481 338 486) | (649 665 482) | 197 961 916 |
| Changes in working capital | | | | |
| - (Increase)/decrease in inventories | (94 577 216) | 514 077 366 | (106 750 515) | (91 419 122) |
| - Decrease/(increase) in trade and other receivables | 133 625 376 | 736 089 004 | (258 417 735) | (22 768 156) |
| - Increase in trade and other payables | 1 422 977 814 | 168 490 243 | 1 652 440 705 | 207 728 928 |
| - (Decrease)/Increase in provisions and accruals | (418 315 746) | 4 897 467 | 22 704 741 | 1 679 731 |
| Net cash generated from operating activities | 1 053 884 159 | 942 215 594 | 660 311 714 | 293 183 297 |
| Cash flows from investing activities | | | | |
| Purchases of property, plant and equipment | (47 902 184) | (85 759 883) | (24 427 792) | (25 602 893) |
| Expenditure on biological assets | (927 032 309) | (587 697 100) | (567 827 617) | (169 492 808) |
| Proceeds from sale of property, plant and equipment | 2 108 913 | 52 125 800 | 910 878 | 17 878 083 |
| Interest received | 7 096 886 | 6 592 135 | 3 948 759 | 2 090 145 |
| Net cash used in investing activities | (965 728 694) | (614 739 048) | (587 395 772) | (175 127 473) |
| Cash flows from financing activities | | | | |
| Proceeds from loans and borrowings | 90 348 039 | - | 69 127 140 | - |
| Repayments of loans and borrowings | (158 178 547) | (225 604 727) | (85 237 327) | (77 377 804) |
| Interest paid | (43 477 982) | (76 316 029) | (22 957 898) | (21 660 828) |
| Proceeds from Grants | 5 864 622 | - | 3 709 180 | - |
| Net cash used in financing activities | (105 443 868) | (301 920 756) | (35 358 905) | (99 038 632) |
| Net (decrease)/increase in cash and cash equivalents | (17 288 403) | 25 555 790 | 37 557 037 | 19 017 192 |
| Cash and cash equivalents at the beginning of the year | 83 476 000 | 57 920 210 | 28 630 560 | 9 613 368 |
| Cash and cash equivalents at the end of the year | 66 187 597 | 83 476 000 | 66 187 597 | 28 630 560 |

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 - Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on this historic information

NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2022

1. ACCOUNTING POLICIES

The principal accounting policies of the Company have been followed in all material respects and conform to International Financial Reporting Standards (IFRS) and the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) except for a non-compliance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" and International Financial Reporting Standard 13 "Fair Value Measurements" in the prior year, both non-compliance are in relation to the valuation of property, plant and equipment in ZW\$. The same accounting policies and methods of computation are followed as compared to those in the prior financial year. This publication should be read in conjunction with the annual financial statements for the year ended 30 June 2022, which have been prepared in accordance with IFRS and the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31).

2. FUNCTIONAL AND PRESENTATION CURRENCY

The financial results are presented in Zimbabwean Dollars, which is the functional and presentation currency of the Company.

NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS (cont'd)

for the year ended 30 June 2022

| 3. SEGMENT INFORMATION | INFLATION ADJUSTED | | | HISTORICAL* | | |
|---|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| | Forestry ZW\$ | Manufacturing ZW\$ | Total ZW\$ | Forestry ZW\$ | Manufacturing ZW\$ | Total ZW\$ |
| Year ended 30 June 2022 | | | | | | |
| Statement of profit or loss and other comprehensive income | | | | | | |
| External sales | 4 296 516 710 | 489 091 825 | 4 785 608 535 | 2 347 779 379 | 242 213 041 | 2 589 992 420 |
| Revenue from external customers | 4 296 516 710 | 489 091 825 | 4 785 608 535 | 2 347 779 379 | 242 213 041 | 2 589 992 420 |
| Finance costs | (51 747 185) | - | (51 747 185) | (27 016 345) | - | (27 016 345) |
| Finance income | 7 096 886 | - | 7 096 886 | 3 948 759 | - | 3 948 759 |
| Monetary Gain | 1 969 291 953 | - | 1 969 291 953 | - | - | - |
| Profit before income tax | 3 485 794 682 | 139 043 057 | 3 624 837 739 | 9 727 991 639 | 72 664 159 | 9 800 655 798 |
| Statement of financial position | | | | | | |
| Total assets | 35 963 152 786 | 190 168 048 | 36 153 320 834 | 34 953 268 146 | 20 946 454 | 34 974 214 600 |
| Total liabilities | 8 402 342 569 | - | 8 402 342 569 | 8 322 726 033 | - | 8 322 726 033 |

| 4. RELATED PARTY DISCLOSURES | INFLATION ADJUSTED | | | HISTORICAL* | | |
|---|------------------------|-----------------------|------------------------|----------------------|-----------------------|----------------------|
| | Forestry ZW\$ | Manufacturing ZW\$ | Total ZW\$ | Forestry ZW\$ | Manufacturing ZW\$ | Total ZW\$ |
| Year ended 30 June 2021 | | | | | | |
| Statement of profit or loss and other comprehensive income | | | | | | |
| External sales | 3 756 982 874 | 559 511 480 | 4 316 494 354 | 1 082 276 166 | 153 873 026 | 1 236 149 192 |
| Revenue from external customers | 3 756 982 874 | 559 511 480 | 4 316 494 354 | 1 082 276 166 | 153 873 026 | 1 236 149 192 |
| Finance costs | (79 862 967) | - | (79 862 967) | (22 209 885) | - | (22 209 885) |
| Finance income | 6 592 135 | - | 6 592 135 | 2 090 145 | - | 2 090 145 |
| Monetary Gain | 499 574 340 | - | 499 574 340 | - | - | - |
| (Loss)/ Profit before income tax | (5 810 762 564) | 225 164 336 | (5 585 598 318) | 855 391 534 | 28 325 685 | 883 717 219 |
| Statement of financial position | | | | | | |
| Total assets | 20 820 368 735 | 233 132 663 | 21 053 501 398 | 4 166 636 665 | 35 518 073 | 4 202 154 738 |
| Total liabilities | 5 683 035 534 | 1 961 | 5 683 037 495 | 1 574 545 967 | 235 | 1 574 546 202 |

| 5. PROPERTY, PLANT, AND EQUIPMENT MOVEMENT | INFLATION ADJUSTED | | HISTORICAL* | |
|--|-----------------------|----------------------|-----------------------|--------------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| Opening Balance | 8 590 788 986 | 8 905 327 872 | 199 820 414 | 185 068 322 |
| Additions | 47 902 184 | 85 759 883 | 24 427 792 | 25 602 893 |
| Disposals | (2 654 208) | (76 430 548) | (52 616) | (3 378 273) |
| Revaluation | 10 030 888 826 | - | 18 031 389 375 | - |
| Impairment Loss | (113 200 000) | (41 031 448) | (113 200 000) | (813 398) |
| Depreciation charged | (281 026 580) | (282 836 773) | (7 476 681) | (6 659 130) |
| Closing Balance | 18 272 699 208 | 8 590 788 986 | 18 134 908 282 | 199 820 414 |

| 6. CAPITAL EXPENDITURE | INFLATION ADJUSTED | | HISTORICAL* | |
|----------------------------|--------------------|--------------|--------------|--------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| Property Plant & Equipment | 47 902 184 | 85 759 883 | 24 427 792 | 25 602 893 |
| Biological Assets | 927 032 309 | 587 697 100 | 567 827 617 | 169 492 808 |

| 7. TRADE AND OTHER RECEIVABLES | INFLATION ADJUSTED | | HISTORICAL* | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| Trade Receivables | 342 261 072 | 465 060 597 | 342 261 072 | 161 351 122 |
| Other Receivables | 120 812 027 | 131 637 878 | 120 812 027 | 43 304 242 |
| Total | 463 073 099 | 596 698 475 | 463 073 099 | 204 655 364 |

| 8. BORROWINGS | INFLATION ADJUSTED | | HISTORICAL* | |
|-----------------------|----------------------|----------------------|----------------------|--------------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| Long Term Borrowings | 1 489 436 310 | 1 182 333 650 | 1 489 436 310 | 405 516 243 |
| Short Term Borrowings | 352 420 914 | 220 092 771 | 352 420 914 | 75 487 316 |
| Total | 1 841 857 224 | 1 402 426 421 | 1 841 857 224 | 481 003 559 |



NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS (cont'd)

for the year ended 30 June 2022

9. AUDITOR STATEMENT

The abridged inflation adjusted financial statements for the year ended 30 June 2022 have been audited by the Company's external auditors, Deloitte & Touche, who issued a qualified opinion in respect of the carry over effects of the prior year qualification on valuation of property, plant, and equipment - Non-compliance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" and International Financial Reporting Standard 13 "Fair Value Measurements". The audit opinion also includes an emphasis of matter on the material uncertainty related to going concern and a key audit matter in respect of valuation of biological assets and property, plant and equipment.

The audit report is available for inspection at the Border Timbers Limited's registered offices. The engagement partner responsible for the audit was Tapiwa Chizana (PAAB Practice Certificate Number 0444).

10. BIOLOGICAL ASSETS

| | INFLATION ADJUSTED | | HISTORICAL* | |
|--|-----------------------|-----------------------|-----------------------|----------------------|
| | 2022 ZW\$ | 2021 ZW\$ | 2022 ZW\$ | 2021 ZW\$ |
| As at 1 July | 10 593 278 720 | 16 190 778 185 | 3 633 277 789 | 2 687 281 108 |
| Expenditure for the year | 927 032 309 | 587 697 100 | 567 827 617 | 169 492 808 |
| Fair value gain/ (loss) due to biological transformation | 5 502 155 070 | (4 845 580 822) | 12 231 393 494 | 1 161 581 941 |
| | 17 022 466 099 | 11 932 894 463 | 16 432 498 900 | 4 018 355 857 |
| Destroyed by fire | (24 673 344) | (719 398) | (11 575 136) | (182 196) |
| Transfers of harvested timber to inventory | (930 268 259) | (1 338 896 345) | (353 399 268) | (384 895 872) |
| As at 30 June | 16 067 524 496 | 10 593 278 720 | 16 067 524 496 | 3 633 277 789 |

11. INVENTORIES

| | | | | |
|------------------|----------------------|----------------------|--------------------|--------------------|
| Raw Materials | 188 056 451 | 229 092 239 | 16 991 250 | 34 528 967 |
| Work in progress | 179 509 930 | 192 415 832 | 26 536 534 | 26 214 795 |
| Finished goods | 454 473 678 | 427 127 727 | 92 814 493 | 46 128 152 |
| Consumables | 461 796 375 | 340 623 419 | 106 178 849 | 28 898 697 |
| Total | 1 283 836 434 | 1 189 259 217 | 242 521 126 | 135 770 611 |

12. TRADE AND OTHER PAYABLES

| | | | | |
|-----------------------------------|----------------------|----------------------|----------------------|--------------------|
| Trade payables | 1 702 325 000 | 347 404 518 | 1 702 325 000 | 119 152 639 |
| Accruals | 241 184 988 | 664 143 582 | 241 184 988 | 227 787 656 |
| Trade payables to related parties | 69 900 520 | 1 843 188 | 69 900 520 | 632 176 |
| Statutory liabilities | 11 742 415 | 7 099 567 | 11 742 415 | 2 435 006 |
| Total | 2 025 152 923 | 1 020 490 855 | 2 025 152 923 | 350 007 477 |

13. REVENUE

Disaggregation of revenue

External revenue by product line

| | | | | |
|-----------------------|----------------------|----------------------|----------------------|----------------------|
| • Sale of Lumber; | 4 118 045 573 | 3 659 312 551 | 2 239 643 164 | 1 080 457 828 |
| • Sale of Poles; | 489 091 826 | 559 511 480 | 242 213 041 | 153 873 026 |
| • Sale of Logs; | 161 459 967 | 91 069 590 | 98 561 431 | - |
| • Sale of Briquettes; | 17 011 169 | 6 600 733 | 9 574 784 | 1 818 338 |
| Total | 4 785 608 535 | 4 316 494 354 | 2 589 992 420 | 1 236 149 192 |

14. LAND DESIGNATION

The ICSID (International Centre for the settlement of Investment Disputes) arbitration proceedings concluded in November 2018 after the ICSID ad hoc Committee dismissed the Government's annulment application in its entirety and confirmed the final award (Final Award). Furthermore, the protracted dispute with a former shareholder as to entitlement to the Final Award has been resolved on the terms of a Settlement Agreement which was approved by shareholders at the EGM on the 12th of January 2022, and all conditions in relation to the Settlement Agreement have been fulfilled resulting in the Company having a clear and unequivocal entitlement to;

- 57.5% of the Final Award (i.e., US\$ 71,323,703), in addition to 57.5% of pre and post award interest* relating to this;
- 100% of the Border Claimants' Costs (i.e., £621,685.81, US\$ 143,378.35 and ZAR 52,991.49) plus post-award compound interest until date of the payment; and
- 100% of the Moral Damages (i.e., US\$ 1,000,000) plus post-award compound interest until date of the payment.

* pre and post award interest is compound interest on the respective amounts, at the six-month USD LIBOR rate plus 2%, compounded every six months, until the date of full payment (the Border Award).

The government has not paid any part of the Award. The Company has opened settlement negotiations with the Government of Zimbabwe as represented by the Ministry of Foreign Affairs and International Trade. The Company pursuant to the Settlement Agreement with the former shareholder has commenced its own separate negotiations with the Government.

For the duration of the ICSID Arbitration, the Company has continued to occupy and operate its forestry business on parts of its property (the unaffected parts) and indeed, the occupation of the unaffected parts continues undisturbed.

Subject to full payment of the Border Award, the Company has the right to continue operating its business on, and occupying, the unaffected parts as set out above. The full terms of the Border Award are in the public domain. The view therefore is that the Company continue to occupy the unaffected land and operate its business in the ordinary course until there has been agreement with the Government on settlement of the Arbitral Award.

The Company has a contingent liability for legal fees amounting to US\$11.78 million in connection with the ICSID Arbitration which is expected to be settled once and to the extent that proceeds from the Border Award are received.

15. GOING CONCERN

The going concern assessment has been extended for the 12-month period commencing from the date of approval of these financial statements for issue and incorporated all available information on the operating environment and future risks and uncertainties on which a sensitivity analysis was also done. The Board is satisfied that regardless of the outcome, the Company will either continue in operation for the foreseeable future should the land restitution take place, or alternatively without the land the Company will have adequate resources to settle any obligations as they fall due while investigating and implementing a new business model.

NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS (cont'd)

for the year ended 30 June 2022

15. GOING CONCERN (cont'd)

Furthermore, the Board believes that under the current economic environment, a continuous assessment of the ability of the Company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been considered in the preparation of these financial statements.

In preparing the financial statements, the directors of the Company have assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate based on the following:

- The Company has successfully obtained an extension of the DEG loan by a further 4.5 years and Rift Valley Corporation provided full support through a letter of credit of US\$3.8m. The loan has a flexible repayment schedule which is favourable for the Company's working capital structure.
- Directors of the company have reviewed the Company's budgets and cash flow forecasts indicating liquidity for a period of 16 months from the date of financial year-end. In view of this review and the current financial position, the directorate is satisfied that the Company will continue in operation for the foreseeable future and will have adequate resources to settle any obligations as they fall due.
- Management is aware of the Russia-Ukraine war and the resultant global disruptions and risks that have impacted the global economy. Supply chain have been disrupted, flow of capital has been restricted, aggregate demand has fallen, global interest rates are on the rise and the looming recession which may affect the global economy. In light of this management is consistently reviewing its business model with the view to cut costs and achieve better efficiency. Management believes that the demand for lumber will remain very high due to short supply of the product hence prices are expected to remain fairly stable.
- The Company has USD29m standby facilities available with local banking institutions which are available up to 30 June 2025 with an option of renewal at the time of expiry.
- The Company has a strong Biological Asset whose fibre is expected to sustain the cashflows of the company into the foreseeable future. Management has also embarked on an aggressive replanting exercise which is expected to further augment the current Biological Asset, the business plan assumes that the entire temporary unplanted area will be reduced to industry standard of 5% in the next three years.
- Since exit from the Judicial Management, directors of the company have determined to embark on a recapitalisation strategy which is expected to further strengthen the operations of the business. The Company has invested in new sawmills at both Sheba and Charter, commissioning of both sawmills is expected by the end of FY2023.

The directors of the Company have considered all the relevant factors and facts in carrying out the going concern assessment, they are satisfied that the Company will continue in operation for the foreseeable future and it will have adequate resources to settle any obligations as they fall due. The directors have also considered the uncertainty on how the Government of Zimbabwe will settle its obligation with the Company arising from the Arbitration Award, whether it will be in the form of restitution of land or cash compensation. In the scenario where compensation in cash is received, the Company will no longer have access to its main income producing assets and the Directors will be required to identify and implement a new business model which at this point is yet to be determined.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BORDER TIMBERS LIMITED

Qualified Opinion

We have audited the inflation adjusted financial statements of Border Timbers Limited (the "Company"), set out on pages 15 to 71, which comprise the inflation adjusted statement of financial position as at June 30 2022, and the inflation adjusted statement of comprehensive income, inflation adjusted statement of changes in equity and inflation adjusted statement of cash flows for the year then ended, and notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the inflation adjusted financial statements present fairly, the financial position of the Company as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Qualified Opinion

Valuation of property, plant, and equipment - Non-compliance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" in the prior year, and International Financial Reporting Standard 13 "Fair Value Measurements" in the prior and current years.

The valuation of property, plant, and equipment for the comparative year, being 30 June 2021, was determined by applying the inflation index to Zimbabwe dollars (ZW\$) values determined as at 30 June 2019. However, International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") requires non-monetary assets to be restated from the date of revaluation and thereafter, be compared to their recoverable amount. Given that no ZW\$ valuations were performed for the year ended 30 June 2021, the ZW\$ recoverable amount could not be accurately determined in the prior year.

In the current year the Company engaged professional valuers to revalue its property, plant, and equipment as at 30 June 2022. The revaluation of property, plant and equipment was performed in ZW\$. Due to limited availability of evidence supporting ZW\$ inputs, particularly for land and plant and equipment, we were unable to obtain sufficient and appropriate evidence to support the key inputs applied in determining the ZW\$ fair value of property, plant and equipment.

As a result of the above, we were unable to obtain sufficient evidence to support the appropriateness of the valuation in ZW\$ of property, plant, and equipment in the prior and current years.

Furthermore, we were unable to determine whether any adjustments to the current and prior period depreciation expense, deferred taxation, retained earnings and revaluation adjustments in the statement of profit or loss and other comprehensive income would be necessary to correctly account for these amounts. Our opinion on the current year inflation adjusted financial statements is therefore modified.

Material uncertainty related to going concern

We draw attention to Note 32 in the inflation adjusted financial statements, pertaining to the Company's award by the ICSID Arbitration Tribunal in the matter of the expropriated by the Government of Zimbabwe (the "Government"). These events or conditions, along with other matters as set forth in Note 3 (h) and Note 30, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED**

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the inflation adjusted financial statements of the current year. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How the matter was addressed in the audit |
|---|--|
| 1. Valuation of biological assets – Standing timber | |
| <p>The Company is required to value its standing timber at fair value in accordance with IAS 41 “Agriculture” (“IAS 41”). As disclosed in Note 6 of these inflation adjusted financial statements, the fair value of the standing timber amounted to ZW\$16.07billion (2021: ZW\$10.59billion). The value of standing timber is based on the following inputs;</p> <ul style="list-style-type: none"> • estimated growth rates; • stand density or tree per hectare; • diameter class distribution; • diameter height relationships; • estimated market price per cube meter, and • estimated volumes based on archived enumeration data <p>Accordingly, the valuation of standing timber is a key audit matter due to the significance of the multiple judgements applied in determining the estimates used to compute the fair value.</p> | <p>To test the fair value of the standing timber we performed audit procedures that included but were not limited to the following:</p> <ul style="list-style-type: none"> • Assessed the Company's selection of the valuation methodologies, and evaluated the methods and significant assumptions used by the Company; • Evaluated whether the valuation criteria used by management comply with the requirements of IAS 41; • Tested the design and implementation of relevant controls with respect to the process of determining fair values for the biological assets; • Evaluated the completeness and accuracy of the underlying key data inputs underpinning the fair value of standing timber and assessed the reasonability of the significant assumptions and estimates made by management; • Involved our valuation specialists to assist with our evaluation and challenging of the methodologies used by management's expert and significant assumptions included in the valuation; • Assessed the competence, independence, and objectivity of managements' expert • Compared the significant assumptions applied to market and economic trends, as well as the historical results; • Performed sensitivity analyses on the valuation of standing timber to evaluate the extent of impact on the fair value of the estimated timber volumes; • Assessed the reliability of management's forecasts used in the valuation of standing timber through a comparison of the actual results in the current year against previous forecasts made; and • Reviewed the financial statement disclosures for appropriateness and adequacy. <p>We concluded that the assumptions made by management were reasonable.</p> |

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED**

Other Information

The directors are responsible for the other information. The other information comprises the notice of annual general meeting, company financial highlights, company statutory information, historical financial information, directors' report, corporate governance, chairman's report, and analysis of shareholders for the year ended 30 June 2022 but does not include the inflation adjusted financial statements and our auditor's report thereon. Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Company did not comply with the requirements of IAS 29 in the prior year and IFRS 13 in the prior and current year, we have determined that the other information is misstated for that reason.

Responsibilities of the Directors for the inflation adjusted financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of Companies and other Business Entities Act of Zimbabwe (Chapter 24:31) and for such internal control as the directors determines is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Inflation adjusted financial statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED**

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation adjusted financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the inflation adjusted financial statements, including the disclosures, and whether the inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED**

Report on Other Legal and Regulatory Requirements

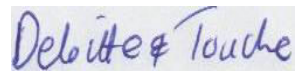
In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193(1) (a)

Because of the matters described in the Basis for Qualified Opinion section of our report, the inflation adjusted financial statements of the Company are not properly drawn up in accordance with this Act so as to give a true and fair view of the state of the Company's affairs for financial year ended 30 June 2022.

Section 193(2)

We have no further matters to report in respect of the Section 193(2) requirements of the Act, in addition to those already covered in our report.



**DELOITTE & TOUCHE
REGISTERED AUDITOR
PER: TAPIWA CHIZANA
PARTNER
PAAB PRACTICE CERTIFICATE NUMBER: 0444**

DATE: 2 NOVEMBER 2022