



## SALIENT FEATURES

	INFLATION ADJUSTED		HISTORICAL *		Inflation Adjusted Movement %
	Unaudited 30-Sep-22 ZW\$	Unaudited 30-Sep-21 ZW\$	Unaudited 30-Sep-22 ZW\$	Unaudited 30-Sep-21 ZW\$	
<b>Revenue ZW\$'000"</b>	2 157 852	1 757 500	2 049 526	441 275	▲ 23%
<b>Profit/(Loss) before tax ZW\$'000"</b>	4 804 043	384 990	( 489 210)	97 512	▲ 1148%
<b>Volume sold: Poles (m3)</b>	1 671	5 198	1 671	5 198	▼ 68%
<b>Volume sold: Lumber (m3)</b>	9 461	12 213	9 461	12 213	▼ 23%
<b>Production Volume: Poles (m3)</b>	1 619	4 145	1 619	4 145	▼ 61%
<b>Production Volume: Lumber (m3)</b>	10 551	11,578	10 551	11 578	▼ 9%

\*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.

## ECONOMIC OVERVIEW

The quarter under review was characterised by changes in the Macro-economic environment as the Central Bank implemented tighter monetary measures to arrest inflationary pressures. The measures implemented by the monetary authorities, which includes increasing the interest rates and the introduction of gold coins, resulted in the easing of inflation and we anticipate the trend to continue through to the end of the year.

## OPERATIONAL OVERVIEW

### SILVICULTURE, HARVESTING AND SAWMILLING

The primary silvicultural focus of the Company is to grow and maintain the forests to further strengthen the Biological Asset. The winter replanting plan was achieved with excellent survival rates and other silvicultural activities like weeding and pruning are broadly in line with planned targets. The major business risk remains the loss of forestry to fire and to mitigate that, the Company has strengthened its plantation patrol teams through enhanced firefighting training and acquisition of additional firefighting equipment during the first quarter to 30 September 2022.

Harvesting and sawmilling activities are fairly in line with expectations. The challenge remains with our aged sawmilling equipment which is resulting in frequent breakdowns. Plans are underway to replace the old sawmilling equipment with new latest technology mills and commissioning of the new sawmills is expected before the end of this Financial Year (June 2023).

With our Imbeza Estate already certified, review and audit processes are ongoing for Sheba and Charter Estates in preparation for Forest Steward Council (FSC) certification, with full certification for both Estates being expected by end of the Financial Year.

### SALES

Lumber sales volume was 23% down compared to the comparative period in prior year. The temporary reduction in sales volume was mainly driven by low customer demand in the local market in the first two months of the first quarter with the month of September showing good signs of a re-bounce. We believe the demand for Lumber will remain strong in the local market and we continue being aggressive to expand the export market.

Poles sales volume was 68% lower than the comparative period in prior year, this is mainly because of timing differences that are usually experienced in the acquisition of tenders, which is asymmetrical. Improved performance is anticipated in the Poles business due to expected demand for the product in the SADC region mainly for the rural electrification projects.

### 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 continues 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.

## OUTLOOK

Recapitalisation remains a key priority with our replanting program already on course to reduce the unplanted area to the industry standard of 5% in the next three years.

Management remains focused on cost containment, closely managing operating expenditure and working capital positions in the most effective and efficient manner. Despite the increasingly complex trading environment, the Company remain focused on producing a positive outcome by driving volumes and ensuring that pricing remains competitive.



**ELIAS HWENGA**  
CHAIRMAN  
14 November 2022