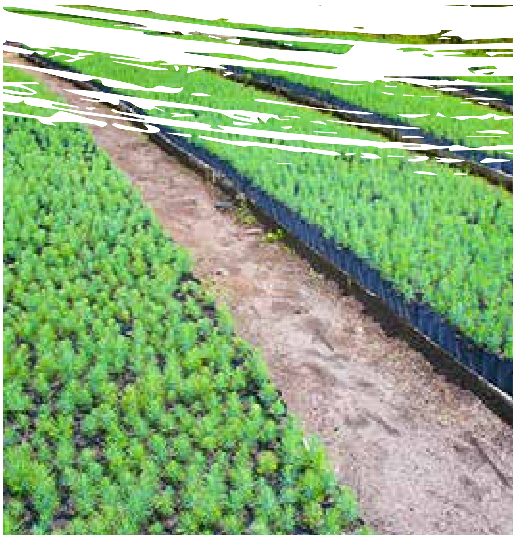
BORDER TIMBERS LIMITED

A RIFT VALLEY COMPANY



BORDER TIMBERS LIMITED

2022 ANNUAL REPORT

WELCOME TO OUR ANNUAL REPORT 2022

The BTL 2022 Annual Report is available on the following websites:

- www.zse.co.zw
- www.bordertimbers.co.zw

Members may also obtain a copy of the Annual Report from the office of the Transfer Secretaries, Corpserve (Private) Limited

CONTENTS 2022

Border Timbers **In Brief**

Border Timbers Limited ("Border" or "BTL" or "the Company") is a limited-liability company incorporated under the laws of Zimbabwe. The Company's shares have been listed on the Zimbabwe Stock Exchange ("the ZSE") since 1959 and is a subsidiary of the Rift Valley Corporation. Since 1979 Border Timbers has grown the estate size to its current 48,000 hectares.

The Company is comprised of two divisions: Forestry, and Manufacturing. There are five estates; Tilbury, Charter, and Sawerombe Estates, which are in the Chimanimani area to the south of Mutare town, as well as Imbeza and Sheba estates, which are to the north in the Penhalonga area. Logs harvested by the Forestry Division are processed at the Company's two sawmills, Charter, and Sheba.

The first sawmill was established at Charter in 1953 and today it is one of the largest sawmills in Southern Africa. The Sawmilling Division has capacity to process +/- 112,000 m3 of saw logs annually. Most of the timber produced from the sawmills is sold to customers locally and regionally as rough-sawn timber ("RST").

ENVIRONMENTAL MANAGEMENT

In all its operations, the Company observes the best practises laid out by an Environmental Management Authority to ensure there is minimal impact to air, water, and soil during its operations; provide a safe working environment for all its employees and ensuring safe disposal of all waste. The Company manages its plantations to the highest forestry standard practices.

SOCIAL RESPONSIBILITY

The Company employs 613 workers on a full-time basis. An additional 1,340 are employed by our harvesting and Silviculture contractors. Most of the employees are from neighbouring communities. The Company takes a keen interest in the health and safety of its workforce. All employees have access to medical clinics that are operated by the Company, and they are issued with protective clothing. The Company has fostered a working environment in which every individual employee, at all operations, has an opportunity to achieve their full potential. At all rural operations, the Company operates schools that provides education for employees' children as well as those of neighbouring communities.

Border Timbers **In Brief**

FORESTRY

There are five estates; Tilbury, Charter, and Sawerombe Estates, which are in the Chimanimani area to the south of Mutare town, as well as Imbeza and Sheba estates, which are to the north in the Penhalonga area.

SAWMILLING

Logs harvested by the Forestry Division are processed at the Company's two sawmills, Charter, and Sheba.

MANUFACTURING

Production of poles and other timber products.

Our Vision, **Mission & Values**

VISION

Border Timbers will create significant stakeholder value by becoming the best integrated forest products company in Africa.

Defining the "Best in Africa"
To measure that we will have ONE economic/financial measurement "net cash return per cubic meter felled"

MISSION

Border Timbers is in the business of growing, milling and manufacturing timber from managed plantations.

Customers are the focus of our operations and we are committed to providing them with quality products and service.

OUR VALUES

Respect

Treat everyone with respect

Ethical

Adhere to the highest standard of ethics

Health & Safety

Take great care of the health and safety of all employees

Integrity

Honour every commitment

Continuous Improvement

Continually improve

Quality

Drive quality into everything that we do

Communication

Communicate honestly and relentlessly

Team Work

Create a very strong team

Notice of Annual General Meeting

Time	:	9:15 am
Date	:	Friday 16th December 2022
Place	:	4-12 Paisley Road, Southerton, Harare

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Border Timbers Limited will be held at 9:15am on Friday, 16th of December2022 in the Board Room at Northern Tobacco (Private) Limited Complex, 4-12 Paisley Road, Southerton, Harare.

Members will be asked to consider, and if deemed fit, to pass with or without amendments, the resolutions set out below:

AS ORDINARY RESOLUTION

1. **Financial Statements**
   To receive, consider and adopt the audited financial statements for year ended 30 June 2022, together with reports of the Directors and the Independent Auditor.

2. **Election of Directors**

3. **Directors Remuneration**
   To ratify the remuneration paid to the non-Executive Directors.

4. **Independent Auditors Fees and Appointment**
   To ratify the remuneration paid to the Independent Auditor for the past year's services and to appoint Independent Auditor for the ensuing year.

5. **Any Other Business**
   To transact such other business as may be transacted at an Annual General Meeting. In accordance with the requirements of the Companies and Other Business Entities Act, (COBE) (Chapter 24:31), members of the Company are notified that they are entitled to appoint one or more proxies to attend, speak and vote at the meeting on their behalf. A proxy need not be a member of the Company. Proxies must be lodged with the Secretary not less than forty-eight hours before the meeting.

By order of the Board

M.B NAROTAM
COMPANY SECRETARY
Harare, Zimbabwe

TRANSFER SECRETARIES
Corpserve (Private) Limited
4th Floor, ZB Centre, Kwame Nkrumah Ave
Harare, Zimbabwe

NOTES:

1. **Appointment of Proxies**

1.1 A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and speak and upon a poll, vote in his stead. A proxy need not also be a member of the Company.

1.2 The proxy form should be lodged with the Secretary of the Company, to be received not later than 10:00am on Monday 21st of November 2022.

2. **Change of Address:**
   Members are requested to advise the Transfer Secretary in writing of any change of address.

Statutory **Information**

as at 30 June 2022

DIRECTORS

Director	Position	Date of Appointment
E Hwenga	Chairman	Appointed as Chairman of the Board on 26 March 2014
E Kuhn*	Director	Appointed 1 January 2013
L Karimanzira*	Director	Appointed 1 June 2017
G Youngs	Director	Appointed 12 January 2022
B N Ncube	Director	Appointed 12 January 2022
C Ravizza	Director	Appointed 15 November 2018
R W J Strong	Director	Appointed 26 March 2014
S J Hammond	Director	Appointed 12 January 2022
T Hoegh	Director	Appointed 15 November 2018 (Resigned 12 January 2022)

*Executive

JUDICIAL MANAGEMENT

The Company was placed under Voluntary Provisional Judicial Management on the 29th of January 2015 and subsequently into Final Judicial Management on the 2nd of May 2016. Following approval of the Shareholders at the EGM the subsequent approval by the High Court, the company exited Judicial Management on the 14th of March 2022. On this date, the Judicial Manager relinquished his powers and handed over the company management to the Board of Directors.

PROFESSIONAL ADVISORS

Independent Auditor
Deloitte & Touche (Zimbabwe)

Attorneys
Henning Lock Donagher and Winter
Honey & Blackenberg
Maunga Maanda and Associates
Wintertons legal Practitioners
Baker Mckenzie
Kantor Immerman Legal Practitioners
J and M Advocates

Bankers
Ecobank Zimbabwe Limited
Stanbic Bank Limited
ZB Bank Limited
National Building Society Bank

Statutory **Information**

as at 30 June 2022

SECRETARY

M.B. Narotam

REGISTERED OFFICE

4-12 Paisley Road, Southerton
Harare
Zimbabwe

Postal Address
P.O. Box ST 629
Southerton
Harare

PERIOD OF FINANCIAL STATEMENTS

Year ended 30 June 2022

DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE

31st October 2022

COMPANY SECRETARY'S CERTIFICATE

In terms of the Companies and Other Business Entities Act (24:31) and the Zimbabwe Stock Exchange Listing Requirements, I certify that the Company has lodged with the Registrar of Companies and the Zimbabwe Stock Exchange all such returns as are required of a public company and that all such returns are true, correct and up to date.

MUNESH NAROTAM
COMPANY SECRETARY
31st October 2022

SHAREHOLDERS CALENDAR

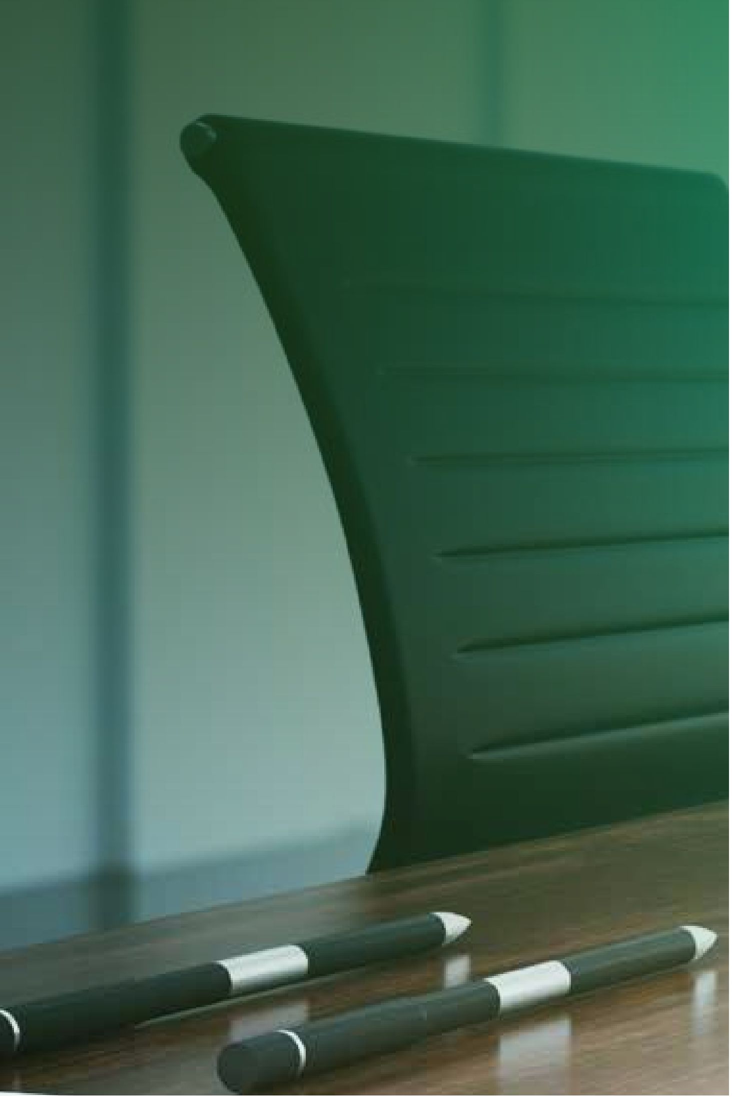
Financial reports

Year end results announced	31st October 2022
Annual General meeting	16th December 2022

Shareholders are reminded to notify the Transfer Secretary, P.O Box ST 629, Southerton, Harare, of any change in address.

Corporate **Governance**

Border Timbers Limited is dedicated to adherence to the highest corporate governance standards and best practices. The Company's culture of ethical business practices, transparency, integrity, and accountability provide a robust foundation for effective corporate governance.



We recognise that the primary objective of any system of corporate governance is to ensure that directors, executives, and managers carry out their responsibilities faithfully, effectively, and efficiently. The Company's structure, operations, policies, and procedures are continuously assessed and updated for compliance with national laws and generally accepted corporate governance practices. The Company continue to align its corporate governance practises with the Companies and Other Business Entities Act (24:31), SI.134 of 2019 Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules 2019 and the National Code on Corporate Governance in Zimbabwe (ZIMCODE). In addition, the Company continues to benchmark with international best practices such as the King IV Code of Corporate Governance of South Africa.

The Board of Directors is in charge of determining the overall strategy, major policies, and risk tolerance levels. Additionally, it approves major purchases, sales, and interim and yearly operating as well as strategic plans and budgets. Key performance indicators and best practice benchmarks are used to track the application of the overall strategy, policies, and risk management. Executive management provides organised reports so the Board can keep track of performance.

ACCOUNTABILITY AND DELEGATED FUNCTIONS

The Board meets formally at least once every quarter to review the entity's performance. There is an agenda of matters presented for its consideration and review, and where appropriate for decision making, so that it maintains full and effective control over strategic, financial, operational and compliance issues.

BOARD APPOINTMENTS AND COMPOSITION

The Company's Articles of Association provide for the appointment of independent Directors. Directors were appointed in a formal and transparent manner. Each director has been separately identified, as a person with the requisite qualifications, skills, and experience as well as ethical standing, to contribute to the strategy and performance of the Company. Appointments of directors are ratified at the annual general meeting (AGM) of shareholders. The Board currently comprises two Executive Directors and six Non-Executive Directors, three of whom are independent. The Chairman of the Board is an Independent Non-Executive Director, thus ensuring a separation of powers and authority.

Corporate **Governance**

The Board considers the indicators set out in King IV™ holistically and on a substance-over-form basis when assessing the independence of each director for purposes of categorisation. The directors serving on the Board that are classified as independent have an absence of an interest, position, association, or relationship which is likely to influence unduly or cause bias in decision-making. The Board is satisfied that these directors act with independence of mind and in the best interest of the Company.

BOARD COMMITTEES

The allocation of roles and responsibilities and the composition of Board committees have been considered holistically by the Board with the aim to promote effective collaboration among committees with minimal overlap and fragmentation of duties, as well as a balanced distribution of power. These delegation arrangements are to promote independent judgement, to assist with balance of power and to assist with the effective discharge of its duties by the Board. Members of executive and senior management are invited to attend Board committee meetings, either by standing invitation or on an ad hoc basis to provide pertinent information and insights in their areas of responsibility.

The Board has established and mandated two Committees to perform work on its behalf in various key areas affecting the Company. The Committees are chaired by Independent Non-Executive Directors and they submit reports to the main Board on the respective deliberations and findings. Below are the two committees set in place by the Board and the respective members that constitute those committees:

Audit Committee

The committee consists of three non-executive Directors. The internal and external auditors attend the meetings and have unrestricted access to the Chairperson of the committee. The committee meets at least twice a year. Key functions of this committee includes but not limited to:

- To advise the Board on all matters relating to corporate governance and regulatory issues. In particular, it monitors financial controls, accounting systems and assesses the processes for identifying, monitoring and managing business risks;
- It reviews any significant abnormal transactions, ensures there are no restrictions on the external auditors work and follows up matters reported or unresolved with the auditors;
- Monitors the Internal Audit Charter, plans, programs and reports and recommend appointment of external auditors and
- It reviews the Company's financial statements and external audit fees before submission to the Board for consideration and approval.

Members:

1. Simon Hammond (Independent Chairperson)
2. Bekezele Ncube (Independent Non-Executive director)
3. Glenn Youngs (Non-Executive director)

Renumerations Committee

The committee consists of two non-executive Directors. The committee meets at least twice a year. Key functions of this committee includes but not limited to:

- Making recommendations on all major human resources policy issues, including Board appointments and the remuneration policy of the Executive Directors and senior management. The objective of the policy is to ensure the right calibre of management is recruited and retained;
- The committee also considers, at the Board level, remuneration levels and conditions of services of staff to ensure that these are fair, appropriate and in line with the market and the Company's remuneration philosophy.

Members:

1. Bekezele Ncube (Independent Chairperson)
2. Simon Hammond (Independent Non-Executive director

Corporate **Governance**

BOARD OF DIRECTORS' PROFILES

Below are the Board of directors' profiles for the reporting period:

ELIAS HWENGA
CHAIRMAN (Independent -Executive director)
Appointed: 26 March 2014

Mr. Hwenga is an experienced director with demonstrated history of working in the manufacturing, Agro-industrial, Construction and Real Estate industries. He has 24 years of extensive experience in plantations and seasonal agriculture at both operational, executive and board levels. Mr Hwenga currently provides executive leadership for a construction and property development group. He is a qualified Chartered Management Accountant (FCMA) UK with an MBA from University of Kwazulu Natal, South Africa

CARLO RAVIZZA
NON-EXECUTIVE DIRECTOR
Appointed: 15 November 2018

Mr. Ravizza is an Investment Director at Höegh Capital Partners Limited and Director on a number of controlled investments (including Rift Valley). He has been involved with Rift Valley and its Sub-Saharan activities since 2011. Mr. Ravizza additionally has 16 years of combined experience, of which 11 years at Höegh Capital Partners. He previously worked at global firms covering various advisory roles (McKinsey, Bain, Alvarez & Marsal, AlixPartners, JPMorgan). His qualifications include a BA (business administration and finance) summa cum laude at University of Torino and Master's in business administration from London Business School.

ERHARD KUHN
EXECUTIVE DIRECTOR
Appointed: 1 January 2013

Mr. Kuhn joined Border Timbers as Managing Director in January 2013 and was appointed to the board on the same day. He has vast forestry experience in South Africa and Asia with a proven record of turning organizations around to improve profits, growth, and business efficiencies. Mr. Kuhn holds a National Forestry Diploma Saasveld Forestry College South Africa and a B. Com Acc UNISA South Africa

GLENN YOUNGS
NON-EXECUTIVE DIRECTOR
Appointed: 12 January 2022

Mr. Youngs has 17 years of experience in Agribusiness, 9 years of which with Rift Valley as General Manager then Managing Director of Northern Tobacco and holds a BSc (Hons) Agriculture (International) from The Royal Agricultural College in Cirencester.

Corporate **Governance**

LYSIUS KARIMANZIRA

EXECUTIVE DIRECTOR

Appointed: 1 June 2017

Mr. Karimanzira has 18 years of experience, 11 years of which were with Rift Valley and 5 years with Border Timbers Limited as Finance Director. He trained with Fair value Chartered Accountants (Zimbabwe) and holds a Bachelor of Science Hons degree in Applied Accounting from Oxford Brookes University (UK), Association of Chartered Certified Accountants (ACCA) Member and Registered Public Accountant Zimbabwe (RPacc).

ROBERT STRONG

NON-EXECUTIVE DIRECTOR

Appointed: 26 March 2014

Mr. Strong has 27 years of experience, 9 years of which were with Rift Valley. He assumed the role of Rift Valley Group CEO in January 2014 and is the co-founder of Northern Tobacco and Northern Farming with extensive experience in private commercial agriculture. Mr Strong holds a Degree in Agricultural Business Management from London University, and as a Qualified Chartered Accountant after completing his articles with PWC in the United Kingdom.

BEKEZELA NCUBE

(INDEPENDENT NON-EXECUTIVE DIRECTOR)

Appointed: 12 January 2022

Ms. Ncube is a Principal and Partner at Criterion Africa Partners, a US-based fund manager that invests in the forestry and agriculture value chain across Sub-Saharan Africa to achieve commercial, climate, and development objectives on behalf of an array of investors. She is experienced in financial analysis, as Ms. Ncube was formerly a bank stock analyst at Sanford C Bernstein in New York City before working at the Clinton Foundation, where she was part of a group of teams that set up some of the most wide-ranging programs for the management of HIV, malaria, and other infectious diseases. She currently partners with boards of directors and management teams across the CAP-related portfolio companies to identify and execute on business development opportunities, supporting value creation and asset improvements. Additionally, Ms. Ncube and her colleagues on the CAP team have successfully managed almost $300 million in investments over the past decade and continue to stay at the forefront of the African forestry investment landscape. Ms. Ncube received her undergraduate degree in Economics with honours from Harvard University. She also has an MBA in Finance from the University of Pennsylvania's Wharton School and a Master's in Public Policy in International Development from the Harvard Kennedy School.

SIMON HAMMOND

(INDEPENDENT NON-EXECUTIVE DIRECTOR)

Appointed: 12 January 2022

Simon Hammond retired in March 2020 after over 20 years with the Old Mutual Group, having been Managing Director of Central Africa Building Society for 5 years. He was a partner of KPMG Zimbabwe and Mozambique prior to that and is a past President of the Institute of Chartered Accountants of Zimbabwe and currently serves as a non-executive director of companies including Meikles Limited and Tanganda Tea Company Limited. Additionally. Mr. Hammond is currently the Chairman of the Board of Governors of Peterhouse.

Directors' **Report**

The directors have pleasure in submitting their report on the annual financial statements of Border Timbers Limited for the year ended 30 June 2022.

AUTHORISED AND ISSUED SHARE CAPITAL

Details of the authorised and issued share capital at 30th June 2022 are included in note 11 to the Company's financial statements.

DIVIDENDS

The Board has resolved not to declare a dividend for the year ended 30 June 2022.

REVIEW OF THE FINANCIAL RESULTS AND ACTIVITIES

The annual financial statements have been prepared in accordance with IFRS and the requirements of the Companies and Other Business Entities ("COBE") 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 accounting policies to the annual financial statements have been applied consistently compared to the prior year. Full details of the financial position, results of operations and cash flows of the Company are set out in the annual financial statements.

DIRECTORATE AND RENUMERATION

The directors in office during the financial period have been set out in detail in the Corporate governance report. Directors' emoluments for salaried Directors paid during the year was ZW$8 573 110 (2021: ZW$85 735 293).

BORROWING FACILITIES

Article 86 of the Company's Articles of Association provides that the Company may from time to time, at the discretion of the Directors, borrow, raise or source borrowings up to half the value of the shareholders equity as reflected in the Statement of Financial Position of the Annual Report. This limit may only be exceeded with the sanction of an ordinary resolution of the Company.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company are required by the Companies and Other Business Entities ("COBE") Act (Chapter 24:31), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period are in conformity with International Financial Reporting Standards (IFRS). The inflation adjusted financial statements for the year ended 30 June 2022 presented from pages 25 to 87 have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as well as in accordance with disclosure requirements of the Companies and Other Business Entities ("COBE") Act (Chapter 24:31), and the Zimbabwe Stock Exchange Listing Requirements.

Directors' **Report**

The directors acknowledge that they are ultimately responsible for the systems of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. The systems are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent material misstatements and losses. To enable the directors to meet these responsibilities, the Board of Directors sets systems for internal control aimed at reducing the risk of error or loss in a cost-effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of annual financial statements.

The Directors have reviewed the performance and financial performance of the Company at the date of signing these financial statements and are satisfied that the measures they have put in place will ensure the viability of the company's operations beyond the next 12 months. They also reviewed the prospects of the Company, including its budgets, made objective assessment of the ongoing land issues and are satisfied that the Company will remain a going concern and therefore continue to apply the going concern assumption in the preparation of these inflation adjusted financial statements, refer to note 32 for more details on going concern.

INDEPENDENT AUDITOR

Members will be asked to approve the Auditor's remuneration for the past audit and to confirm the appointment of Messrs Deloitte & Touche Chartered Accountants (Zimbabwe) as independent auditor of the financial statements of Company for the ensuing year. They have signified their willingness to continue in office.

ANNUAL GENERAL MEETING

The Annual General Meeting is to be held on 16th of December 2022 in terms of the notice set out on page 5 of this annual report.

By Order Of The Board

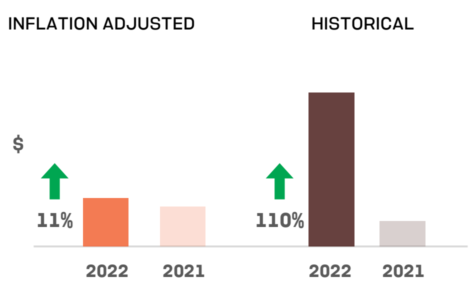
ELIAS HWENGA
CHAIRMAN
31 October 2022

LYSIUS KARIMANZIRA
FINANCE DIRECTOR
31 October 2022

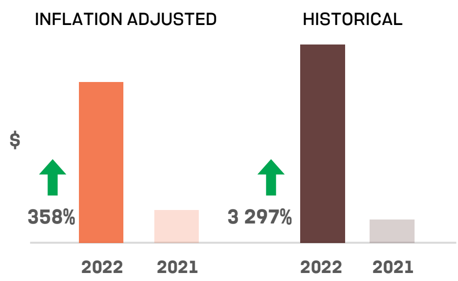
Financial **Highlights**

as at 30 June 2022

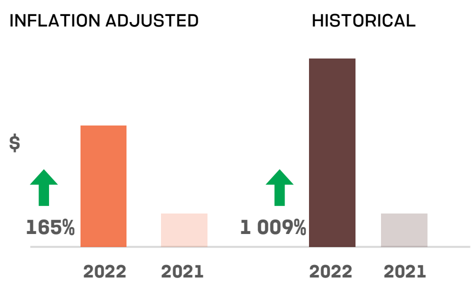
REVENUE



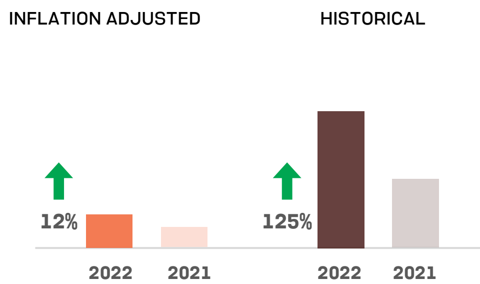
BASIC EARNINGS



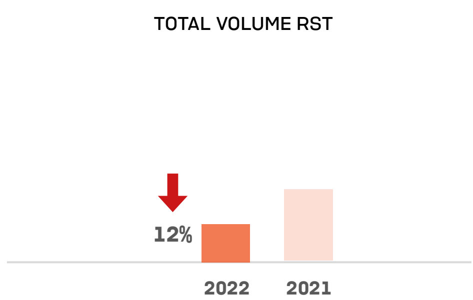
PROFIT/(LOSS)BEFORE TAX



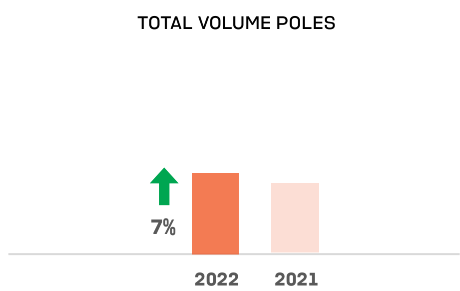
CASH GENERATED FROM OPERATING ACTIVITIES



VOLUME SOLD : RST



VOLUME SOLD: POLES



Financial **Highlights**

as at 30 June 2022

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
Statement Of Profit Or Loss And Other Comprehensive Income				
Revenue	4 785 608 535	4 316 494 354	2 589 992 420	1 236 149 192
Net finance cost	(44 650 299)	(73 270 832)	(23 067 585)	(20 119 740)
Profit /(Loss) before income tax	3 624 837 739	(5 585 598 318)	9 800 655 798	883 717 219
Total Comprehensive income /(Loss) for the year	12 380 514 362	(4 792 277 375)	24 023 880 032	708 097 484
Statement of Financial Position				
Equity attributable to owners of the parent	27 750 978 265	15 370 463 903	26 651 488 567	2 627 608 536
Cash and cash equivalents	66 187 597	83 476 000	66 187 597	28 630 560
Borrowings	1 841 857 223	1 402 426 420	1 841 857 223	481 003 559
Statement of Cash Flows				
Net (decrease)/increase in cash and cash equivalents	(17 288 403)	25 555 790	37 557 037	19 017 192
Ordinary Share Performance				
Basic earnings/(loss) per Share (cents)	288.30	(111.60)	559.44	16.00
Market price per share at 30 June (ZW$)	0.20	0.20	0.20	0.20
Shares in issue (number)	42 942 487	42 942 487	42 942 487	42 942 487
Other				
Profit/(loss) before income tax on total assets	10.03%	(26.53%)	28.02%	21.03%
Return on shareholders' equity	44.61%	(31.18%)	90.14%	26.95%
Net asset value per Share (US$)	646.24	357.93	620.63	61.19
Debt to Equity	6.64%	9.12%	6.91%	18.31%
Current ratio	1.53	2.56	1.10	1.92
Equity: total assets	77%	73%	76%	63%
Debt service coverage ratio	1.5266	(4.50)	4.12	2.08
Borrowings to profit/(loss)before income tax depreciation	0.46	(0.26)	0.18	0.53
Interest cover	81.18	(76.23)	424.87	44.87
Number of employees	613	578	613	578

Chairman's **Report**

Following approval by the Shareholders at the EGM in January 2022 and the subsequent approval by the High Court on the 14th of March 2022, the Company exited Judicial Management, and this led to the reinstatement of the board of directors who took over the control of the company from the Judicial Manager.

ELIAS HWENGA
CHAIRMAN

The full year under review was quite challenging, characterized 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 provisional Judicial Management in 2015 and subsequently into Final Judicial Management in 2016. Following approval by the Shareholders at the EGM in January 2022 and the subsequent approval by the High Court on the 14th of March 2022, the Company exited Judicial Management, and this led to the reinstatement of the board of directors who took over the control of the company from the Judicial Manager. Our appreciation goes to Peter Bailey (Judicial Manager) and the management team who led the company and weathered the storms during the period of Judicial Management.

Chairman's **Report**

During the period under review, 713 hectares (FY2021: 341 hectares) were planted, a significant improvement compared to prior year.

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$3.62billion (FY2021: ZW$5.59billion 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).

Chairman's **Report**

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 m3 (FY 2021: 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

Chairman's **Report**

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.

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(FY 2021: 9 464m^3), a 7.4% improvement from the prior year. Market development remains the key focus of our Pole 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
31 OCTOBER 2022

Deloitte.

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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 25 to 87, 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.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">1. Valuation of biological assets – Standing timber</td></tr>
<tr><td>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;

• 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
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.</td><td>To test the fair value of the standing timber we performed audit procedures that included but were not limited to the following:
• 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.
We concluded that the assumptions made by management were reasonable.</td></tr>
</table>

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 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

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

DATE: 2 NOVEMBER 2022

Statement Of **Financial Position**

as at 30 June 2022

	Notes	INFLATION ADJUSTED		HISTORICAL*	
		2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
ASSETS					
Non-current assets					
Property, plant, and equipment	5	18 272 699 208	8 590 788 986	18 134 908 282	199 820 414
Biological assets	6	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	6	1 835 139 120	1 310 324 870	1 835 139 120	449 414 612
Inventories	7	1 283 836 434	1 189 259 217	242 521 126	135 770 611
Trade and other receivables	9	463 073 099	596 698 475	463 073 099	204 655 364
Cash and cash equivalents	10	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	11	58 370 451	58 370 451	429 425	429 425
Non distributable reserve	12	-	-	-	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	13	1 489 436 310	1 182 333 650	1 489 436 310	405 516 243
Deferred tax	14	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	15	2 025 152 923	1 020 490 855	2 025 152 923	350 007 477
Short term borrowings	13	320 999 734	198 044 677	320 999 734	67 925 27
Bank overdrafts	13	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.

The notes on pages 29 to 87 are an integral part of these financial statements.

The financial statements were approved by the Directors on 31st October 2022

ELIAS HWENGA
Chairman
31st October 2022

LYSIUS KARIMANZIRA
Finance Director
31st October 2022

Statement Of **Profit Or Loss And Other Comprehensive Income**

For the year ended 30 June 2022

	Notes	INFLATION ADJUSTED 2022 ZW$	INFLATION ADJUSTED 2021 ZW$	HISTORICAL* 2022 ZW$	HISTORICAL* 2021 ZW$
Revenue	17	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	18.2	278 503 838	339 401 281	171 542 170	94 002 920
Selling and distribution expenses	20	(130 376 972)	(375 971 038)	(69 886 755)	(100 261 911)
Administration expenses	21	(1 419 099 631)	(992 175 040)	(951 186 793)	(230 661 319)
Other operating expenses	18.1	(1 927 684 100)	(516 091 221)	(1 445 936 151)	(126 499 337)
Fair value gain/(loss) due to biological assets transformation	6	5 502 155 070	(4 845 580 822)	12 231 393 494	1 161 581 941
Finance income	23	7 096 886	6 592 135	3 948 760	2 090 145
Finance costs	23	(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)	24	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**
Profit/(loss)for the year attributable to:					
-Owners of the parent		**12 380 514 362**	**(4 792 277 375)**	**24 023 880 032**	**708 097 484**
-Non-controlling interests		-	-	-	-
Earnings/(Loss) per share attributable to the owners of the parent during the year (cents per share)					
Basic earnings/(loss) per share		288.30	(111.60)	559.44	16.47
Diluted earnings/(loss) per share		288.30	(111.60)	559.44	16.47

The notes on pages 29 to 87 are an integral part of these financial statements.

*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.

Statement Of **Changes In Equity**

For the year ended 30 June 2022

INFLATION ADJUSTED	Share capital ZW$	Revaluation reserves ZW$	Retained earnings ZW$	Total ZW$
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**

HISTORICAL*	Share capital ZW$	Non distributable Reserves ZW$	Revaluation reserves ZW$	Retained earnings ZW$	Total ZW$
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	**429 425**	**90 455 727**	**138 782 606**	**2 397 940 777**	**2 627 608 535**
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**

*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

The notes on pages 29 to 87 are an integral part of these financial statements.

Statement Of **Cash Flows**

For the year ended 30 June 2022

	Notes	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Cash flow 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	5	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	6	(5 502 155 070)	4 845 580 822	(12 231 393 494)	(1 161 581 941)
- Plantation redemption	6	930 268 259	1 338 896 345	353 399 268	384 895 872
- Plantation damage	6	24 673 344	719 398	11 575 136	182 196
- Exchange Losses	19	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	23	(7 096 886)	(6 592 135)	(3 948 759)	(2 090 145)
- Finance costs	23	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	19	(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	9	133 625 376	736 089 004	(258 417 735)	(22 768 156)
- Increase in trade and other payables	15	1 422 977 814	168 490 243	1 652 440 705	207 728 928
- (Decrease)/Increase in provisions and accruals	15	(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	5	(47 902 184)	(85 759 883)	(24 427 792)	(25 602 893)
Expenditure on biological assets	6	(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	21	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	13	90 348 039	-	69 127 140	-
Repayments of loans and borrowings	13	(158 178 547)	(225 604 727)	(85 237 327)	(77 377 804)
Interest paid	23	(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	10	**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 **Financial Statements**

For the year ended 30 June 2022

1 CORPORATE INFORMATION

Border Timbers Limited ("the Company"), is a limited liability public company incorporated and domiciled in Zimbabwe whose shares are publicly traded. The ultimate holding parent of the company is Rift Valley Corporation Limited, a company incorporated in Jersey, Channel Islands. Border Timbers Limited grows and mills timber from managed plantations for production of poles and other timber products.

The financial statements of Border Timbers Limited for the year ended 30 June 2022 were authorised for issue on 31st October 2022 by the Board of Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Statement of compliance

The financial statements of Border Timbers Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable to companies reporting under IFRS and in a manner required by 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$.

2.1.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for property, plant and equipment, biological assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.3 Going concern

The Board of Directors has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements (refer to note 32).

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

2.1 Basis of preparation(continued)

2.1.4 Changes in accounting policies and disclosures

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a) New standards, amendments, and interpretations effective for the first time for 30 June 2022 year ends and are relevant to the Company.

During the current financial year, there were no new standards and interpretations applicable to the Group that were adopted.

b) New standards, amendments, and interpretations effective for the first time that are not relevant to the Company

Standard / interpretation	Content	Applicable for financial years beginning on/after
Amendment to IFRS 16	Covid 19 Related Rent Concessions	1 May 2021

c) New standards, amendments and interpretations issued but not effective for the financial period beginning on or after 1 January 2022 with early application permitted.

The following new standards, amendments and interpretations issued but not effective:

Standard / interpretation	Content	Applicable for financial years beginning on/after
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1	Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Income Taxes — Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

c) New standards, amendments and interpretations issued but not effective for the financial period beginning on or after 1 January 2022 with early application permitted (continued)

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current - The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 16 – Property, Plant and Equipment—The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies - The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.
The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even if the amounts are i
material. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
The amendments are expected to have no material impact on the Company's financial statements on initial application

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Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2 . 1 Basis of preparation (continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

c) New standards, amendments and interpretations issued but not effective for the financial period beginning on or after 1 January 2022 with early application permitted (continued)

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an errors.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.
The amendments are expected to have no material impact on the Company's financial statements on initial application.

Amendments to IAS 12 Income Taxes — Deferred Tax related to Assets and Liabilities arising from a Single Transaction -The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entitydoes not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with: – Right-of-use assets and lease liabilities – Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The impact of initial application of the amendments on the Company's financial statements cannot be estimated with reasonable accuracy.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.5 Adoption of IAS 29 (Financial Reporting in Hyperinflationary Economies)

The Company adopted IAS 29 Financial reporting in hyperinflationary economies standard in compliance with the guidance provided by the Public Accountants and Auditors Board through its pronouncement 01/2019. The financial statements and the corresponding amounts for the previous periods have been restated for the changes in the general prices indexes that reflects the general purchasing power of the Zimbabwean Dollar (ZW$). Professional judgement has been applied and appropriate adjustments were made to the historical financial statements in preparing the financial statements which are IAS 29 compliant.

IAS 29 Restatement Methodology

Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit at the statement of financial position date. Non-monetary assets and liabilities that are carried at amounts current at the balance sheet date that is at fair value are not restated. Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and the components of the shareholders equity are restated by applying the relevant inflation restatement factor. Non-monetary assets and liabilities that are carried at amounts current at the balance sheet date that is at fair value are not restated.

Deferred tax is provided in respect of temporary differences arising from the restatement of assets and liabilities.

Cashflow items are expressed in terms of the measuring unit current at the reporting date.

All items in the statement of profit and loss are restated by applying the relevant monthly inflation restatement factors. The effect of inflation on the net monetary position of the company is included in the statement of profit or loss as the monetary loss adjustment.

Opening balances have been restated by applying the relevant inflation conversion factors. The company applied IAS 29 from 01 October 2018 numbers. For the comparative year, non-monetary assets, liabilities, and all items in the statement of profit or loss were restated from 01 October 2018 whilst monetary assets and liabilities were restated from 01 July 2019. The historical financial statements have been provided as supplementary information and as a result the auditors have not expressed an opinion on them.

Sources of Price indices

Indices used in the restatement methodology were obtained from the Zimbabwe Statistical Office for the period from October 2018 to June 2022.

	Indices	Conversion Factor
CPI as at 30 June 2022	8 707	1.00
CPI as at 30 June 2021	2 986	2.92

Average CPI for the 12 Months to

30 June 2022	4 600
30 June 2021	2 514

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision- maker. The Chief Operating Decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, who makes all operational and strategic decisions. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and in which it may incur expenses, including revenues and expenses that relate to transactions with any of the company's other components. An operating segment's operating results are reviewed regularly by the operating decision makers to make decisions about resources to be allocated to the segment and to assess its performance where salient financial information is available.

2.3 Foreign Currency Translation

(a) Functional and presentation currency

Functional and presentation currency items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in the Zimbabwean dollar ("ZW$"), which is the Company's functional currency.

(b)Transactions and balances

Foreign currency transactions are translated into the functional currency using the interbank exchange rates at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'other operating expenses.

2.4 Property, plant, and equipment

Land and buildings comprise land, factories, offices, and residential buildings.

Property, plant, and equipment are shown at fair value except for capital work in progress, based on periodic valuations by independent professional valuers less subsequent accumulated depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. The revaluation surplus that has been included in equity in respect of an item of property, plant and equipment will be transferred to retained earnings when the asset is retired of disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. Cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve through other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of property plant and equipment is recognised in profit or loss to the extent it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of property plant and equipment.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant, and equipment(continued)

Capital work in progress comprises assets pending installation and not yet ready for intended use. Assets are transferred from capital work in progress to the relevant classes at the date they are available for the intended use. Capital work-in-progress is carried at cost.

Depreciation on other assets is accumulated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Land and Buildings	-	4 - 40 years;
Plant and machinery	-	5 - 15 years;
Motor vehicles and tractors	-	5 - 15 years; and,
Furniture and fittings	-	4 - 15 years.

Freehold Land and capital work-in-progress are not depreciated.

Depreciation on revalued property plant and equipment is recognised in profit or loss. On the subsequent sale or retirement of a revalued items of property plant and equipment, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposals or when no future economic benefits are expected to arise from continued use of the asset.

Any gain or loss arising on the disposals or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Biological assets

Valuation of Pine and Eucalyptus plantations is estimated at fair value less costs to sell. In measuring fair value of the plantation, assumptions are made which relate to the market prices, age and yields of standing timber. Trees are generally felled at the optimum age i.e., age when ready for intended use. At the time the tree is felled it is taken out of biological assets and accounted for under inventory. Fair value for standing timber is determined based on market prices. Changes in the carrying value of the biological asset are taken directly to the statement of profit or loss and other comprehensive income in accordance with IAS 41, 'Agriculture'

Biological assets do not include land. Transfers to inventory are recognized after calculating volume at harvesting.The cost of land preparation, planting, weeding and other silvicultural activities including allocation of indirect overheads attributable to the plantation development are capitalised as part of 0- to 4-year-old biological assets, whilst 5 years and above biological assets are valued based on the fair value less costs to sell.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash-generating units'). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Company will account for such difference as follows:

a) If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e., day 1 profit or loss).

b) In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments

Financial assets and financial liabilities

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified at FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives), or the Company has opted to measure them at FVTPL.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 by the Company. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail on the next page.

Measurement

Financial assets at fair value through other comprehensive income (FCTOCI)

Selected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss)/ income.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the credit risk of that liability will be recognized in other comprehensive (loss) income.

2.8 Impairment of financial assets at amortized cost

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. The Company considers that credit risk for a financial instrument has increased significantly if it is over 90 days past due.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and lease receivables in certain circumstances. The company has adopted the simplified approach in measuring the loss allowances for the trade receivables and lease receivables.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of financial assets at amortized cost (continued)

The company determines the historical default rates from the previous performance of its receivables over a period of at least 4 years, and it also takes into account the forward-looking information which is mainly driven by macro-economic factors such as inflation, Gross domestic product, unemployment, and interest rates data. The resultant loss rates are then applied to the different groupings of trade receivables based on their risk profiles.

Write-off

Financial assets are written off when the Company has no reasonable expectations of recovering the financial asset. This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

2.9 Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of comprehensive. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive (loss)/ income.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive income.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the following basis: -

a) Raw materials are valued at cost on a weighted average basis.
b) Finished goods and work-in-progress are valued at cost using weighted average cost method. Cost includes raw materials, direct labour, other direct costs, and related production overheads (based on current operating capacity). It excludes borrowing costs; and,
c) Consumables are valued at weighted average cost.

The values of obsolete and slow-moving stocks are reduced, where necessary, to estimated net realisable values.

Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs of completion and estimated selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods and services provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short- term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs are derecognised when the condition specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Current income and deferred tax

The income tax expense for the year comprises current income and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

Pension obligations
The Company provides for pensions on retirement for all employees by means of a defined contribution pension fund, Border Timbers Limited Pension Fund, which is administered by a Board of Trustees. Currently the fund is on paid up status.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company and all its employees contribute to the National Social Security Pension Fund in terms of the National Social Security Act (Chapter 17:04) of which the contributions are determined by the systematic recognition of legislated Security Act (Chapter 17:04) of which the contributions are determined by the systematic recognition of legislated contributions.

Short terms benefits
The cost of short-term employee benefits is recognised in the period in which the service is rendered. The expected cost of leave pay is recognised as an expense as the employees render services that increase their entitlement.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the entity recognises costs for a restructuring that is within the scope of IAS 37, (Provisions, Contingent Liabilities and Contingent Assets) and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective

2.18 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outlow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise employee termination liabilities. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligationat the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all the economic benefits required to settle the present obligation, its carrying amount is the present value of those cash flows (when the effects of the time value of money is removed).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

The company recognises revenue from the following major sources:

• Sale of Lumber;
• Sale of Poles;
• Sale of logs;
• Sale of Briquettes;

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Revenue from contracts with customers (continued)

Sale of Lumber

Revenue is recognised at a point in time for local and export sales of timber products. For local timber sales, revenue is recognised when the goods leave the premises at the stand-alone selling prices. When the customer collects the goods at the premises, BTL no longer directs the use of the goods, and the client accepts responsibility. For export timber sales the company recognises the revenue for goods when the original shipping documents, for clearance at destination port, are released. Due to the nature of the exportation of Lumber, and the timing difference between the expected date of receipt of payment and the actual payment receipt date this could result in the recognition of contract liabilities.

Sale of Poles

Revenue is recognised at a point in time for sale of Poles. The sale of Poles to customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods, or within 30 days for account holding customers. A receivable is recognised for account holding customers. No financing element is recognised as the payment terms are within 30 days.

Sale of logs

Revenue is recognised at a point in time for sale of logs. The sale of logs to customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods, or within 30 days for account holding customers. A receivable is recognised for account holding customers. No financing element is recognised as the payment terms are within 30 days.

Sale of Briquettes

Revenue is recognised at a point in time for sale of briquettes. The revenue from sale of briquettes to customers is recognised when control of the briquettes has transferred, being at the point the customer receives the goods. Payment of the transaction price is due immediately at the point the customer is invoiced for the goods, or within 30 days for account holding customers. A receivable is recognised for account holding customers. No financing element is recognised as the payment terms are within 30 days.

2.20 Other Income

Sundry Income is recognised the services have been rendered or when the goods have been delivered. Sundry income includes sale of scrap items, administrative handling fees, freight recoveries from export sales and export incentives and other consumables sales.

2.21 Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated. The details of accounting policies under IFRS 16 are presented below:

The Company as lessor

The Company assesses whether a contract is or contains a lease, at inception of the contract. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. "Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and "arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company as lessee

"The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

"The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Leases of property, plant, and equipment where the Company has transferred substantially all the risks and rewards of ownership are classified as finance leases. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Each lease receipt is allocated between the receivable and finance income. The corresponding rental receivable, including finance income, are included in receivables. The interest element of the finance income is credited to the statement of profit or loss and other comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease receivable for each period.

Notes To The **Financial Statements**

For the year ended 30 June 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 EARNINGS PER SHARE

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

-the profit attributable to owners of the Company.

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account.

- the after-income tax effect of interest and other finance costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event,it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Notes To The **Financial Statements**

For the year ended 30 June 2022

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Useful lives and values of property, plant, and equipment

Management estimates its useful lives of various items of property, plant and equipment using various factors that involve use of judgement and the determined useful lives are then used for the calculation of the depreciation charges for the various items of property, plant, and equipment.

b) Expected credit loss allowance on trade and other receivables

For trade receivables, the Company applies the simplified approach as permitted by IFRS 9 which requires expected lifetime losses to be recognized from initial recognition of receivables. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considered the year-on-year inflation rate, Gross Domestic Product growth rate and average market default rates as forward-looking factors for the purpose of calculating ECL. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. The Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Company.

c) Valuation of biological assets

Border Timbers Limited uses a forest database and modelling system called Microforest (MF) to estimate the current standing volume in its plantations which is converted to fair value based on market price. MF is a commercially available system used by most forestry organizations in southern, eastern, and central Africa and some countries in Asia.

Growing stock inventories serve the purpose of estimating the growth of a stand at a specific point in time. Inventory results are used to replace the estimated growth of the stand (mean annual increment – MAI) from growth models with real time growth parameters at the specific point in time. Growing stock inventories help to evaluate the quality of growth model to help make more accurate subsequent product volume projections. Current volume estimation is based on archived enumeration data stored in Microforest:

Past inventories (enumerations) are used for calibrations of growth models which are carried out on growing stands (compartments) to estimate the real growth parameters at the point in time. The major stand parameters collected in an inventory are the following:

- Stand density or trees per hectare (TPH) and the variation thereof over the stand,
- Diameter (DBH) class distribution and the variation thereof over the stand,
- Diameter: height relationships for the diameter classes in the stand.

Inventories carried out are representative samples of the growing stock or stands, which serve as a reflection of the actual stand parameters.

Notes To The **Financial Statements**

For the year ended 30 June 2022

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

c) Valuation of biological assets

Direct estimates, based on Site Index (dominant height at 20 years of age for pine sawlog, 10 for poles and 18 years for eucalyptus sawlog working cycles) are used in compartments where inventory data is not available. Site Index (SI) value stored in MF can be refined after an enumeration is processed and can be used as the basis of estimating compartment volumes.

Microforest (MF) utilises the most recent enumeration results from each compartment for model calibration, ensuring an accurate prediction of yields (volume) that are sensitive to variations in survival, site quality and treatments (pruning and thinning).

The Mean Annual Increment and stand yield are the reflection of age, species, site potential and silvicultural operations carried out. All harvested compartments are captured and removed from standing area in MF.

All newly planted compartments are uploaded in the MF system.
All database changes are effected in MF system

On the last day of the financial year, an advanced processing is run in MF where the current volume of each compartment is calculated. MF has the capacity to calculate current volume at any point in time based on current enumeration data and SI producing a current volume report (CUR). This report issued as a source of total standing compartment volume used for plantation valuation.

The impact and extent of following factors are also assessed. Compartment stocking levels, Baboon damage, Impact of land invasions, Impact of pests and diseases.

d) Splitting of biological asset into current and non-current

The amount classified as current biological assets is the estimated value of planned harvested area based on the ensuing year Annual Plan of Operation "APO". The value of planned harvesting area is arrived at by multiplying the planned harvesting area as per the APO by the closing hectarage values as per the biological asset model. An Annual Plan of Operation is prepared on an annual basis by the Planning Department in consultation with the Forestry Management Department. Strategic guidance is provided by the Board, Forestry Platform Head, Managing Director, and Finance Director.

e) Valuation of United States Dollar denominated assets and liabilities

The Company applied the interbank/auction rate of exchange between the Zimbabwe Dollar (ZW$) and United States Dollar (US$) for the year ended 30 June 2022 in translating foreign currency transactions and balances.

International Accounting Standard 21 (IAS 21) defines the spot exchange rate as the exchange rate for immediate delivery. The Company has therefore applied the official auction exchange rate in its determination of the spot rate pursuant to complying with IAS 21 for the year ended 30 June 2022. The circumstances in which a currency is subject to a lack of exchange ability results in an entity being unable to exchange that currency for another currency. Management have of exchange ability results in an entity being unable to exchange that currency for another currency. Management have concluded that there is no lack nor a temporary lack of exchangeability of foreign currency in terms of IAS 21, which would trigger the need to determine a spot exchange rate through estimation.

The source of foreign currency for the Company is solely local and export sale proceeds which are liquidated on the official auction market. The Company accessed foreign currency worth USD$152 916 on the auction market during the year and the rest of the foreign currency requirements were met from the Export and Local USD$ sale proceeds.

Notes To The **Financial Statements**

For the year ended 30 June 2022

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

f) Revaluation of Property, plant, and Equipment

The valuation was undertaken using the appropriate valuation methodology and professional judgment of the valuers as detailed in note 5. The Company engaged professional valuers, Hollands (Private) Limited to value property, plant, and Equipment at the end of the reporting period. The fair values as determined by Hollands are used for reporting purposes.Valuations of land and buildings are based on market comparable pricing data. The market comparable approach considers comparable market evidence i.e., the sales evidence either achieved or on the market, of similar land and buildings situated in the comparable residential suburbs and undeveloped land with that of subject land and buildings or the sales evidence of complete transactions as well as transactions where offers had been made but the transaction had not been completed. The valuation of other property, plant and equipment was based on either the market value or Net replacement cost. Management has calculated the revaluation surplus by comparing the revalued amounts with the inflation adjusted net book values as at 30 June 2022.

g) Recognition of estate land and biological assets

As detailed in note 30, the company has recognised land and biological assets on the Statement of Financial Position, not with standing the on-going legal matters pertaining to the company's agricultural land, previously expropriated by the Government of Zimbabwe. The company has sought legal counsel concerning the appropriateness of assuming its legal rights on the land that has been affected by unlawful occupation, as well as that which was not unlawfully occupied. The directors are of the view that the company controls and has legal rights on all the land, regardless of occupation status, and are seeking resolution of the matter with Government.

The Directors' judgement with respect to the recognition of land on the Statement of Financial Position is a critical area of judgement. The value of unsettled land is ZW$8 387 611 543 whilst the value of land under occupation by settlers is ZW$2 210 937 057 both of which the directors believe are ultimately under the control of the company, given the underlying legal status, and on-going engagement with the Government of Zimbabwe. All biological assets recognised on the Statement of Financial Position are under the operational control of the company.

4 SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

The information reported for the purposes of resource allocation and assessment of segment performance is focused on the category of customer for each type of activity. The principal categories of customer are direct sales to major customers. The Company's reportable segments under IFRS 8 are therefore as follows:

Forestry	- Development and maintenance of the biological asset up to extraction of logs as well as saw milling of pine logs into lumber.
Manufacturing	- Conversion of the untreated pole into creosote treated transmission and light poles.

Notes To The **Financial Statements**

For the year ended 30 June 2022

4 SEGMENT INFORMATION (continued)

The following is an analysis of the Company's revenue and results by reportable segment in 2022:

	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
Inter segment revenue	-	-	-	-	-	-
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/(Loss) before income tax	3 485 794 684	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	8 322 729 033	-	8 322 729 033
Other Information						
Capital expenditure on property, plant, and equipment	44 720 936	3 181 248	47 902 184	21 246 544	3 181 248	24 427 792
Capital expenditure on biological assets	927 032 309	-	927 032 309	567 827 617	-	567 827 617
Depreciation	269 573 339	8 584 052	278 157 391	8 728 673	(2 069 542)	6 659 131
Employee numbers	594	19	613	594	19	613

Notes To The **Financial Statements**

For the year ended 30 June 2022

4 SEGMENT INFORMATION (continued)

	INFLATION ADJUSTED			HISTORICAL*		
	Forestry	**Manufacturing**	**Total**	**Forestry**	**Manufacturing**	**Total**
	ZW$	**ZW$**	**ZW$**	**ZW$**	**ZW$**	**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
Inter segment revenue				-	-	-
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**
Interest expense	(79 862 967)	-	(79 862 967)	(22 209 885)	-	(22 209 885)
Interest 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	1 963	5 683 037 496	1 574 545 967	235	1 574 546 202
Other Information						
Capital expenditure on property, plant, and equipment	85 759 883	-	85 759 883	25 602 893	-	25 602 893
Capital expenditure on biological assets	587 697 100	-	587 697 100	169 492 808	-	169 492 808
Depreciation	281 894 470	942 303	282 836 773	7 096 612	323 191	7 419 803
Employee numbers	553	25	578	553	22	578

The segmentation of the Company's operations has been done in a manner consistent with the internal reporting provided to the Directors. The Directors is responsible for allocating resources and assessing the performance of the operating segments.

Forestry: growing and milling of hardwood and softwood timber; and Manufacturing: treatment and supply of pole product to the agricultural and electrification industry.

	INFLATION ADJUSTED		HISTORICAL*	
	2022	**2021**	**2022**	**2021**
	ZW$	**ZW$**	**ZW$**	**ZW$**
Country Year ended 30 June 2021				
Botswana	766 934 787	1 372 653 119	369 426 016	364 344 526
South Africa	-	30 371 626	-	7 399 856
Other	198 022 338	534 696 457	91 649 877	138 663 385
Total revenue from external customers	**964 957 125**	**1 937 721 202**	**461 075 893**	**510 407 767**

There are no non-current assets, current assets and financial instruments held outside Zimbabwe.

Notes To The **Financial Statements**

For the year ended 30 June 2022

5 PROPERTY, PLANT AND EQUIPMENT

INFLATION ADJUSTED	Land and buildings ZW$	Motor vehicles and tractors ZW$	Furniture and fittings ZW$	Plant and machinery ZW$	Capital work-in progress ZW$	Total ZW$
Cost or valuation Cost or valuation At 1 July 2020	**8 020 837 779**	**174 303 864**	**54 616 863**	**787 317 262**	**150 015 934**	**9 187 091 702**
Additions	11 716 082	5 765 426	5 191 421	84 682 316	(21 595 362)	85 759 883
Impairment loss	-	(4 303 470)	(1 759 755)	(34 968 224)	-	(41 031 448)
Disposals	(66 586 731)	(17 720 772)	-	-	-	(84 307 503)
At 30 June 2021	7 965 967 130	158 045 048	58 048 529	837 031 354	128 420 572	9 147 512 634
Additions	-	2 805 187	6 355 591	9 820 600	28 920 805	47 902 184
Transfers to/(from) capital work-in progress	-	-	-	6 178 869	(6 178 869)	-
Revaluation	8 531 478 976	87 476 881	1 412 226	575 639 705	-	9 196 007 788
Disposals	-	(3 975 117)	-	(1 548 281)	-	(5 523 397)
At 30 June 2022	**16 497 446 106**	**244 351 999**	**65 816 346**	**1 427 122 249**	**151 162 508**	**18 385 899 208**
Comprising:						
At Cost	**7 965 967 130**	**156 875 118**	**64 404 120**	**851 482 544**	**151 162 509**	**9 189 891 420**
At Valuation 2022	**16 497 446 106**	**244 351 999**	**65 816 346**	**1 427 122 249**	**151 162 508**	**18 385 899 208**
Accumulated depreciation and impairment						
At 1 July 2020	**(167 711 553)**	**(23 536 031)**	**(11 012 091)**	**(79 504 155)**	**-**	**(281 763 830)**
Charge for the year	(167 870 124)	(23 656 145)	(11 806 349)	(79 504 155)	-	(282 836 773)
Eliminated on disposals	4 855 680	3 021 276	-	-	-	7 876 957
At 30 June 2021	(330 725 997)	(44 170 900)	(22 818 440)	(159 008 310)	-	(556 723 647)
Charge for the year	(145 239 663)	(20 494 554)	(33 253 729)	(82 038 633)	-	(281 026 580)
Impairment loss	-	-	-	(113 200 000)	-	(113 200 000)
Eliminated on disposals	-	1 910 388	-	958 800		2 869 188
Eliminated of accumulated depreciation on revaluation	475 965 660	62 755 066	56 072 170	240 088 143	-	834 881 038
	-	-	-	113 200 000	-	113 200 000
Carrying amounts comprising of:						
30 June 2021 (At Cost)	**7 635 241 133**	**113 874 148**	**35 230 089**	**678 023 044**	**128 420 572**	**8 590 788 986**
30 June 2022 (At Revaluation)	**16 497 446 105**	**244 351 999**	**65 816 345**	**1 313 922 249**	**151 162 509**	**18 272 699 208**

Notes To The **Financial Statements**

For the year ended 30 June 2022

5 PROPERTY, PLANT AND EQUIPMENT(continued)

HISTORICAL*	Land and buildings ZW$	Motor vehicles and tractors ZW$	Furniture and fittings ZW$	Plant and machinery ZW$	Capital work-in progress ZW$	Total ZW$
Cost or valuation						
At 1 July 2020	**159 006 554**	**3 455 360**	**1 215 204**	**16 126 923**	**10 641 771**	**190 445 812**
Additions	3 713 463	1 977 423	1 438 729	27 031 073	(8 557 795)	25 602 893
Disposals	(1 320 000)	(2 299 734)	(34 885)	(693 202)	-	(4 347 821)
At 30 June 2021	161 400 017	3 133 049	2 619 048	42 464 794	2 083 976	211 700 884
Additions	-	2 146 306	3 412 997	4 399 636	14 468 855	24 427 794
Transfers to/(from) capital work-in progress	-	-	-	3 181 248	(3 181 248)	-
Revaluation	16 336 046 088	239 151 447	59 784 300	1 377 107 265	-	18 012 089 100
Disposals	-	(78 802)	-	(30 693)	-	(109 495)
HISTORICAL						
At 30 June 2022	**16 497 446 105**	**244 352 000**	**65 816 345**	**1 427 122 250**	**13 371 583**	**18 248 108 283**
Comprising:						
At Cost	**161 400 017**	**5 167 993**	**5 984 056**	**49 850 206**	**13 371 583**	**235 773 855**
At Valuation 2022	**16 497 446 105**	**244 352 000**	**65 816 345**	**1 427 122 250**	**13 371 583**	**18 248 108 283**
Accumulated depreciation and impairment						
At 1 July 2020	**(2 962 068)**	**(466 573)**	**(247 775)**	**(1 701 074)**	**-**	**(5 377 490)**
Charge for the year	(3 178 074)	(453 880)	(437 890)	(2 589 286)	-	(6 659 130)
Eliminated on disposals	96 258	59 893	-	-	-	156 151
At 30 June 2021	(6 043 884)	(860 560)	(685 665)	(4 290 360)	-	(11 880 469)
Charge for the year	(2 091 320)	(316 516)	(1 570 954)	(3 497 892)	-	(7 476 681)
Eliminated on disposals	-	37 871	-	19 007	-	56 878
Impairment loss	-	-	-	(113 200 000)	-	(113 200 000)
Eliminated of accumulated depreciation on revaluation	8 135 204	1 139 205	2 256 619	7 769 245	-	19 300 273
At 30 June 2022	**-**	**-**	**-**	**(113 200 000)**	**-**	**(113 200 000)**
Carrying amounts comprising of:						
30 June 2021 (At Cost)	**155 356 133**	**2 272 489**	**1 933 383**	**38 174 433**	**2 083 976**	**199 820 414**
30 June 2022 (At Revaluation)	**16 497 446 105**	**244 352 000**	**65 816 345**	**1 313 922 249**	**13 371 583**	**18 134 908 282**

Notes To The **Financial Statements**

For the year ended 30 June 2022

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation of property, plant, and equipment

The Company's property, plant and equipment are stated at their revalued amounts, being the fair value at the date of revaluation,less any subsequent accumulated depreciation and subsequent accumulated impairment. The fair value measurements of the Group's freehold land and buildings were performed by Messrs TK Hollands, independent valuers not related to the Group, as at 30 June 2022. Messrs TK Hollands is a member of the Valuers Council of Zimbabwe, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

Key assumptions and considerations applied in the valuation process include:

- The underlying valuation has been prepared in ZWL, on account of a reducing rate of inflation and increased market evidence of transactions in ZWL.
- Rentals were invoiced in ZWL during the year
- ZWL rentals have a lower default risk as compared to USD rentals.
- Softer capitalisation rates were applied relative to previous USD valuations because of the valuation currency. The Company changed the application of its valuation technique by replacing the USD as the valuation currency with the ZWL. The changes in the application of the valuation technique were brought about by:
- The year-on-year inflation for the ZWL increased to 191.6% in June 2022 from 106.6% in June 2021.
- There has been an increase in observable market data in the form of valuation inputs that are now being obtained in the functional currency, although overall market transactions are still low.
- Rental collection rates and void rates in the property portfolio have held steady compared to last year despite the inflationary environment which has required upward adjustment of ZWL rentals.
- Most available USD data is from over 5 years ago when underlying economic conditions and currency factors were very different from what prevails today.
- Capitalisation rates were derived from the observed transactions and adjusted using building specific factors as well as subject property performance.

Depreciation recognised in the Statement of profit or loss and other comprehensive income

Depreciation expense of ZW$184 189 658 (2021: ZW$18 462 928) has been charged in 'cost of sales' and ZW$96 836 921 (2021: ZW$3,939,298) has been charged in 'administrative expenses' and no depreciation has been charged to selling and distribution expenses.

Fair values of property, plant, and equipment (excluding capital work in progress)

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible (level 3).

Notes To The **Financial Statements**

For the year ended 30 June 2022

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Fair value measurements as at 30 June 2022 using		
	Quoted prices in active markets for identical assets (Level 1) ZW$	**Significant other observable inputs (level 2) ZW$**	**Significant unobservable inputs (level 3) ZW$**
Recurring fair value measurements			
Property, plant, and equipment			
-Land and Buildings	-	-	16 497 446 105
-Motor vehicles and tractors	-	-	244 352 000
-Furniture and Fittings	-	-	65 816 345
-Plant and Machinery	-	-	1 313 922 249
Total	**-**	**-**	**18 121 536 699**

There were no transfers between levels 1 and 2 during the year.

Valuation techniques and significant unobservable inputs

Market comparable approach

For land and buildings his method considered comparable market evidence i.e., the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs and undeveloped land with that of subject land and buildings. This comprises of complete transactions as well as transactions where offers had been made but the transaction had not been completed.

For other items of property, plant and equipment, market values or current values for similar new items were considered and were then depreciated to arrive at the net replacement value.

Notes To The **Financial Statements**

For the year ended 30 June 2022

5 PROPERTY, PLANT AND EQUIPMENT (continued)

If property, plant, and equipment were stated on the historical cost basis, the amounts would be as follows:

INFLATION ADJUSTED	Land and buildings ZW$	Motor vehicles and tractors ZW$	Furniture and fittings ZW$	Plant and machinery ZW$	Total ZW$
Opening balance 1 July 2021	158 437 949	2 666 476	2 371 273	40 763 720	204 239 418
Additions	-	2 146 306	3 412 997	7 580 883	13 140 186
Disposals	-	(40 930)	-	(11 686)	(52 616)
Depreciation recognised in the statement of profit or loss and other comprehensive income	(2 091 320)	(316 516)	(1 570 954)	(3 497 892)	(7 419 803)
Closing balance at 30 June 2022	**156 346 629**	**4 455 336**	**4 213 316**	**44 835 025**	**209 850 306**

Impairment losses recognised during the year

During the year, as the result of lack of addressable market for the briquettes, the Company carried out a review of the recoverable amount of that manufacturing plant and the related equipment. The discontinuation of the plant can be attributed to significant decline in the addressable market for the briquettes, which initially were earmarked for Northern Tobacco growers for the curing of their Tobacco.

The impairment review led to the recognition of an impairment loss of ZW$17 215 580.00 in profit or loss and the balance of ZW$95 984 420 being recognised against the revaluation surplus relating to this item of equipment. The Company also estimated the fair value less costs of disposal of the manufacturing plant and the related equipment, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is more than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their Fair value. The manufacturing plant and the related equipment were impaired to zero even though their recoverable amount based on fair value is higher because there is no existing ready market for the briquetting plant.

No impairment assessment was performed in 2021 as there was no indication of impairment. In FY2022 excess impairment losses have been included in the profit and loss in the other expenses line item.

Assets pledged as security

Freehold land and buildings with a carrying amount of ZW$92.7 million (2020: ZW$21 million) have been pledged to secure borrowings of the Company. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Notes To The **Financial Statements**

For the year ended 30 June 2022

6 BIOLOGICAL ASSETS

	INFLATION ADJUSTED		HISTORICAL*	
	2022	**2021**	**2022**	**2021**
	ZW$	**ZW$**	**ZW$**	**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 (see note 19)	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
Deduct:				
Destroyed by fire (see note 19)	(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**
Classification on the statement of financial position				
Classified as non-current asset	14 232 385 376	9 282 953 850	14 232 385 376	3 183 863 177
Classified as current asset*	1 835 139 120	1 310 324 870	1 835 139 120	449 414 612
As at 30 June	**16 067 524 496**	**10 593 278 720**	**16 067 524 496**	**3 633 277 789**

* Being biological assets to be harvest and sold in the next 12 months after the reporting date.

Comprising of standing timber at fair value less costs to sell	**2022**	**2021**	**2022**	**2021**
	Hectares	**ZW$**	**Hectares**	**ZW$**
Age				
1- 6 years	4,053	966 882 765	3 880	229 124 250
7-12 years	4,315	5 454 892 372	4 453	1 082 248 739
13-18 years	2,505	4 761 807 094	2 723	1 070 252 363
19-25 years	1,986	4883 942 265	1 935	1 251 652 437
	12,859	**16 067 524 496**	**12 991**	**3 633 277 789**

Valuation of plantations

Treatment of Different Age Groups and Regimes

All plantings below 5 years (age threshold) for pine and eucalyptus are stated at development cost and approximates fair value. The age threshold used for quantifying immature timber is dependent on the rotation period of the specific timber genus. Softwood ("pine") less than 5 years and hardwood ("eucalyptus") less than 5 years are classified as immature timber. All changes in fair value are recognised in the period in which they arise. All trees from 5 years and above are valued based on volume/m3 standing regardless of species and working cycle.

Price Used for Valuation

Tree timber volume for young trees (pine less than 5 years and eucalyptus less than 4 years) cannot be calculated by current volume calculation models, therefore development costs are used. All silviculture costs for the particular year are capitalised. Mature trees are valuated at market value of standing timber.

Notes To The **Financial Statements**

For the year ended 30 June 2022

6 BIOLOGICAL ASSETS(continued)

Valuating Young Trees

Young trees are valued at maintenance cost (silviculture plus a proportion of general estate). A proportion of general estate cost to be capitalised is derived from the following formular:

$$\text{General Estate Proportion to be capitalized} = \frac{\text{Silviculture Cost Incurred During the Year}}{\text{Silviculture Cost + Harvesting Cost}}$$

The total silviculture cost and a portion of general estate incurred during the financial year is divided by the total standing area to get maintenance cost per hectare. The cost per hectare is converted to hectare years (Age x Area of each age group) for the compartments less than 5 years. The value assigned to each compartment is a product of hectare year and maintenance cost (cost/ha) which is assumed to be the same for all age groups.

Determination of the Price of Standing Timber

Border Timbers Limited uses the market prices per cubic meter of standing timber. The price of standing timber is based on stumpage value of the most active and stable timber products market.

Volume and Area Movement during the Financial Year

The closing balance is the value of the bio-asset which is determined by volume per age class and the stumpage value for stands aged 5 years and above, and a proportion of silviculture and general estate based on cost per hectare (hectare year x maintenance cost/ha) for stands less han 5 years. However, the movements which lead to the closing balance has to be traced so that change resulting from growth of trees must be distinguished. The movement is caused by one or a combination of these activities (Planting, Clear-felling, Salvage, Adjustments due Change Notes and Maintenance). The maintenance cost incurred during the financial year (silviculture cost and a proportion of general estate) is apportioned according to each age group proportionally.

The volume of standing timber as at 30 June 2022 amounts to 1 533 301 m3 (2021: 2 321 293 m3).

The following table represents the Company's biological assets that are measured at fair value at 30 June 2022.

	FAIR VALUE MEASUREMENTS AS AT 30 JUNE 2022 USING		
	Quoted prices in active markets for identical assets (Level 1) ZW$	Significant other observable inputs (level 2) ZW$	Significant unobservable inputs (level 3) ZW$
Age			
1- 6 years	-	-	966 882 765
7-12 years	-	-	5 454 892 372
13-18 years	-	-	4 761 807 094
19-25 years	-	-	4 883 942 265
Total	-	-	16 067 524 496

Notes To The **Financial Statements**

For the year ended 30 June 2022

6 BIOLOGICAL ASSETS(continued)

The following table represents the company's biological assets that are measured at fair value at 30 June 2021

	FAIR VALUE MEASUREMENTS AS AT 30 JUNE 2021 USING		
	Quoted prices in active markets for identical assets (Level 1) ZW$	**Significant other observable inputs (level 2) ZW$**	**Significant unobservable inputs (level 3) ZW$**
Age			
1- 6 years	-	-	229 124 250
7-12 years	-	-	1 082 248 739
13-18 years	-	-	1 070 252 363
19-25years	-	-	1 251 652 437
Total	**-**	**-**	**3 633 277 789**

INFLATION ADJUSTED

Description	**Fair value as at 30 June 2022**	**Unobservable input**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Pine (1- 4 years)	95 894 518	Cost per hectare	ZW$33 982.98- ZW$60 082.84	The higher the cost per hectare the higher the fair value.
Pine (4-25 years)	13 335 905 837	Mean annual increment	(11-13) m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
		Price per cubic meter	ZW$11 685.38	
Euc (1-4 years)	25 423 804	Cost per hectare	ZW$33 982.98- ZW$60 082.84	The higher the cost per hectare the higher the fair value.
Euc (5-25years)	2 610 300 337	Mean annual increment	(18-20) m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
		Price per cubic meter	ZW$6 810.91	
Total	**16 067 524 496**			

Description	**Fair value as at 30 June 2021**	**Unobservable input**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Pine (1- 4 years)	8 891 976	Cost per hectare	ZW$693.36- ZW$996.12	The higher the cost per hectare the higher the fair value.
Pine (5-25 years	8 026 814 891	Mean annual increment	(11-13)m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
		Price per cubic meter	ZW$1 057.65	
Euc (1- 4 years)	5 147 770	Cost per hectare	ZW$787.43 - ZW$1 715.70	The higher the cost per hectare the higher the fair value.
Euc (5-25years)	2 552 424 083	Mean annual increment	(18-20)m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
		Price per cubic meter	ZW$1 057.65	
Total	**10 593 278 720**			

Notes To The **Financial Statements**

For the year ended 30 June 2022

6 BIOLOGICAL ASSETS(continued)

The following table represents the Company's biological assets that are measured at fair value at 30 June 2022

HISTORICAL*

Description	Fair value as at 30 June 2022	Unobservable input	Unobservable inputs	Relationship of unobservable inputs to fair value
Pine (1- 4 years)	95 894 518	Cost per hectare	ZW$33 982.98- ZW$60 082.84	The higher the cost per hectare the higher the fair value.
Pine (5-25 years)	13 335 905 837	Mean annual increment	(11-13) m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
		Price per cubic meter	ZW$11 685.38	
Euc (1-4 years)	25 423 804	Cost per hectare	ZW$33 982.98- ZW$60 082.84	The higher the cost per hectare the higher the fair value.
Euc (5-25 years)	2 610 300 337	Mean annual increment	(18-20) m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
		Price per cubic meter	ZW$6 810.91	
Total	**16 067 524 496**			

Description	Fair value as at 30 June 2021	Unobservable input	Unobservable inputs	Relationship of unobservable inputs to fair value
Pine (1- 4 years)	3 049 766	Cost per hectare	ZW$237.81-ZW$341.65	The higher the cost per hectare the higher the fair value.
Pine (5-25 years)	2 753 033 223	Mean annual increment	(11-13)m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
			ZW$178.79	
Euc (1- 4 years)	1 765 580	Cost per hectare	ZW$201.10 -ZW$349.03	The higher the cost per hectare the higher the fair value.
Euc (5-25years)	875 429 220	Mean annual increment	(18-20) m3/ha/year	The higher the price per cubic metre and mean annual increment the higher the fair value.
		Price per cubic meter	ZW$178.79	
Total	**3 633 277 789**			

Notes To The **Financial Statements**

For the year ended 30 June 2022

7 INVENTORIES

	INFLATION ADJUSTED		HISTORICAL*	
	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
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
	1 283 836 434	**1 189 259 217**	**242 521 126**	**135 770 611**

The cost of inventories recognised as an expense and included in the 'cost of sales' amounted toZW$1 252 645 102 (2021: ZW$1 364 481839).

Inventory write down reversal was (ZW$138 209) in 2022(2021 ZW$ 51 977 810). Inventory write-down as included in `cost of sales` in the statement of profit or loss and other comprehensive income.

No inventory was pledged as security during the year, (2021: ZW$ nil).

8 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets are carried at amortised cost and classified as loans and receivables.
All financial liabilities are carried at amortised cost and classified as other financial liabilities.

	INFLATION ADJUSTED		HISTORICAL*	
Loans and receivables	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
Assets per statement of financial position				
Trade and other receivables (excluding prepayments)	460 131 587	596 693 810	460 131 587	204 653 766
Cash and cash equivalents	66 187 597	83 476 000	66 187 597	28 630 560
	526 319 184	**680 169 810**	**526 319 184**	**233 284 326**
Other financial liabilities at amortised cost				
Liabilities per statement of financial position				
Trade and other payables (excluding accruals)	2 013 410 509	1 013 391 288	2 013 410 509	347 572 471
Borrowings (current and non-current)	1 841 857 222	1 402 426 420	1 841 857 222	481 003 559
	3 855 267 731	**2 415 817 708**	**3 855 267 731**	**828 576 030**

Notes To The **Financial Statements**

For the year ended 30 June 2022

9 TRADE AND OTHER RECEIVABLES

	INFLATION ADJUSTED		HISTORICAL*	
	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
Trade receivables from external parties	574 702 885	679 617 198	574 702 885	234 939 645
Trade receivables from related parties (see note 16)	-	7 606 054	-	2 608 721
Less: allowance for expected credit loss	(232 441 813)	(222 162 655)	(232 441 813)	(76 197 244)
Trade receivables - net	342 261 072	465 060 597	342 261 072	161 351 122
Prepayments	2 941 512	4 665	2 941 512	1 600
Loans to employees	92 576 441	68 477 404	92 576 441	23 486 348
Net investment in finance leases receivable (see note 9.1)	3 904 891	7 543 173	3 904 891	2 587 154
Value added tax refunds receivable	21 389 183	55 612 636	21 389 183	17 229 140
	120 812 027	131 637 878	120 812 027	43 304 242
	463 073 099	**596 698 475**	**463 073 099**	**204 655 364**

Loans to employees relate mainly to motor vehicle loan scheme and are payable over a period ranging between 3-5 years and carry standard rate of interest at 8 % p.a (2021:8 %). The loans are neither past due nor impaired and are secured.

Trade receivables do not bear interest and are normally settled on 30-day terms for local sales and 90 days for export sales.

ALLOWANCE FOR CREDIT LOSS

	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Movement in the allowance for expected credit loss was as follows:				
As at 1 July	222 162 655	524 039 366	76 197 244	179 734 777
Increase/ (decrease) in allowance for credit losses	10 279 158	(301 876 711)	156 244 569	(103 537 533)
As at 30 June	**232 441 813**	**222 162 655**	**232 441 813**	**76 197 244**

An increase in the allowances for credit losses has mainly been driven by the following factors:

(a) Increase in the trade receivables balances from prior year.
(b) Worsening of the macro-economic variables such as inflation, GDP figures which have been revised downwards and increase in unemployment, all of which has an impact of increase the forwarding looking adjustment on the default rates.
(c) Significant foreign exchange movements especially on foreign denominated receivables.

Notes To The **Financial Statements**

For the year ended 30 June 2022

9 TRADE AND OTHER RECEIVABLES (continued)

The analysis of net trade receivables is as follows:

	Total ZW$	0-30 days ZW$	31-60 days ZW$	61-90 days ZW$	>90 days ZW$
As at 30 June 2022					
Expected Credit loss %		3.79%	9.48%	28%	**97%**
Trade receivables from external parties	463 073 099	312 016 223	54 417 716	4 034 019	92 605 141
	463 073 099	**312 016 223**	**54 417 716**	**4 034 019**	**92 605 141**
As at 30 June 2021					
Expected Credit loss %		17.12%	34%	69%	**100%**
Trade receivables from external parties	204 655 364	52 039 911	7 957 205	6 202 383	138 455 867
	204 655 364	52 039 911	7 957 205	6 202 383	**138 455 867**

The expected credit loss is ZW$232 441 813 (2021: ZW$222 162 655). The amounts over 90 days mainly relate to customers facing liquidity challenges and amounts have been handed over to lawyers.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Company does not hold any collateral as security. Loans to employees, receivables from disposal of equipment to contractors, the finance lease receivable and other receivables have been deemed to have low credit risk.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2022 ZW$	2021 ZW$
United States of America Dollar ("US$")	359 788 327	152 470 873
Botswana Pula (BWP)	62 987 067	41 578 701
Zimbabwean ZW$	40 297 705	10 605 790
	463 073 099	**204 655 364**
Counter parties without external credit rating		
Company 1	-	-
Company 2	401 046 780	142 629 045
Company 3	62 026 319	62 026 319
	463 073 099	**204 655 364**

Counter parties without external credit rating

Company 1	- New customers/related parties (less than 6 months)
Company 2	- Existing customers/related parties (more than 6 months - with no defaults in the past)
Company 3	- Existing customers/related parties (more than 6 months - with some defaults in the past)

Notes To The **Financial Statements**

For the year ended 30 June 2022

9 TRADE AND OTHER RECEIVABLES (continued)

9. 1 Finance lease receivable

The Company leases out manufacturing equipment under a finance lease. The contract includes an option to purchase the equipment at the end of its useful life at a price less than the expected residual value.

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Non-current receivables				
Finance lease-gross receivable	-	8 966 258	-	3 075 242
Unearned finance income	-	(1 423 085)	-	(488 088)
	-	**7 543 173**	**-**	**2 587 154**
Current receivables				
Finance lease-gross receivable	4 451 576	5 977 505	4 451 576	2 050 162
Unearned finance income	(546 685)	(1 056 046)	(546 685)	(362 202)
	3 904 891	**4 921 459**	**3 904 891**	**1 687 960**
Amounts receivable under finance leases:				
- Year 1	4 451 576	5 977 505	4 451 576	2 050 162
- Year 2	-	2 988 753	-	1 025 080
Undiscounted lease payments	4 451 576	8 966 258	4 451 576	3 075 242
Unguaranteed residual values	-	-	-	-
Unearned future finance income on finance leases	(546 685)	(1 423 085)	(546 685)	(488 088)
Net investment in finance leases	**3 904 891**	**7 543 173**	**3 904 891**	**2 587 154**
The net investment lease analysed as follows:				
- Recoverable within 12 months	3 904 891	4 921 460	3 904 891	1 687 960
- Recoverable after 12 months	-	2 621 713	-	899 194
	3 904 891	**7 543 173**	**3 904 891**	**2 587 154**

10 CASH AND CASH EQUIVALENTS

	INFLATION ADJUSTED 2022 ZW$	INFLATION ADJUSTED 2021 ZW$	HISTORICAL* 2022 ZW$	HISTORICAL* 2021 ZW$
Cash and bank balances (excluding bank overdrafts)	**66 187 597**	**83 476 000**	**66 187 597**	**28 630 560**
Cash and cash equivalents include the following for the purpose of the statement of cash flows:				
Cash and bank balances	66 187 597	83 476 000	66 187 597	28 630 560
Cash and cash equivalents per statement of cash flows	**66 187 597**	**83 476 000**	**66 187 597**	**28 630 560**

Notes To The **Financial Statements**

For the year ended 30 June 2022

10 CASH AND CASH EQUIVALENTS(continued)

Cash on hand and at bank are denominated in the following currencies

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
United States of America dollar ("US$")	45 815 603	50 165 805	45 815 603	17 205 845
South African Rand ("ZAR")	1 145	872	1 145	299
Botswana Pula ("BWP")	4 311 991	8 260 496	4 311 991	2 833 181
Zimbabwean ZW$	16 058 858	25 048 827	16 058 858	8 591 235
	66 187 597	**83 476 000**	**66 187 597**	**28 630 560**

11 SHARE CAPITAL

Authorised

Number of ordinary shares	43 000 000	43 000 000	43 000 000	43 000 000

All ordinary shares rank equally with regards to the company's residual assets. Ordinary shares have a nominal value of US$0.01 after re-denomination of share capital.

Holders of these are entitled to dividends as declared from time to time and one vote per share at general meetings of the company.

	Number of shares Each	**INFLATION ADJUSTED ZW$**	**HISTORICAL* ZW$**
Issued and fully paid Year ended 30 June 2021			
At the beginning of the year	42 942 487	58 370 451	429 425
At the end of the year	42 942 487	58 370 451	429 425
Year ended 30 June 2022			
At the beginning of the year	42 942 487	58 370 451	429 425
At the end of the year	42 942 487	58 370 451	429 425

The unissued shares are under the control of the Directors who may issue them on such terms and conditions as he see fit subject to the limitation of the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange Listing Requirements.

The period of this authority is unlimited.

Notes To The **Financial Statements**

For the year ended 30 June 2022

12 OTHER RESERVES

12.1 Non-distributable reserve

	INFLATION ADJUSTED		HISTORICAL*	
	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
Balance as at 30 June	-	-	-	**90 455 727**

The non-distributable reserve arose as a result of the net effect of restatement in the ZW$ assets and liabilities previously denominated in United State dollars in 2019. In the current year, Directors of the Company have elected to transfer the Non Distributable reserve to Retained Earnings.

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12.2 Revaluation reserve

Balance as at 30 June	**7 636 470 068**	**-**	**13 640 555 457**	**138 782 607**

The revaluation relates to revaluation of property, plant, and equipment in terms of the Company's policies. When the Company first applied IAS 29 — Financial Reporting in Hyperinflationary Economies, the balance of the revaluation reserve from the FY19 revaluation was eliminated and transferred to Retained Earnings under inflation adjusted numbers.

13 BORROWINGS

	INFLATION ADJUSTED		HISTORICAL*	
	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
Non-current borrowings				
Offshore borrowings				
Deutshe Investitions				
- und Entwicklungsgesellschaft mbH ("DEG")	1 077 260 366	857 646 618	1 077 260 366	294 155 237
	1 077 260 366	**857 646 618**	**1 077 260 366**	**294 155 237**
Related party loans				
Rift Valley Holdings (Private) Limited	364 455 949	250 581 757	364 455 949	85 944 414
Rift Valley Services Zimbabwe (Private) Limited	6 998 574	19 297 694	6 998 574	6 618 714
Forrester Estates (Private) Limited	644 698	1 744 122	644 698	**598 198**
Northern Tobacco (Private) Limited	40 076 723	53 063 459	40 076 723	18 199 680
	412 175 944	324 687 032	412 175 944	111 361 006
Total Non-current borrowings	**1 489 436 310**	**1 182 333 650**	**1 489 436 310**	**405 516 243**
Current borrowings				
Bank borrowings				
Bank Overdrafts	31 421 180	22 048 093	31 421 180	7 562 045
Bank Short Term Loans	27 818 990	-	27 818 990	-
Deutshe Investitions				
- und Entwicklungsgesellschaft mbH ("DEG")	293 180 743	198 044 677	293 180 743	67 925 271
Total current borrowings	**352 420 913**	**220 092 770**	**352 420 913**	**75 487 316**
Total borrowings	**1 841 857 223**	**1 402 426 420**	**1 841 857 223**	**481 003 559**

Notes To The **Financial Statements**

For the year ended 30 June 2022

13 BORROWINGS (continued)

- The DEG loan interest is based on SOFR plus 2.5% and the loan is securitized RVC shareholder guarantee of USD3 800 000 in favour of DEG from a bank that DEG designates as acceptable. The loan matures in July 2026.
- The related party loans are unsecured with interest rates of 9.74% per annum for Rift Valley Services Zimbabwe(Private) Limited and Rift Valley Holdings (Private) Limited loan whereas20% for Forrester Estates (Private) Limited and 8% for Northern Tobacco loan. The related party loans are payable on demand after the Company has settled all amounts due to DEG in full.
- ZB 12 months revolving overdraft facility amounting to ZW$31,421,180.00, has an interest rate of 54.78% whilst Ecobank USD short term loan has 8% interest over a tenure of 5 months. ZB overdraft facility is securitised by company houses whereas Ecobank facilities are unsecured.

	INFLATION ADJUSTED		HISTORICAL*	
Borrowings Movement Schedule	**2022 ZW$**	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
Opening Balance	**1 402 426 420**	**1 109 796 564**	**481 003 559**	**376 123 500**
Proceeds from Borrowings	90 348 038	-	69 127 140	-
Interest for the Period	51 747 185	64 755 716	27 016 345	22 209 885
Principal Repayments	(158 178 547)	(225 604 727)	(85 237 327)	(77 377 804)
Interest Payments	(43 477 982)	(76 316 029)	(22 957 898)	(21 660 828)
Exchange Rate Movement	498 992 109	529 794 896	1 372 905 404	181 708 806
Closing Balance	**1 841 857 223**	**1 402 426 420**	**1 841 857 223**	**481 003 559**

The carrying amounts and fair value of the non-current borrowings as at 30 June:

	CARRYING AMOUNT		FAIR VALUE	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
Non-current borrowings	**1 489 436 310**	**1 182 333 650**	**1 489 436 310**	**405 516 243**

Borrowing powers

The Articles of Association provide that the Company may from time to time, at the discretion of the Board, borrow, raise, or source borrowings up to half the value of the shareholder's equity as reflected in the Statement of Financial Position of the Company. This limit may only be exceeded with the sanction of an ordinary resolution of the Company.

Shareholders' equity	26 651 488 567	15 370 463 905
Maximum borrowing limit.		
50% of shareholders' equity	(13 325 744 283)	(7 685 231 953)
Borrowings as at year end	1 841 857 223	1 402 426 420
Unutilised borrowing capacity	**11 483 887 060**	**6 282 805 533**

Notes To The **Financial Statements**

For the year ended 30 June 2022

14 DEFERRED TAX

The analysis of deferred tax assets and deferred income tax liabilities is as follows:

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Deferred tax assets				
- Deferred tax assets to be recovered after more than 12 months	(150 363 876)	(179 279 935)	(149 398 587)	(161 363 802)
	(150 363 876)	**(179 279 935)**	**(149 398 587)**	**(161 363 802)**
Deferred tax liabilities				
- Deferred tax liabilities to be recovered after more than 12 months	4 685 696 298	3 439 400 154	4 605 114 473	904 898 968
- Deferred tax liabilities to be recovered within 12 months	-	-	-	-
	4 685 696 298	**3 439 400 154**	**4 605 114 473**	**904 898 968**
Deferred tax liabilities (net)	**4 535 332 422**	**3 260 120 219**	**4 455 715 886**	**743 535 166**
The gross movement on the deferred tax account is as follows:				
At 1 July	3 260 120 219	4 053 441 162	743 535 166	568 430 590
Credit to statement of profit or loss	(1 232 406 555)	(793 320 943)	(721 451 385)	175 104 576
Debit through other comprehensive income	2 507 618 758	-	4 433 632 105	-
At 30 June	**4 535 332 422**	**3 260 120 219**	**4 455 715 886**	**743 535 166**
The deferred tax account balance comprises the following:				
Accelerated depreciation for tax purposes	1 318 595 524	677 754 047	406 059 332	14 939 826
Biological assets	3 971 892 055	2 618 658 500	3 971 892 055	898 146 269
Unrealised exchange (loss) / gains	(860 441 500)	(117 434 776)	227 163 086	(31 196 911)
Assessed tax losses	(57 459 616)	(116 205 680)	(57 459 616)	(116 205 681)
Other temporary differences	(92 904 260)	(63 074 254)	(91 938 971)	(22 148 337)
Inventories	255 650 219	260 422 382	-	-
	4 535 332 422	**3 260 120 219**	**4 455 715 886**	**743 535 166**
The deferred tax through the statement of profit or loss and other comprehensive income comprises of the following:				
Accelerated depreciation for tax purposes	640 841 477	49 173 955	391 119 506	2 980 170
Biological assets	1 353 233 556	(1 077 879 759)	3 073 745 786	233 850 379
Unrealised exchange gains	(743 006 724)	488 714 579	258 359 997	23 650 854
Assessed tax losses	58 746 064	(291 377 586)	58 746 065	(108 331 818)

Notes To The **Financial Statements**

For the year ended 30 June 2022

14 DEFERRED TAX (continued)

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Inventories	(4 772 165)	(158 838 498)	-	-
Other temporary differences including through other comprehensive income	(29 830 005)	196 886 366	(69 790 634)	23 470 150
	1 275 212 203	**(793 320 943)**	**3 712 180 720**	**175 619 735**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Projected financial results to 2023 have been used to estimate future taxable profits.

The Company recognised deferred tax assets of ZW$240,473,638 (2021: ZW$116 205 680) in respect of tax assessed losses amounting to ZW$927,789,796 (2021: ZW$470 087 704). The assessed losses expire between 30 June 2023 and 30 June 2028.

15 TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
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
Payable 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
	2 025 152 923	**1 020 490 855**	**2 025 152 923**	**350 007 477**

Trade payables are unsecured, non-interest bearing and are settled within 30 days. Other payables are unsecured, non-interest bearing and have an average term of 60 days.

Statutory liabilities comprise of statutory obligations that are due to various statutory bodies including the Zimbabwe Revenue authority, NSSA, ZIMDEF, SDF as well as Pension funds for employee contributions which are remitted before or on the 10th of every month.

Notes To The **Financial Statements**

For the year ended 30 June 2022

15 TRADE AND OTHER PAYABLES(continued)

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Analysis of trade and other creditors currency exposure				
Creditors class				
Trade creditors				
United States of America Dollar ("US$")	844 094 631	183 401 203	844 094 631	62 902 859
Zimbabwean Dollar ("ZW$")	858 230 369	164 003 314	858 230 369	56 249 780
	1 702 325 000	**347 404 517**	**1 702 325 000**	**119 152 639**
Other creditors				
United States of America Dollar ("US$")	69 900 520	1 843 188	69 900 520	632 176
Zimbabwean Dollar ("ZW$")	11 742 415	7 099 567	11 742 415	2 435 006
	81 642 935	**8 942 755**	**81 642 935**	**3 067 182**

2	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Analysis of total trade and other creditors per currency				
United States of America Dollar ("US$")	913 995 151	185 244 391	913 995 151	63 535 035
Zimbabwean Dollar ("ZW$")	869 972 784	171 102 881	869 972 784	58 684 786
Total trade and other creditors excluding accruals	**1 783 967 935**	**356 347 272**	**1 783 967 935**	**122 219 821**
Accruals	241 184 988	664 143 582	241 184 988	227 787 656
Total trade and other creditors	**2 025 152 923**	**1 020 490 854**	**2 025 152 923**	**350 007 477**

Notes To The **Financial Statements**

For the year ended 30 June 2022

16 RELATED PARTY DISCLOSURES

The Company's immediate parent is Franconian Zimbabwe (Private) Limited which owns 65% of the Company's shares. The ultimate parent Is Rift Valley Corporation Limited. The Company trades with various fellow subsidiary companies. In addition, the Company participates in financial transactions involving the holding company and fellow subsidiaries.

		INFLATION ADJUSTED		HISTORICAL*	
		2022	2021	2022	2021
		ZW$	ZW$	ZW$	ZW$
Name					
a) Transactions	**Nature of Relationship**				
i) Sales of goods					
- Chipinge Banana	Fellow subsidiary	1 363 102	-	556 662	-
- Cicada Katiyo	Fellow subsidiary	5 037 932	-	2 473 395	-
- Makandi Tea & Coffee Estates	Fellow subsidiary	-	4 675 745	-	1 603 685
- Northern Tobacco (Private) Limited	Fellow subsidiary	161 260 955	13 916 912	84 324 563	4 773 216
		167 661 989	**18 592 657**	**87 354 620**	**6 376 901**

Goods are sold based on the price lists in force and terms that would be available to third parties.

ii) Purchases of goods and services					
- Rift Valley Services	Common directorship	1 379 330	1 258 050	935 652	430 839
(iii) Interest charged					
- Rift Valley Services Zimbabwe (Private) Limited Parent		1 108 639	3 236 545	532 326	501 009
- Forrester Estates (Private) Limited	Common shareholding	96 841	310 393	46 499	48 048
- Northern Tobacco (Private) Limited	Fellow subsidiary	7 063 723	-	3 479 622	-
		8 269 203	**3 546 938**	**4 058 447**	**549 057**

The interest has been accrued but not yet paid. The related party loan is unsecured and has an interest rate of 9.74%, 20% and 8% per annum respectively. The above loans are subordinated to the DEG loan and will only be repayable on demand after the full settlement of the DEG loan.

b) Year end balances arising from sales/purchase of goods /services

i) Receivables from related parties				
- Northern Tobacco (Private) LimitedFellow subsidiary	-	7 606 054	-	2 608 721
	-	**7 606 054**	**-**	**2 608 721**

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sale. The receivables are unsecured in nature and bear no interest. The allowance for impairment against related party receivables amounted to nil (2017: US$186 964).

Notes To The **Financial Statements**

For the year ended 30 June 2022

16 RELATED PARTY DISCLOSURES(continued)

		INFLATION ADJUSTED		HISTORICAL*	
		2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
ii) Payables to related parties arising from sales/purchase of goods/services					
- Rift Valley Services Zimbabwe (Private) Limited	Fellow subsidiary	1 315 512	3 099 354	1 315 512	1 063 015
- Treehouse (Private) Limited	Common directorship	37 091 988	-	37 091 988	-
- Northern Tobacco (Private) Limited	Common directorship	88 016 089	-	88 016 089	-
		126 423 589	3 099 354	126 423 589	1 063 015

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

c) Loans from related parties					
- Rift Valley Holdings (Private) Limited	Parent	364 455 949	250 581 757	364 455 949	85 944 414
- Rift Valley Services (Private) Limited	Fellow subsidiary	6 998 574	19 297 694	6 998 574	6 618 714
- Forrester Estates (Private) Limited	Common shareholding	644 698	1 744 122	644 698	598 198
- Northern Tobacco (Private) Limited	Fellow subsidiary	40 076 723	53 063 459	40 076 723	18 199 681
		412 175 944	324 687 032	412 175 944	111 361 007

The shareholder's loans attract interest of 0%, 9.74%, 20% and 8% per annum respectively. The loans are payable on demand after the Company has settled all amounts due to DEG in full.

d) Guarantees from related parties					
- Rift Valley Corporation (Private) Limited	Parent	1 149 990 260	772 094 293	1 149 990 260	264 812 540
The guarantee is in respect of the German Development Bankloans ("DEG").					
e)Key management compensation					
- Short term employee benefits		237 733 275	443 486 965	128 924 346	85 735 293
f) Final Judicial Manager' fees		81 895 586	50 571 152	55 478 629	14 642 473
g) Loans to key management personnel	88 835 188	61 665 336	88 835 188	21 149 948	
h) Directors' fees		3 895 128	-	3 895 128	-

Notes To The **Financial Statements**

For the year ended 30 June 2022

17 REVENUE

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. The \disclosure of revenue by product line is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see note 2.19 & 4). Revenue from poles relates to the manufacturing segment whilst all the other product lines relates to the forestry segment.

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
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
	4 785 608 535	**4 316 494 354**	**2 589 992 420**	**1 236 149 192**
External revenue by timing of revenue				
Goods transferred at a point in time	4 785 608 535	4 316 494 354	2 589 992 420	1 236 149 192
Goods transferred over time	-	-	-	-
	4 785 608 535	**4 316 494 354**	**2 589 992 420**	**1 236 149 192**

18 OTHER OPERATING INCOME AND EXPENSES

18.1 Other operating expenses

Loss on disposal of property, plant, and equipment	-	-	-	-
Impairment loss: Property, plant, and equipment	17 215 580	2 371 565	17 215 580	813 398
Exchange losses	1 910 468 520	513 719 656	1 428 720 570	125 685 939
	1 927 684 100	**516 091 221**	**1 445 936 150**	**126 499 337**

18.2 Other operating income

Sundry income	277 195 995	316 913 125	170 683 909	79 503 109
Profit on disposal of property, plant, and equipment	1 307 843	22 488 156	858 261	14 499 811
	278 503 838	**339 401 281**	**171 542 170**	**94 002 920**

Sundry Income includes sale of scrap items, administrative handling fees and other consumables sales. It also comprises sundry incomefrom burnt logs to third parties, freight recoveries from export sales and export incentives.

Notes To The **Financial Statements**

For the year ended 30 June 2022

19 COST OF SALES

	INFLATION ADJUSTED		HISTORICAL*	
	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
Consultancy	7 598 636	365 048	2 984 068	110 230
Depreciation charge	184 189 658	18 462 928	5 684 288	5 471 295
Electricity	170 127 596	172 748 760	97 390 936	50 087 528
Foreign and local travel	8 848 310	3 463 831	5 666 019	1 113 563
Fuels and oils	78 573 857	94 886 812	45 132 656	27 765 360
Haulage	175 047 236	124 175 770	94 021 544	49 836 433
Inventory write down (reversal)/allowance (see note 7)	(138 209)	51 977 810	263 710	17 687 273
Insurance	10 334 590	19 593 597	6 475 213	5 338 552
Interest	6 750 048	-	3 165 947	-
Other expenses*	65 286 889	62 100 643	37 601 999	18 770 404
Payroll Costs	479 653 484	334 641 464	274 881 635	98 326 310
Plantation - damage (see note 6)	24 673 344	719 398	11 575 136	182 196
Printing and stationery	3 051 300	2 510 673	1 754 430	744 877
Protective clothing	23 089 837	12 788 824	10 522 917	3 657 241
Raw material and consumables used	1 252 645 102	1 364 481 839	435 463 587	369 047 607
Repairs and maintenance - motor vehicles	2 673 686	5 951 059	1 500 431	1 674 904
Repairs and maintenance - plant/ buildings	261 643 824	158 010 743	143 476 284	47 603 169
Repairs and maintenance- office equipment	1 124 929	117 612	686 015	37 278
Sub-contracted services	3 403 758 802	2 027 996 494	2 002 639 637	581 645 166
Security	67 441 936	4 151 323	42 063 157	1 181 259
Social security costs	26 003 434	18 488 897	14 369 383	5 374 824
Staff welfare costs	23 810 638	22 481 791	12 660 101	6 509 017
Subscriptions	10 251 403	7 400 496	4 979 554	2 011 756
Telephone costs	4 076 717	1 424 885	2 195 617	447 715
Utilities	25 425 917	16 735 743	12 868 355	5 343 378
	6 315 942 964	4 525 676 440	3 270 022 619	1 299 967 335
Capitalisation of forestry costs (see note 6) **	(927 032 309)	(587 697 100)	(567 827 617)	(169 492 808)
Total cost of sales	**5 388 910 655**	**3 937 979 340**	**2 702 195 002**	**1 130 474 527**

* Other expenses include costs for Quality control, environmental audits, transport charges, timber industry levies, licenses, and fire protection.
**The cost of land preparation, planting, weeding and other silvicultural activities including an allocation of indirect overheads related to the plantation are capitalised as part of biological assets.

Notes To The **Financial Statements**

For the year ended 30 June 2022

20 SELLING AND DISTRIBUTION EXPENSES

	INFLATION ADJUSTED		HISTORICAL*	
	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
Haulage	110 226 689	362 702 405	58 405 282	96 436 629
Payroll Costs	20 150 283	13 268 633	11 481 473	3 825 282
Total cost of selling and distribution expenses	**130 376 972**	**375 971 038**	**69 886 755**	**100 261 911**

21 ADMINISTRATIVE EXPENSES

	INFLATION ADJUSTED		HISTORICAL*	
	2022	2021	2022	2021
	ZW$	ZW$	ZW$	ZW$
Auditors' remuneration	63 251 547	11 696 259	56 690 869	3 318 087
Bank charges	34 782 290	25 517 245	20 222 956	6 598 306
Consultancy	370 017 005	484 712 820	227 452 073	140 446 288
Depreciation charge	96 836 921	3 939 298	1 792 394	1 187 836
Electricity	1 666 042	128 084	630 816	37 579
Employee benefit expense	356 206 927	516 390 463	199 222 683	107 501 038
Allowance for expected credit loss	10 314 676	(301 876 711)	156 267 033	(103 537 533)
Foreign and local travel	18 236 803	9 991 697	11 476 151	2 993 355
Intermediated Money Transfer Tax	65 654 185	30 663 828	37 979 515	10 359 192
Insurance	4 912 153	7 180 153	2 948 417	2 080 185
Management fees (Judicial managers fees) (see note 16)	81 895 586	50 571 152	55 478 629	14 642 473
Other expenses*	97 542 100	56 937 076	50 710 084	16 741 347
Printing and stationery	4 892 692	4 168 986	2 636 529	1 199 966
Protective clothing	2 045 409	1 154 897	1 141 313	313 937
Raw material and consumables used	4 652 089	2 232 651	2 410 988	635 860
Repairs and maintenance - motor vehicles	10 695 448	7 689 261	6 478 172	2 217 694
Repairs and maintenance - plant/ buildings	6 228 714	6 279 852	3 710 490	1 782 078
Repairs and maintenance- office equipment	17 868 487	10 171 502	10 125 759	3 140 216
Sub-contracted services	47 788 816	2 827 524	35 768 069	832 743
Security	1 838 996	2 753 735	981 420	773 804
Social Security Costs	10 533 388	6 939 986	5 936 719	2 006 985
Staff Welfare Costs	40 292 966	23 737 304	19 972 036	6 872 438
Subscriptions	25 733 256	16 483 175	13 659 226	4 965 487
Telephone costs	6 676 528	5 795 941	3 765 404	1 745 456
Utilities	34 641 479	6 088 862	19 833 920	1 806 502
Directors Fees	3 895 128	-	3 895 128	-
Total cost of administrative expenses	**1 419 099 631**	**992 175 040**	**951 186 793**	**230 661 319**

*Other expenses include costs for computer software licensing fees, fines, and Valuation fees

Notes To The **Financial Statements**

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22 EMPLOYEE BENEFIT EXPENSES

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
Wages and salaries	618 277 420	420,813,595	356 661 445	123 955 261
Pension fund contribution (see note 26.2)	22 995 921	18 714 104	12 493 173	5 385 464
Social security costs (see note 26.2)	13 540 901	6 714 778	7 812 929	1 966 151
Staff welfare costs: Administration	40 292 966	23 737 304	19 972 036	6 872 438
Staff welfare costs: Cost of Sales	23 810 638	22 481 791	12 660 101	6 509 017
	718 917 846	492 461 572	409 599 684	144 688 331
Directors' remuneration:				
- Short term employee benefits	237 733 275	443 486 966	128 924 346	85 735 293
	956 651 121	**935 948 538**	**538 524 030**	**230 423 624**

	2022 Number of employees	**2021 Number of employees**	**2022 Number of employees**	**2021 Number of employees**
Manning levels at 30 June				
-Permanent	331	350	331	350
-Contract	282	228	282	228
Total	**613**	**578**	**613**	**578**

23 FINANCE INCOME AND COSTS

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
Finance costs				
Interest charged:				
-Bank borrowings	43 477 982	76 316 029	22 957 898	21 660 828
-Related party borrowings	8 269 203	3 546 938	4 058 447	549 057
	51 747 185	**79 862 967**	**27 016 345**	**22 209 885**
Interest paid for the purpose of the statement of cashflows				
-Finance costs	51 747 185	79 862 967	27 016 345	22 209 885
-Accrued interest	(8 269 203)	(3 546 938)	(4 058 447)	(549 057)
-Interest paid	**43 477 982**	**76 316 029**	**22 957 898**	**21 660 828**
Finance income				
Short-term bank deposits	**7 096 886**	**6 592 135**	**3 948 759**	**2 090 145**

Notes To The **Financial Statements**

For the year ended 30 June 2022

24 INCOME TAX EXPENSE

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
Current income tax	-	-	-	-
Deferred tax (credit)/ expense	(1 232 406 555)	(793 320 943)	(721 451 384)	175 619 736
Withholding tax	-	-	-	-
Total income tax (credit)/expense	**(1 232 406 555)**	**(793 320 943)**	**(721 451 384)**	**175 619 736**
The income tax (credit)/expense for the year can be reconciled to the accounting profit as follows:				
Accounting profit /(Loss) before income tax	**3 511 673 739**	**(5 585 598 318)**	**9 800 655 798**	**883 717 219**
Income tax expense calculated at tax rate 24.72% (2021: 24.72%)	868 076 849	(1 380 759 904)	2 422 722 114	218 454 897
Adjusted for:				
- Non-deductible expenses	(2 100 483 404)	587 438 961	(3 144 173 498)	(42 835 161)
- Income not subject to tax	-	-	-	-
- Withholding tax	-	-	-	-
Total income tax (credit)/expense	**(1 232 406 555)**	**(793 320 943)**	**(721 451 384)**	**175 619 736**

The income tax rate used above is the corporate tax rate of 24.72% payable by corporate entities in Zimbabwe on taxable profits under tax law as per the Income Tax Act (Chapter 26:03) and is consistent with the tax rate applied in the prior year.

25 EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Weighted average number of ordinary shares	42 942 487	42 942 487	42 942 487	42 942 487

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
Profit/ (Loss) attributable to equity holders from continuing operations (ZW$)	12 380 514 362	(4 792 277 375)	24 023 880 032	708 097 484
Basic profit/(loss)loss per share (cents)	288.30	(111.60)	559.44	16.47
Diluted profit/(loss) loss per share (cents)	288.30	(111.60)	559.44	16.47

There were no dilutive ordinary shares outstanding during the year (2021: Nil).

Notes To The **Financial Statements**

For the year ended 30 June 2022

26 PENSION FUNDS

The Company and all its employees contribute to one or more of the following independently administered pension funds.

26.1 The Border Timbers Pension Fund

The fund is a defined contribution scheme and is not subject to actuarial valuation. Employer/employee contributions are 10% and 5% respectively.

In 2016 the employer applied for placement of Border Timbers Limited Pension Fund under paid-up status to the Commissioner of Insurance.

The pension fund was placed under paid-up status with effect from 1 May 2016.

26.2 National Social Security Authority Scheme ("NSSA")

This is a defined benefit scheme promulgated under the National Social Security Act (Chapter 17:04). Employer/employee contributions under the scheme are limited to specific contributions as legislated from time to time. These are presently a maximum of 4.5% of pensionable emoluments up to a maximum of US$ 700.00 per month for each employee.

Contributions recognized in the statement of profit or loss and other comprehensive income:

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Border Timbers Limited Pension Fund	22 995 921	18 714 104	12 493 173	5 385 464
National Social Security Fund	13 540 901	6 714 778	7 812 929	1 966 151
Total	**36 536 822**	**25 428 882**	**20 306 102**	**7 351 615**

Notes To The **Financial Statements**

For the year ended 30 June 2022

27 FINANCIAL RISK MANAGEMENT

27.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company`s Finance Department under policies approved by the Final Judicial Manager and subsequently the Board of Directors. The Company`s Finance Department identifies, evaluates, and hedges financial risks in close co-operation with the Company's operating divisions. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

The Company's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

The Company's senior management oversees the management of risks. The Company's senior management is supported by the Directors that advises on financial risks and the appropriate financial risk governance framework for the Company. The Directors meets regularly with executive management to analyse the Company's risk-taking activities and ensures that they are governed by appropriate policies. The policies for each of these risks are summarized below.

Management Meetings

The Directors and executive management meet regularly to consider and adopt effective strategies to manage the following risks:

- exposure to exchange rate fluctuations.

- borrowing facilities in the form of loans, bank overdrafts and acceptance credits which are negotiated with approved and registered financial institutions and third parties, at acceptable interest rates;

- investment of surplus funds in the form of treasury bills, bank acceptances and money at call which are placed with approved registered financial institutions and building societies at favourable rates on a short-term basis;

- allowance for impairment is regularly adjusted. Where appropriate, credit guarantee insurance is purchased; and,

- insurance of Company assets with the exception of plantations, which are not insurable.

27.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks arise from open positions in foreign currencies and interest-bearing assets and liabilities, to the extent that these are exposed to the general and specific market movements.

(i) Price risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk and currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market. The Company has no significant exposure to price risks on commodity or equity securities (2021: US$nil) because as at 30 June 2022 it had neither commodity contracts nor equity security investments.

Notes To The **Financial Statements**

For the year ended 30 June 2022

27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

(ii) Interest rate risk management

The Company's interest rate risk would arise from borrowings. Borrowings issued at variable rates expose the Companyto cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

(iii) Foreign currency exposure management

The Company has transactional currency exposures. Such exposure arises from the sales or purchases or borrowings in currencies other than the Company's functional currency. Management monitors exposure to exchange rate fluctuations on an ongoing basis.

The Company has transactional currency exposures. Such exposures arises from the sales or purchases or borrowings in currencies other than the Company's functional currency. Management monitors the exposures to exchange rate fluctuations on an ongoing basis. The Company's significant foreign currency exposure arises from trade and other receivables and trade and other payables denominated in the South African Rand ("ZAR") and Botswana Pula ("BWP").

The following analysis details the Company's sensitivity to a 5% increase and decrease in US $ against the relevant foreign currencies 5% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonable possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

Effect of 5% strengthening or weakening of foreign currency	2022 ZW$ Strengthening	2021 ZW$ Strengthening	2022 ZW$ Weakening	2021 ZW$ Weakening
Loss before income tax				
United States Dollar("US$")	(75 320 636)	4 505 055	75 320 636	(4 505 055)
South African rand ("ZAR")	-	(21 171)	-	21 171
Botswana Pula ("BWP")	3 149 353	2 078 935	(3 149 353)	(2 078 935)
	(72 171 283)	**6 562 819**	**72 171 283**	**(6 562 819)**
Current assets				
United States Dollar("US$")	17 322 545	10 098 513	(17 322 545)	(10 098 513)
South African rand ("ZAR")	-	-	-	-
Botswana Pula ("BWP")	3 149 353	2 078 935	(3 149 353)	(2 078 935)
	20 471 898	**12 177 448**	**(20 471 898)**	**(12 177 448)**
Current liabilities				
United States Dollar("US$")	(92 643 180)	(5 593 458)	92 643 180	5 593 458
South African rand ("ZAR")	-	(21 171)	-	21 171
Botswana Pula ("BWP")	-	-	-	-
	(92 643 180)	**(5 614 629)**	**92 643 180**	**5 614 629**

Notes To The **Financial Statements**

For the year ended 30 June 2022

27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

iv) Cashflow interest rate risk

The Company's main interest rate risk exposure arises from long term borrowings with variable interest rates which exposes the Company to cashflow interest rate risk. All the Company' s offshore borrowings generally have variableinterest rates, and all local borrowings have a fixed interest rates. The Company's policy is to keep at least 65% borrowings as a fixed rate and non-re-pricing

during the year the Company's variable interest rate borrowings were designated in US$.

	2022 ZW$	% of total borrowings	2021 ZW$	% of total borrowings
Variable interest rate borrowings	1 370 441 108	74%	362 080 508	75%
Fixed and non-re-pricing interest rate borrowings	471 416 115	26%	118 923 051	25%
Total borrowings	**1 841 857 223**	**100%**	**481 003 559**	**100%**

Cashflow Interest rate sensitivity

Profit or loss is sensitive to lower or higher interest expense arising from changes in the interest on variable interest rate borrowings.

The Sensitivity analyses below have been determined based on the exposure to interest for both derivates and non-derivative instruments at the end of the reporting period. An 80% basis point increase and 90% basis point for decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	INFLATION ADJUSTED		HISTORICAL*	
	impact on Profit/ Loss before tax		Impact on Profit/ Loss before tax	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Interest rates- increase by 80 basis points (80bps) *.	(44 156)	(88 312)	(44 156)	(88 312)
Interest rates- decrease by 90 basis points (90 bps) *.	50 281	100 562	50 281	100 562

*Holding all other variables constant.

27.3 Credit risk management

Credit risk is the risk that one party to financial instrument will cause a financial loss to the other party by failing to discharge a contract. The Company's Finance Department is responsible for managing and analysing the credit risk for each of the new and existing clients before standard payment and delivery terms and conditions are offered. Credit risk arises from credit exposures to customers, including outstanding receivables and committed transactions as well as cash and cash equivalents. None of the Company's trade receivables represent a high concentration of credit risk because the Company transact with a variety of customers.

Notes To The **Financial Statements**

For the year ended 30 June 2022

27 FINANCIAL RISK MANAGEMENT (continued)

27.3 Credit risk management (continued)

Cash and cash equivalents

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument. Only reputable financial institutions are used for investing and cash handling purposes.

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	2021 ZW$	2022 ZW$	2021 ZW$
Counterparties with external credit rating				
A+	-	-	-	-
A	-	-	-	-
A-	-	-	-	-
AA-	11 382 921	17 320 596	11 382 921	5 940 610
BB+	37 029 781	33 133 062	37 029 781	11 363 962
BB-	-	-	-	-
BBB-	17 040 450	31 656 658	17 156 590	10 857 586
BBB+	-	-	-	-
Other unrated cash and cash equivalents	734 445	1 365 684	618 305	468 402
	66 187 597	**83 476 000**	**66 187 597**	**28 630 560**

Trade receivables

The Company trades only with recognised creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to impairment is not significant. The maximum exposure is the carrying amount of trade receivables. Customer credit risk is managed by established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. The maximum exposure to credit risk at the reporting date is the carrying value of each trade receivable. The Company does not hold collateral as security on the trade receivables.

27.4 Liquidity risk management

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., accounts receivables, other financial assets) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Cash flow forecasting is performed by Company`s Finance Department. The Company's Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on]its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal statement of financial position ratio targets.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow

Notes To The **Financial Statements**

For the year ended 30 June 2022

27 FINANCIAL RISK MANAGEMENT (continued)

27.4 Liquidity risk management (continued)

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow

Less than 3 **INFLATION ADJUSTED**	months and months ZW$	Between 1 1 year ZW$	Between 3 Between 2 and 2 years ZW$	and 5 years ZW$	Over 5 years ZW$	Total ZW$
At 30 June 2022						
Borrowings	-	352 420 913	-	1 489 436 309	-	1 841 857 222
Trade and other payables excluding accruals	1 783 967 935	-	-	-	-	1 783 967 935
	1 783 967 935	**352 420 913**	**-**	**1 489 436 309**	**-**	**3 625 825 157**
At 30 June 2021						
Borrowings	-	198 044 677	-	1 182 333 650	-	1 380 378 328
Trade and other payables excluding accruals	876 703 229	136 688 060	-	-	-	1 013 391 289
	876 703 229	**334 732 737**	**-**	**1 182 333 650**	**-**	**2 393 769 617**
HISTORICAL*						
At 30 June 2022						
Borrowings	-	352 420 913	-	1 489 436 309	-	1 841 857 222
Trade and other payables excluding accruals	1 783 967 935	-	-	-	-	1 783 967 935
	1 783 967 935	**352 420 913**	**-**	**1 489 436 309**	**-**	**3 625 825 157**
At 30 June 2021						
Borrowings	-	67 925 271	-	405 516 243	-	473 441 514
Trade and other payables excluding accruals	300 691 264	46 881 207	-	-	-	347 572 471
	300 691 264	**114 806 478**	**-**	**405 516 243**	**-**	**821 013 985**

The Company manages its liquidity position through refinancing short-term borrowings with much longer-term funding. Where this is not achieved, the Company negotiates with its financiers for the rollover of the short-term facilities until the Company has sufficient cash flows to fund the repayments.

As at 30 June 2022, the Company had no undrawn uncommitted borrowing facilities (30 June 2021:US$nil).

Notes To The **Financial Statements**

For the year ended 30 June 2022

27 FINANCIAL RISK MANAGEMENT (continued)

27.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The objective of the Company's capital management is also to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 30 June 2022.

The Company monitors its capital ratio using a gearing ratio which is net debt divided by total capital plus net debt. The Company includes within its net debts, interest bearing loans and borrowings, less cash, and cash equivalents; capital includes equity attributable to the equity holders of the parent.

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZW$	**2021 ZW$**	**2022 ZW$**	**2021 ZW$**
The gearing ratios as at 30 June were as follows:				
Interest bearing loans and borrowings	1 841 857 223	1 402 426 422	1 841 857 223	481 003 559
Less cash and cash equivalents	(66 187 597)	(83 476 000)	(66 187 597)	(28 630 560)
Net debt	1 775 669 626	1 318 950 422	1 775 669 626	452 372 999
Total capital	27 750 978 265	15 370 463 903	26 651 488 567	2 627 608 536
Gearing ratio	6%	9%	7%	17%

The Company's strategy is to maintain the gearing ratio below 50%.

Notes To The **Financial Statements**

For the year ended 30 June 2022

28 RISK MANAGEMENT – AGRICULTURAL ACTIVITIES

The Company is exposed to risk arising from plantation fires, environmental and climatic changes, commodity prices and financing risks.

As a leading member of the Timber Producers Federation ("TPF"), the Company complies with the TPF Fire Policy, and actively participates in TPF District Fire Committees. District Fire Committees include Traditional Leaders and Local Authorities, Zimbabwe Republic Police ("ZRP"),Environmental Management Agency ("EMA"), Forestry Commission and landowners within each District.

The risk to the Company's plantation area from uncontrolled fires is increased because of the presence of illegal settlers on three of the company's five estates. Each estate annually produces a Fire Plan identifying risk levels for each compartment and responses to mitigate such risk as far as is practical, and identifying fire-control teams, equipment and infrastructure, fire responses and callout procedures. Fire awareness campaigns are carried out by the District Fire Committees. Teams are trained at Basic; Fire-fighter and Fire Boss level and refresher drills are carried out weekly during the Fire Season. All estates are covered day and night throughout the year by manned Fire Towers and a radio network. Standby teams including specialised, dedicated Fire Tenders are always on duty during the Fire Season and procedures are in place to rapidly augment first-call teams with local back-up, then with additional units from other estates, should the need arise.

All major fires are investigated with a view to improving response and effectiveness. Fires of unknown origin or resulting from illegal activities are reported to ZRP.

Over and above the fire risks, the Company is exposed to risks arising from climatic changes, disease, and other natural risks such as flooding and storms and human-induced losses arising from strikes, civil commotion, and malicious damage. Management is in constant liaison with the community and local authorities in an effort to manage the exposure.

29 ASSET INSURANCE

Assets are insured on a reinstatement basis. The sums insured are subject to regular review by the Company and its brokers. Plantations are not insured as cover is not available.

The Company's land was expropriated by the Government of Zimbabwe ("the Government") in 2005 and subjected to

Notes To The **Financial Statements**

For the year ended 30 June 2022

30 LAND DESIGNATION

invasions before and after 2005. In addition, certain measures were taken by the Government against Border's foreign exchange. In 2010, the Company and its subsidiary companies, Hangani and Timber Products International (Private) Limited ("Timber Products") (collectively, "the Border Claimants") filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes ("ICSID") against the Government under the investment treaty between Switzerland and Zimbabwe (the "Treaty"), ICSID Case No. ARB/10/25 ("the Border Arbitration"). Timber Products assigned its interest in the Border Arbitration to the Company on 16 December 2014.

Claims were also brought against the Government in separate arbitral proceedings by the Company's (then) majority shareholder, the vonPezold Family ("the VP Claimants") under the same bilateral investment treaty as well as under a bilateral treaty between Germany and Zimbabwe, ICSID Case No. ARB/10/15 ("the VP Arbitration"). The VP Arbitration extended to other expropriated land owned by the von Pezold Family through companies in which the Company held no legal or other interests. The VP Arbitration together with the Border Arbitration shall be referred to as, "the ICSID Arbitrations".

In July 2015, two separate but identically constituted Arbitral Tribunals issued two separate awards in the ICSID Arbitrations in favour of the Border Claimants ("the Border Award") and in favour of the VP Claimants ("the VP Award"), with identical relief (with certain exceptions relating to moral damages, interest and costs) for: (i) the expropriation of the properties that were owned (directly or indirectly) by the Company; (ii) the manner in which the Government responded to the invasion of those properties; and (iii) the measures that the Government took in regard to Border's foreign exchange. "The Border Award" and "the VP Award" together shall be referred to as "the Final Awards". The relief from the Arbitral Tribunal that the Government was to compensate a sum of US$124,041,223 ("the Border Compensation") (failing restitution of the expropriated land and other damages) and pre and post award interest relating to that compensation.

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;

(i) 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;

(ii) 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

(iii) 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).

Notes To The **Financial Statements**

For the year ended 30 June 2022

30 LAND DESIGNATION(continued)

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 formershareholder 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.

On the basis of an independent legal counsel obtained, the directors are of the view that subject to full payment of the Border Award, the Company has the right to continue operating its business on, and occupying, the unaffected parts. 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. For the land occupied with settlers the Company continue to seek legal recourse and engage with the government until the settlers issue is resolved.

31 CONTINGENT LIABILITY

The Company has a contingent liability for legal fees amounting to US$11.78 million in connection with the ICSID Arbitration which are expected to be settled once and to the extent that proceeds from the Border Compensation Award are received from the Government of Zimbabwe and subject to the Company obtaining exchange control approval from the Reserve Bank of Zimbabwe. Rift Valley Corporation paid for the legal costs associated with the ICSID arbitrations on behalf of Border Timbers on the condition that Border Timbers will only repay if the Government pays the Award. The contingent event is the settlement of the Award by the Government of Zimbabwe and if it doesn't happen then Border Timbers Limited is not obligated to repay Rift Valley Corporation.

Notes To The **Financial Statements**

For the year ended 30 June 2022

32 GOING CONCERN

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:

- As detailed in note 30, the Arbitration Award which has been granted to the Company by the Arbitration court has been registered in Zimbabwe and is also being registered in Singapore, United Kingdom, and United States of America, and it is legally binding to all parties. The time stipulated in the award within which Government was to formally respond had since lapsed as at the date of the authorisation of these financial statements. Legal counsel has advised the directors that notwithstanding the lapse of the period, the passage of time does not in any way preclude the Government of Zimbabwe from either restitution of the land, or paying damages, at a later date, as provided for in the Award.

- The Company has successfully obtained an extension of the DEG loan by a further 4.5 years to 15 July 2026 and Rift Valley Corporation provided full support through the letter of credit of USD$3.8m. The loan has a flexible repayment schedule which is favourable for the Company's working capital structure.

- COVID-19 at its peak did not have material impact on the operations of the Company hence directors believe that this pandemic is behind us and do not anticipate any future risks or uncertainties that may arise from this pandemic which may affect the going concern of the company.

- Management is aware of the Russia-Ukraine war and the resultant global disruptions and risks that has 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 hit the global economy. In light of this management is consistently reviewing its business model with the view to cut costs and achieve more efficiency. Management believes that the demand for lumber will remain remarkably high due to short supply of the product hence prices are expected to remain fairly stable.

- The Company has USD2.9m 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 will be expected to sustain the cash flows of the company into the foreseeable future. Management has also embarked on an aggressive replanting exercise which they expected to further augment the current biological asset, the business plan assumes that the entire temporary unplanted area will be extinguished in the next 3 years.

- Since exit from the Judicial Management, directors of the company have determined to embark on a recapitalisation strategy which will further strengthen the operations of the business. The Company has invested in new sawmills at both Sheba and Charter with both expected to commission by the end of FY2023, and contractors will be capacitated with additional harvesting equipment. All these initiatives demonstrate that the ability of the Company to continue as a going concern is solid.

Notes To The **Financial Statements**

For the year ended 30 June 2022

32 GOING CONCERN (continued)

- 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 into the foreseeable future and will have adequate resources to settle any obligations as they fall due.

- 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.

  The directors of the Company believe 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 applied in the preparation of these financial statements.

33 EVENTS AFTER THE REPORTING PERIOD

There is a significant period between the reporting date and the date of authorising these financial statements. Management has carefully assessed subsequent events to ensure that all material events have been disclosed. In management view there are no material subsequent event to disclose.

Analysis Of Shareholders

For the year ended 30 June 2022

DIRECTORS SHARE HOLDING

None of the sitting directors hold any shares in their individual capacities.

SHAREHOLDER DISTRIBUTION

	Number of shareholders	% of total	Issued shares	% of total
Analysis of shareholders as at 30 June 2022				
1-5000	572	86	477 376	1
5001 - 10000	29	4	205 780	0
10001 - 25000	19	3	301 930	1
25001 - 50000	14	2	475 246	1
50001 - 100000	15	2	1 086 496	3
100001 - 200000	3	0	437 725	1
200001 - 500000	6	1	1 513 210	4
500001 - 1000000	1	1	903 142	2
1000001 and above	4	1	37 541 582	87
TOTAL	663	100	42 942 487	100

ANALYSIS BY INDUSTRY

INDUSTRY				
OTHER CORPORATES	443	67	30 810 562	72
INVESTMENTS/TRUST/PROPS	38	6	9 576 498	22
RESIDENT INDIVIDUAL & TRUSTS	8	1	603 788	1
STANDARD COMPANY	24	4	544 978	1
EXTERNAL COMPANIES	75	11	516 561	1
BANKS & NOMINEES	51	8	421 008	1
NON-RESIDENT INDIVIDUALS	6	1	321 068	1
PENSION FUNDS	8	1	95 579	0
EXTERNAL BANKS & NOMS	2	0	32 233	0
FCDA - RESIDENT INDIVIDUAL	8	1	20 212	0
TOTAL	663	100	42 942 487	100

Analysis Of Shareholders

For the year ended 30 June 2022

TOP 10 SHAREHOLDERS

Shareholder	Issued shares	% Total
FRANCONIAN ZIMBABWE INVESTMENTS (PVT) LTD	28 953 086	67
LIMPOPO LIMITED	4 294 248	10
ZAMBEZI LIMITED	4 294 248	10
BORDER TIMBERS PENSION FUND	903 142	2
WILHEL HENRY ALFRED HANSALBERT	343 847	1
NSSA - NATIONAL PENSION SCHEME	294 307	1
SAXONIAN ESTATE LIMITED	223 239	1
MR PRAKASH RADIA	218 248	1
TONLY INVESTMENTS (PRIVATE) LIMITED	218 196	1
MR. DAVID MYERS GRAHAM	215 373	1
	39 957 934	**93**
Other shareholders	2 984 553	7
Total	**42 942 487**	**100**

SHARE PRICE INFORMATION

	ZW$ cents
Total	
30 June 2022	20
30 June 2021	20

Non-public shareholders are defined in the Zimbabwe Stock Exchange Listing Requirements, which requires disclosure of public and non-public shareholders, as follows;

- The directors of the company;

- An associate director of the company or any subsidiaries;

- The Trustees of any employee share scheme or pension fund established for the benefit of any director or employees of the Company and its subsidiaries;

- Any person who, by virtue of any agreement, has the right to nominate a person to the board of the Company; and,

- Any person who, is interested in more than 10% or more of the securities of the Company of the relevant class unless exempted by the committee.

NOTES

www.bordertimber.co.zw

A RIFT VALLEY COMPANY