



**BORDER
TIMBERS**

*(Border Timbers Limited, incorporated in Zimbabwe
on 28 June 1945 under Company Registration Number 35/1945)*

AUDITED ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2023

SALIENT FEATURES

	Movement %	30 June 23 US\$	30 June 22* US\$
Revenue US\$	▲ 23%	15 840 384	12 900 445
Profit before tax	▼ 91%	896 829	9 771 385
Basic (loss)/ earnings per shares (cents)	▼ 113%	(4)	32
Cash generated from operations	▼ 23%	2 197 163	2 840 930
Volume sold: Poles (m3)	▼ 28%	7 297	10 189
Volume sold: Lumber (m3)	▼ 10%	38 792	43 120

MESSAGE FROM THE CHAIRMAN

OPERATING ENVIRONMENT AND OVERVIEW.

FY23 started with a new board of directors after the company successfully exited Judicial Management on the 14th of March 2022. The period under review to 30 June 2023 was characterised by the depreciation in local currency resulting in widening of the gap between official exchange rate and the alternative market exchange rate. The power outages affected our lumber production, and the Company resorted to using expensive back-up generators.

The trading environment remains complex and uncertain, primarily driven by price distortions, high borrowing costs which has an impact on liquidity and customer demand.

FINANCIAL PERFORMANCE.

In accordance with the requirements of IAS 21 (The effects of changes in foreign exchange rates), the Company assessed its functional currency. Following the completion of that process the Company concluded that the currency that primarily influences its operating activities is the United States Dollar, therefore with effect from the 1st of July 2022, the Company changed the Functional and Presentation currency from Zimbabwe Dollars to United States Dollars.

Revenue for the period was US\$15.8million (FY2022:US\$12.9million), a 23% increase compared to prior year, primarily driven by improved product mix and consistent product quality of our Kiln Dried Timber resulting in better average selling prices.

Net profit before taxation was US\$0.9million (FY2022: US\$9.8million), the FY2022 was mainly driven up by a non-cash gain on biological asset transformation of US\$14.8million.

The Company's statement of financial position remains very strong with a solid asset base supported by both the biological assets and property, plant and equipment.

FORESTRY AND SAWMILLING

The 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. Lumber sales volume was 38 792m³ (FY2022: 43 120m³), the 10% reduction was mainly because of lower aggregate demand, primarily in the local market. Efforts are underway to expand the export market base with a focus on markets with better average selling prices.

During the period under review, 1,327 hectares (FY2022: 713 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 is 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 resulted in the Company attaining Forest Steward Council (FSC) Certification on all the estates except for Tilbury Estate and, plans are underway to have Tilbury Estate certification by the end of FY2024. A total of 6 400 hectares of Tilbury Estate has been set aside for the Biomass establishment in partnership with two Tobacco Companies. Funding for the project has been secured and this is expected to further strengthen the Company's biological asset, at the same time supporting the Tobacco production with sustainable source of energy for Tobacco curing.

Plantation fire damage remains the major business risk, particularly arson. During the year, the Company lost 327 hectares (FY2022: 235 hectares) which is higher compared to the previous period. As a result, the Company has further strengthened its plantation patrol teams, community engagement programmes 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 7 297m³(FY 2022: 10 189m³), a 28% decrease compared to the prior year. This is mainly because of timing differences which is experienced in the acquisition of pole tenders, which is asymmetrical. Market development remains a key focus of our Poles business as the Company is actively pursuing new opportunities in the local market as well as in the region and beyond. The Company currently has a healthy order book with potential to sustain our Poles sales target for the next two financial years.

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 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 remains committed to its strategy of delivering value for all stakeholders. We believe that the fundamentals in the business remain intact, with healthy forests, an 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. Recapitalisation remains a key priority, the new Charter sawmill was commissioned on the 18th of July 2023 and plans are on-course to have the Sheba sawmill installed and commissioned in December 2023.

ELIAS HWENGA

Chairman
30 September 2023

**PASSIONATE
ABOUT DEVELOPING
RESOURCES IN AFRICA**

AUDITED ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Notes	30-Jun-23 US\$	30-Jun-22* US\$
Revenue	11	15 840 384	12 900 445
Cost of sales		(15 371 435)	(14 526 751)
Gross profit/(loss)		468 949	(1 626 306)
Other operating income		1 896 210	750 756
Selling and distribution expenses		(290 223)	(351 454)
Administration expenses		(4 421 958)	(3 825 431)
Other operating expenses		(68 928)	(5 196 410)
Fair value gain due to biological assets transformation		4 544 123	14 832 022
Finance income		54 990	19 131
Finance costs		(1 286 334)	(139 494)
Monetary gain		-	5 308 571
Profit before income tax		896 829	9 771 385
Income tax (expense)/ credit		(2 423 234)	2 881 397
(Loss)/ profit for the year		(1 526 405)	12 652 782
Other comprehensive (loss)/ income for the year net of tax			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property plant and equipment		-	1 727 568
Impairment of briquetting plant		-	(180 539)
Effect on deferred tax		-	(427 055)
		-	1 119 974
Total comprehensive (loss)/ income for the year		(1 526 405)	13 772 756
Key statistics			
Weighted average number of shares		42 942 487	42 942 487
(Loss)/ earnings per share attributable to the owners of the parent during the year (cents per share)			
Basic (loss)/ earnings per share (cents)		(4)	32
Diluted (loss)/ earnings per share (cents)		(4)	32

*Comparative figures as at 30 June 2022 were derived from audited inflation adjusted Zimbabwe Dollars which were translated to United States Dollars by applying the closing official exchange rate at the reporting date. Property, plant and equipment was recalculated using values emanating from a USD valuation.

AUDITED ABRIDGED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	30-Jun-23 US\$	30-Jun-22* US\$
ASSETS			
Non-current assets			
Property, plant and equipment	5	27 968 688	28 222 143
Biological assets	6	42 808 758	38 365 885
		70 777 446	66 588 028
Current assets			
Biological assets	6	4 280 417	4 946 939
Inventories	8	1 224 947	3 460 806
Trade and other receivables	7	2 665 090	1 248 294
Cash and cash equivalents		23 746	178 420
		8 194 200	9 834 459
Total assets		78 971 646	76 422 487
EQUITY			
Equity attributable to the owners of the parent			
Share capital		157 348	157 348
Revaluation reserve		1 088 982	1 119 974
Retained earnings		50 999 767	52 495 180
Total equity		52 246 097	53 772 502
LIABILITIES			
Non-current liabilities			
Long term borrowings	10	4 143 127	4 015 036
Deferred tax		14 649 016	12 225 782
		18 792 143	16 240 818
Current liabilities			
Trade and other payables	9	4 858 804	5 459 155
Short term borrowings	10	2 052 698	865 311
Bank overdraft	10	1 021 904	84 701
		7 933 406	6 409 167
Total liabilities		26 725 549	22 649 985
Total equity and liabilities		78 971 646	76 422 487

*Comparative figures as at 30 June 2022 were derived from audited inflation adjusted Zimbabwe Dollars which were translated to United States Dollars by applying the closing official exchange rate at the reporting date. Property, plant and equipment was recalculated using values emanating from a USD valuation.



(Border Timbers Limited, incorporated in Zimbabwe
on 28 June 1945 under Company Registration Number 35/1945)

AUDITED ABRIDGED FINANCIAL STATEMENTS

For the year ended 30 June 2023

AUDITED ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Share capital US\$	Revaluation reserves US\$	Retained earnings US\$	Total US\$
Year ended 30 June 2022				
Balance as at 1 July 2021	157 348	-	39 842 398	39 999 746
Profit for the year	-	-	12 652 782	12 652 782
Other comprehensive gain from revaluation of Property, Plant and Equipment	-	1 119 974	-	1 119 974
Balance as at 30 June 2022	157 348	1 119 974	52 495 180	53 772 502
Year ended 30 June 2023				
Balance as at 1 July 2022	157 348	1 119 974	52 495 180	53 772 502
Loss for the year	-	-	(1 526 405)	(1 526 405)
Transfers from revaluation reserve to retained earnings	-	(30 992)	30 992	-
Balance as at 30 June 2023	157 348	1 088 982	50 999 767	52 246 097

AUDITED ABRIDGED STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

	30-Jun-23 US\$	30-Jun-22* US\$
Cash flow from operating activities		
Profit before income tax	896 829	9 771 385
Adjustment for:		
- Depreciation	573 518	757 556
- Impairment loss on property, plant and equipment	68 928	46 408
- Fair value gain due to biological transformation of biological assets	(4 544 123)	(14 832 022)
- Plantation redemption	3 463 378	2 507 701
- Plantation damage	757 059	66 511
- (Reversal)/allowance for credit losses	(21 126)	27 709
- Exchange (gains)/losses	(446 676)	5 150 002
- (Profit) on disposal of property, plant and equipment	(31 550)	(3 526)
- Other non-cash items	30 869	1 723 909
- Finance income	(54 990)	(19 131)
- Finance costs	1 286 334	139 494
- Monetary gain	-	(5 308 571)
	1 978 450	27 425
Working capital changes		
- Decrease / (increase) in inventories	2 235 859	(254 949)
- (Increase) / Decrease in trade and other receivables	(1 416 795)	360 211
- (Decrease) / increase in trade and other payables	(660 365)	3 835 886
- Increase / (Decrease) in provision and accruals	60 014	(1 127 643)
Net cash generated from operating activities	2 197 163	2 840 930
Cash flows from investing activities		
Purchase of property, plant and equipment	(612 139)	(129 128)
Expenditure on biological assets	(3 452 665)	(2 498 978)
Proceeds on disposal of property, plant and equipment	254 700	5 685
Interest received	54 990	19 131
Net cash used in investing activities	(3 755 114)	(2 603 290)
Cash flows from financing activities		
Proceeds from borrowings	6 803 929	243 549
Repayment of borrowings	(4 830 551)	(426 398)
Interest paid	(570 101)	(117 203)
Proceeds from grant	-	15 809
Net cash generated / (used in) from financing activities	1 403 277	(284 243)
Net (decrease) in cash and cash equivalents	(154 674)	(46 603)
Cash and cash equivalents at the beginning of the year	178 420	335 161
Effects of exchange rate on cash and cash equivalents	-	(110 138)
Cash and cash equivalents at the end of the year	23 746	178 420

*Comparative figures as at 30 June 2022 were derived from audited inflation adjusted Zimbabwe Dollars which were translated to United States Dollars by applying the closing official exchange rate at the reporting date. Property, plant and equipment was recalculated using values emanating from a USD valuation.

NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2023

1 ACCOUNTING POLICIES

The principal accounting policies of the Company have been followed in all material respects and conform to International Financial Reporting Standards (IFRS) and the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31), with the exception of a non-compliance with IAS 21 as per Note 2 below.

2 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"). As a result of Zimbabwean Dollar currency deteriorating significantly resulting in the market shifting towards United States Dollar, the primary economic environment and generation and use of cash flows of Border Timbers Limited became mainly denominated in United States Dollars. The Company changed functional currency from the Zimbabwe Dollar (ZWL) to United States Dollar (USD) on 1 July 2022. The Company has retrospectively adopted USD opening balances with effect from 1 July 2022, determined by applying the closing official exchange rate to the FY22 numbers, property, plant and equipment was recalculated using values emanating from a USD valuation. This is not in compliance with the requirements of IAS 21 which requires determination of all the opening USD balances using the spot rate at that date.

3 SEGMENT INFORMATION

	Forestry and Sawmilling US\$	Manufacturing US\$	Total US\$
Year ended 30 June 2023 Statement of profit or loss and other comprehensive income			
External sales	14 106 807	1 733 577	15 840 384
Revenue from external customers	14 106 807	1 733 577	15 840 384
Finance costs	(1 286 334)	-	(1 286 334)
Finance income	54 990	-	54 990
Profit before income tax	294 105	602 724	896 829
Statement of financial position			
Total assets	78 775 761	195 885	78 971 646
Total liabilities	26 725 549	-	26 725 549

	Forestry and Sawmilling US\$	Manufacturing US\$	Total US\$
Year ended 30 June 2022 Statement of profit or loss and other comprehensive income			
External sales	11 582 013	1 318 432	12 900 445
Revenue from external customers	11 582 013	1 318 432	12 900 445
Finance costs	(139 494)	-	(139 494)
Finance income	19 131	-	19 131
Monetary gain	5 308 571	-	5 308 571
Profit before income tax	9 396 570	374 815	9 771 385
Statement of financial position			
Total assets	61 378 076	15 044 411	76 422 487
Total liabilities	12 458 934	10 191 051	22 649 985

4 RELATED PARTY DISCLOSURES

	30-Jun-23 US\$	30-Jun-22 US\$
i) Transactions		
-Sales of goods	833 348	451 962
-Purchases	171 589	3 718
-Interest charged	674 840	51 037
ii) Year end balances		
-Receivables from related parties	165 129	99 988
-Payables to related parties	1 135 078	340 797
iii) Loans from related parties	4 681 280	1 111 093
iv) Loans to directors and executive management	145 990	239 471
v) Key management personnel remuneration	1 051 634	640 852
vi) Guarantees from related parties	-	3 000 000
vii) Directors Fees	58 219	10 500

5 PROPERTY, PLANT AND EQUIPMENT MOVEMENT

	28 222 143	24 879 589
As at 1 July 2022	28 222 143	24 879 589
Additions	612 139	136 863
Disposals	(223 148)	(14 889)
Revaluation	-	4 024 544
Impairment loss	(68 928)	(46 408)
Depreciation charge	(573 518)	(757 556)
As at 30 June 2023	27 968 688	28 222 143



(Border Timbers Limited, incorporated in Zimbabwe
on 28 June 1945 under Company Registration Number 35/1945)

AUDITED ABRIDGED FINANCIAL STATEMENTS

For the year ended 30 June 2023

NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2023

6 BIOLOGICAL ASSETS

	30-Jun-23	30-Jun-22
	US\$	US\$
As at 1 July 2022	43 312 824	28 556 036
Expenditure for the year	3 452 665	2 498 978
Fair value gain due to biological transformation	1 901 131	14 832 022
Changes due to enumeration	2 642 992	-
	<u>51 309 612</u>	<u>45 887 036</u>
Destroyed by fire	(757 059)	(66 511)
Transfers of harvested timber to inventory	(3 463 378)	(2 507 701)
As at 30 June 2023	47 089 175	43 312 824

7 TRADE AND OTHER RECEIVABLES

Trade receivables	2 493 422	922 624
Other receivables	171 668	325 670
Total	2 665 090	1 248 294

8 INVENTORIES

Raw materials	625 949	506 939
Work in progress	160 738	483 900
Finished goods	306 608	1 225 113
Consumables	131 652	1 244 854
Total	1 224 947	3 460 806

9 TRADE AND OTHER PAYABLES

Trade payables	2 910 811	4 435 759
Accruals	710 171	650 156
Payables to related parties	1 135 078	340 797
Statutory liabilities	102 744	32 443
Total	4 858 804	5 459 155

10 BORROWINGS

Long term borrowings	4 143 127	4 015 036
Short term borrowings	3 074 602	950 012
Total	7 217 729	4 965 048

Borrowings include Shareholder loans amounting to US\$ 4 681 280 which accrue interest at a rate of SOFR plus 5% per annum. The Company has successfully paid off the DEG loan of US\$3.8 million on the back of a Shareholder support loan from Rift Valley Holdings of US\$ 3 million and the balance of US\$0.8 million from its working capital.

11 REVENUE

	30-Jun-23	30-Jun-22
	US\$	US\$
Disaggregation of revenue		
External revenue by product line		
• sale of lumber;	13 442 808	11 100 913
• sale of poles;	1 733 577	1 318 433
• sale of logs;	651 008	435 244
• sale of briquettes;	12 991	45 855
Total	15 840 384	12 900 445

12 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the period attributable to ordinary equity holders by the number of ordinary shares in issue.

Headline earnings is based on net profit for the period attributable to members after adjusting for other income net of tax.

Basic and headline earnings per share are based on a weighted average of 42 942 487 (2022 : 42 942 487) ordinary shares in issue during the period.

	30-Jun-23	30-Jun-22
	US\$	US\$
Earnings per share		
(Loss)/ earnings attributable to ordinary members	(1 526 405)	13 772 756
Ordinary shares in issue at period end	42 942 487	42 942 487
(Loss)/ earnings per ordinary share (cents)	(4)	32
Determination of headline earnings on continuing operations		
(Loss)/ profit for the period	(1 526 405)	13 772 756
Adjust for:		
Net exchange gain on foreign currency- net of tax	(336 258)	84 435
Retrenchment and restructuring costs - net of tax	88 190	-
Fair value gain on biological assets - net of tax	(3 420 816)	(11 165 546)
Gain on disposal of property, plant and equipment - net of tax	(23 751)	(2 654)
Total headline (loss)/ earnings from continuing operations	(5 171 538)	2 688 990
Headline (loss)/earnings per share - continuing operations		
Headline (loss)/ earnings attributable to ordinary members	(5 171 538)	2 688 990
Ordinary shares in issue at period end	42 942 487	42 942 487
Headline (loss)/ earnings per ordinary share (cents)	(12)	6

NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2023

13 LAND DESIGNATION

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

- (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;
- (i) 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
- (i) 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/ SOFR rate plus 2%, compounded every six months, until the date of full payment (the Border Award). The total amount owing to Border Timbers Limited as at 30th of June 2023 is US\$104,015,971.

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

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

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

14 AUDITORS OPINION

The abridged Company annual financial statements should be read in conjunction with the complete set of the annual financial statements for the year ended 30 June 2023. The abridged financial statements comprise the abridged statement of financial position as at 30 June 2023, the abridged statement of profit or loss and other comprehensive income, abridged statement of changes in equity and abridged statement of cash flows for the year then ended, and related notes. Furthermore, the abridged financial statements are derived from the audited financial statements of Border Timbers Limited ("the Company") for the year ended 30 June 2023, and have been audited by Deloitte & Touche, who have issued a qualified opinion as the Company has not complied with the requirements of IAS 21 ("The effects of changes in foreign exchange rates") on comparative information as noted above and in note 2. The audit opinion also includes a material uncertainty paragraph related to going concern and a key audit matter with respect to the valuation of biological assets. The audit report is available for inspection at the Border Timbers Limited's registered offices. The engagement partner responsible for the audit was Tapiwa Chizana (PAAB Practice Certificate Number 0444).

15 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:

- The Arbitration Award granted to the Company by the ICSID (International Centre for the Settlement of Investment Disputes) has been registered in Zimbabwe and is also in the process of being registered in Singapore, United Kingdom, and United States of America, and it is legally binding. The time stipulated in the Award within which Government was to make restitution has since lapsed as at the date of the authorisation of these financial statements, making the Award a financial award. Legal counsel has however advised the directors that notwithstanding the lapse of the period, the passage of time does not in any way preclude the Company from accepting restitution of the land, or damages in settlement of the Award now or at a later date, nor does it detract from the Government of Zimbabwe's obligations as provided for in the Award.

- The Company has successfully paid off the DEG outstanding loan balance of US\$3.8 million.

- 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 a strong biological asset whose fibre is expected to sustain the cash flows of the company into the foreseeable future. Management has also embarked on an aggressive replanting exercise which is expected to further augment the current biological asset.

- Since exiting 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. Charter sawmill was commissioned on the 18th July 2023 and Sheba is expected to be installed and commissioned in December 2023. The 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.

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.



*(Border Timbers Limited, incorporated in Zimbabwe
on 28 June 1945 under Company Registration Number 35/1945)*

AUDITED ABRIDGED FINANCIAL STATEMENTS

For the year ended 30 June 2023

NOTES TO THE AUDITED ABRIDGED FINANCIAL STATEMENTS

for the year ended 30 June 2023

16. SUBSEQUENT EVENT

An Extraordinary General Meeting of shareholders of Border Timbers Limited ("the Company") was held at 10:00 hrs on Monday, 28 August 2023 relating to and seeking approvals for the terms and conditions of an offer to the Border Timbers Limited (BTL) shareholders for the acquisition of the entire issued ordinary shares of Border Timbers Limited by Cicada Plantations Zimbabwe (Private) Limited, and resultant revised indicative dates and times.

The two ordinary resolutions below which were put to the vote at the Extraordinary General Meeting of Shareholders of Border Timbers Limited were passed.

ORDINARY RESOLUTION 1 – APPROVAL OF THE TERMS OF THE OFFER

To approve the terms and conditions of the proposed Offer made by Cicada Plantations Zimbabwe (Private) Limited to the Border Timbers Limited shareholders to acquire up to 100% of the issued share capital of Border Timbers Limited by means of a share swap at a swap ratio of 1 new Cicada Plantations Zimbabwe (Private) Limited ordinary share for every 1.1079 Border Timbers Limited ordinary shares held, resulting in the issuance of 38,758,568 new CPZ shares being issued to the shareholders of Border Timbers Limited, with the result that Border Timbers Limited shareholders who accept the offer will become shareholders in Cicada Plantations Zimbabwe (Private) Limited and Border Timbers Limited may become a subsidiary of Cicada Plantations Zimbabwe (Private) Limited, and otherwise for the implementation of the Proposed Transaction described in the Circular to shareholders.

ORDINARY RESOLUTION 2 – DIRECTORS AUTHORISED TO GIVE EFFECT TO THE RESOLUTIONS

To authorise the directors to do any and all such things as may be necessary to give effect to the above resolutions.

REVISED IMPORTANT DATES AND TIMES

Shareholders were also advised that the important dates and times disclosed in the Circular to shareholders have been revised as shown below:

Important Dates	
Publication of BTL EGM resolution results	Wednesday, 30 August 2023
Primary Offer opens at 0900	Monday, 4 September 2023
Primary Offer closes at 1600	Monday, 25 September 2023
Primary Offer Results released	Wednesday, 27 September 2023
Termination of BTL's ZSE listing	Friday, 3 November 2023

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

Qualified Opinion

We have audited the financial statements of Border Timbers Limited (the "Company") , set out on pages 18 to 74, which comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 financial statements present fairly, the financial position of the Company as at 30 June 2023, 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

Non-compliance with IAS 21 "The effects of changes in foreign exchange rates" with respect to the translation of Property Plant and Equipment (PPE) balances on change in functional currency.

The Company changed functional currency from the Zimbabwe Dollar (ZWL) to United States Dollar (USD) on 1 July 2022. The Company has retrospectively adopted USD opening balances for PPE with effect from 1 July 2022, determined by calculating values emanating from a valuation using USD valuation inputs. This is not in compliance with the requirements of IAS 21 which requires determination of the opening USD balances by translating the previously stated PPE fair value which was determined using ZWL valuation inputs using the spot rate at that date, and the prospective recognition of the change in functional currency.

As a result of the non-compliance with IAS 21 on the Company's financial statements, the comparative balances for property, plant and equipment , current year movements of revaluation gain/loss, depreciation and taxation are misstated for the year ended 30 June 2023. The precise quantification of the effects of the non -compliance with IAS 21 on the Group's financial statements have not been determined. However, we have determined that the errors due to the IFRS non-compliance described above are material as at 30 June 2023. Our opinion on the current year financial statements is therefore modified.

Material uncertainty related to going concern

We draw attention to Note 36 in the financial statements, pertaining to the Company's award by the ICSID Arbitration Tribunal in the matter of the land 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 32, 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 further modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and 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.



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

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of biological assets – Standing timber	
<p>The Company is required to value its standing timber at fair value in accordance with IAS 41 “Agriculture” (“IAS 41”).</p> <p>As disclosed in Note 6 of these inflation adjusted financial statements, the fair value of the standing timber amounted to US\$47.09million (2022: US\$43.31million).</p> <p>The value of standing timber is based on the following inputs;</p> <ul style="list-style-type: none"> • estimated growth rates; • stand density or tree per hectare; • diameter class distribution; • diameter height relationships; • estimated market price per cube meter, and • estimated volumes based on archived enumeration data <p>Accordingly, the valuation of standing timber is a key audit matter due to the significance of the multiple judgements applied in determining the estimates used to compute the fair value.</p>	<p>To test the fair value of the standing timber we performed audit procedures that included but were not limited to the following:</p> <ul style="list-style-type: none"> • Assessed the Company's selection of the valuation methodologies, and evaluated the methods and significant assumptions used by the Company; • Evaluated whether the valuation criteria used by management comply with the requirements of IAS 41; • Tested the design and implementation of relevant controls with respect to the process of determining fair values for the biological assets; • Evaluated the completeness and accuracy of the underlying key data inputs underpinning the fair value of standing timber and assessed the reasonability of the significant assumptions and estimates made by management; • Assessed the competence, independence, and objectivity of ' auditors specialist • Involved our valuation specialist to assist with our evaluation and challenging of the methodologies used by management and significant assumptions included in the valuation, with specific reference to: <ul style="list-style-type: none"> - Evaluating the results and effect of the enumeration exercise performed during the year. - Challenging managements assumptions with respect to the inclusion of trees older than twenty five years in the valuation. • Assessed the competence, independence, and objectivity of managements' expert. • Compared the significant assumptions applied, to market and economic trends, as well as the historical results; • Performed sensitivity analyses on the valuation of standing timber to evaluate the extent of impact on the fair value of the estimated timber volumes; • Assessed the reliability of management’s forecasts used in the valuation of standing timber through a comparison of the actual results in the current year against previous forecasts made; and • Reviewed the financial statement disclosures for appropriateness and adequacy. <p>We concluded that the assumptions made by management were Reasonable and the disclosures in the financial statements were appropriate.</p>

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

Other Information

The directors are responsible for the other information. The other information comprises the notice of annual general meeting, company financial highlights, company statutory information, historical financial information, directors' report, corporate governance, chairman's report, and analysis of shareholders for the year ended 30 June 2023 but does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 21 current year, we have determined that the other information is misstated for that reason.

Responsibilities of the Directors for the financial statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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 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 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.

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

Auditor's Responsibilities for the Audit of the financial statements (continued)

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the 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 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.

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 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 2023.

Section 193(2)

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



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

DATE: 4 October 2023