



SALIENT FEATURES

	INFLATION ADJUSTED		HISTORICAL *		Inflation Adjusted Movement %
	Unaudited 9 Months to 31-Mar-23 ZW\$	Unaudited 9 Months to 31-Mar-22 ZW\$	Unaudited 9 Months to 31-Mar-23 ZW\$	Unaudited 9 Months to 31-Mar-22 ZW\$	
Revenue ZW\$'000"	7 679 788	3 419 430	7 497 835	1 444 103	▲ 125%
Profit/(Loss) before tax ZW\$'000"	16 823 217	(2 431 550)	21 269 291	32 702	▲ 792%
Volume sold: Poles (m3)	5 896	8 360	5 896	8 360	▼ 29%
Volume sold: Lumber (m3)	29 621	33 748	29 621	33 748	▼ 12%
Production Volume: Poles (m3)	5 282	7 108	5 282	7 108	▼ 26%
Production Volume: Lumber (m3)	27 574	32 487	27 574	32 487	▼ 15%

*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.

FINANCIAL OVERVIEW

The inflation adjusted revenue for the nine months ending March 2023 was 125% higher compared to the same period prior year. This was mainly because of the consistent quality of our Kiln Dried Timber which resulted in better average selling prices. A high profit before tax was driven mainly by fair value gain due to biological assets transformation.

OPERATIONAL OVERVIEW

SILVICULTURE, HARVESTING AND SAWMILLING

The primary silvicultural focus of the Company is to grow and maintain the forests to further strengthen the Biological Assets. Following a good rainy season, the Company achieved its replanting target with excellent survival rates and other silvicultural activities like weeding and pruning are broadly in line with planned targets. The major business risk remains the loss of forestry to fire and the Company has started preparing for the fire season.

Harvesting and sawmilling activities were below target, due to frequent breakdowns of our aged sawmilling equipment. Recapitalization of the sawmills is on course with the installation of new sawmills at Charter and Sheba expected in June 2023 and December 2023 respectively.

We are excited that our Sheba, Imbeza, Sawerombi and Charter Estates are now FSC (Forest Steward Council) certified. This is expected to bring enhanced adherence to forestry operational practices, a premium on product prices as well as opening new markets, particularly the European market where FSC certification is a pre-requisite.

SALES

Lumber sales volume was 12% down compared to the comparative period in prior year. The reduction in sales volume was mainly because of lower production from the sawmills, which is expected to improve after the commissioning of the new sawmilling equipment. The demand for lumber remains strong in the local market and the Company continues to aggressively expand both the local and export market.

Poles sales volume was 29% lower than the comparative period in prior year, this is mainly because of timing differences that are usually experienced in the acquisition of tenders, which is asymmetrical. Improved performance is anticipated in the Poles business due to expected demand for the product in Botswana, Zambia, and Malawi markets.

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;
- (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). The pre and post award interest as at 31 March 2023 is US\$28,074,939.

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

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

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

OUTLOOK

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

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



ELIAS HWENGA
CHAIRMAN
21 May 2023