BORDER
TIMBERS
A RIFT VALLEY COMPANY

Annual Report | 2017

PASSIONATE
ABOUT DEVELOPING
RESOURCES IN AFRICA

TABLE OF CONTENTS

OVERVIEW

OPERATIONAL FINANCIAL REVIEW

FINANCIAL STATEMENTS

OTHER INFORMATION

ABOUT BORDER TIMBERS

Corporate History

Border Timbers Limited (under Final Judicial Management) (the "Company"), was incorporated in 1979 through an amalgamation of three companies, namely Border Eastern Forest Estates (Private) Limited, Renfee Timbers (Private) Limited and Forestry Management Services (Private) Limited. Forestry Management Services had taken over plantations that were first established in Imbeza by the British South Africa Company ("BSA Company") in 1924. The BSA Company increased plantations substantially in 1946 to include the Chimanimani area. Since 1979 Border Timbers has grown the estate size to its current 47 886 hectares. Border Timbers Limited is a subsidiary of the Rift Valley Corporation and is listed on the Zimbabwe Stock Exchange.

Environmental Management

In all its operations, Border Timbers Limited is guided by an Environmental Management Policy to ensure there is minimal impact to air, water and soil during 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. Wood waste from the mills is used in power generation. Any excess waste generated is disposed off in a designated dump site.

Divisions

The Company is comprised of three divisions: Forestry, Sawmilling and Pole Manufacturing. There are five estates, Tilbury, Charter and Sawerombe estates which are in the Chimanimani area to the south of Mutare town as well 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 300 000m3 of saw logs annually. Most of the timber produced from the sawmills is sold to customers locally and regionally as rough sawn timber ("RST").

Social responsibility

Border Timbers Limited employs 760 workers on a full time basis. An additional 245 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. A working environment where every individual has an opportunity to achieve their potential prevails at all operations. At all rural operations, the Company operates schools that provides education for employees' children as well as those of neighbouring communities.

OUR MISSION AND VALUES

Corporate History

Key Features of Our Corporate Journey

Border Timbers Limited has a long history in Manicaland. The company was incorporated in 1979 through an amalgamation of three companies, Border Eastern Forest Estates, Renfee Timbers (Pvt) Limited and Forestry Management Services (Private) Limited. Forestry Management Services had taken over plantations that were first established in the Imbeza area by the British South Africa Company (BSA Co) in 1924. The BSA Company increased plantations substantially in 1946 after the Second World War to include the Chimanimani area. Since 1979, Border Timbers Limited has grown the plantation size to current 47 886 hectares. Border Timbers Limited is a subsidiary of the Rift Valley Corporation and is listed on the Zimbabwe Stock Exchange.

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.

Values

To shape our culture, to achieve the Vision we will

- Treat everyone with respect;
- Adhere to the highest standard of ethics
- Honour every commitment
- Continually improve
- Take great care of the health and safety of all employees
- Drive quality into everything that we do
- Communicate honestly and relentlessly
- Create a very strong team

SHAREHOLDER'S CALENDAR

AS AT 30 JUNE 2017

Anticipated dates

FY17 Annual General Meeting - **10 January 2018**

Interim reports

6 months to 31 December 2017 - **March 2018**
12 months to 30 June 2018 - **September 2018**

FY18 Annual Report published

October 2018

FY18 Annual General Meeting

December 2018

Change of address

Shareholders are reminded to notify the
Company Secretary,
P.O Box ST 629,
Southerton, Harare
Zimbabwe

or

Transfer Secretaries
Corpserve Registrars (Private) Limited
2nd Floor ZB Centre
Cnr 1st and Kwame Nkrumah Avenue
Harare, Zimbabwe

PASSIONATE ABOUT DEVELOPING RESOURCES IN AFRICA

STATUTORY INFORMATION

DIRECTORS**

E Hwenga*	(Chairman)		
H B A J von Pezold^	(Deputy Chairman)		
R W J Strong^	(Non Executive Director)		
E Kuhn•	(Managing Director)		
W Mutizwa•	(Finance Director)	-	Resigned 30 May 2017
L Karimanzira•	(Finance Director)	-	Appointed 1 June 2017
S Mattinson*	(Non Executive Director)		
E Mlambo*	(Non Executive Director)		
M Manga*	(Non Executive Director)		

The Board was divested of its powers on 29 January 2015 when the Company was placed under Provisional Judicial Management.

SECRETARY

M.B. Narotam

REGISTERED OFFICE

4-12 Paisley Road, Southerton
Harare, Zimbabwe

INDEPENDENT AUDITOR

Deloitte & Touche (Zimbabwe) Chartered Accountants

POSTAL ADDRESS

P.O. Box ST 629, Southerton, Harare

PERIOD OF FINANCIAL STATEMENTS

Year ended 30 June 2017

DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE

29 September 2017

BANKERS

Ecobank Zimbabwe Limited
MBCA Bank Limited
CBZ Limited
Stanbic Bank Limited

ATTORNEYS

Henning Lock Donagher and Winter
Honey & Blackenberg
Maunga Maanda and Associates
Wintertons legal Practitioners
Magwaliba Matutu & Kwirira Legal Practitioners
Tandiri Law Chambers

Key:
• Executive Directors
^Non Executive Director
*Independent Non Executive Director
** The board was divested of its power when the Company was placed under judicial management on 29 January 2015.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Border Timbers Limited will be held at 9:00am on Wednesday, 10 January 2018 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 2017, together with reports of the Final Judicial Manager and the Independent Auditor.

2. 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.

Messrs Deloitte & Touche Chartered Accountants (Zimbabwe) , being eligible, offer themselves for re-appointment.

3. Any Other Business

To transact such other business as maybe transacted at an Annual General Meeting.

In accordance with the requirements of the Companies Act (Chapter 24.03), 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 FJM
M.B. NAROTAM
Company Secretary
Harare, Zimbabwe
29 September 2017

Transfer Secretary
CORPSERVE REGISTRARS (PRIVATE) LIMITED
2nd Floor ZB Centre
Cnr 1st and Kwame Nkrumah Avenue
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 8 January 2018

2. Change of Address:

Members are requested to advise the Transfer Secretary and / or the Company Secretary in writing of any change of address.

HIGHLIGHTS OF OUR PERFORMANCE

	2017 US$	2016 US$	2015 US$	2014 US$
STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME				
Revenue	14 971 187	20 490 979	17 806 549	18 840 003
Operating loss	(4 508 326)	(30 723 568)	(3 207 491)	(8 676 898)
Net finance cost	(1 349 811)	(1 134 844)	(2 441 295)	(2 171 825)
Loss before income tax	(5 858 137)	(31 858 412)	(5 648 786)	(10 848 723)
Total comprehensive loss for the year	(3 758 647)	(24 309 641)	(4 270 744)	(9 312 536)
Statement of Financial Position				
Equity attributable to owners of the parent	66 306 257	70 064 904	94 374 545	98 645 289
Cash and cash equivalents	1 674 407	1 571 364	432 867	878 905
Borrowings	22 110 825	21 629 330	20 981 964	19 878 943
Statement of Cash Flows				
Net increase/(decrease) in cash and cash equivalents	103 043	3 179 378	(485 792)	740 579
Ordinary Share Performance				
Basic loss per Share (cents)	(8.75)	(56.61)	(9.95)	(21.69)
Market price per share at 30 June (US$)	0.20	0.20	0.20	0.20
Shares in issue (number)	42 942 487	42 942 487	42 942 487	42 942 487
Other				
Loss before income tax on total assets	(5.03%)	(26.02%)	(3.73%)	(5.57%)
Total comprehensive loss for the year return on shareholders equity	(5.67%)	(34.70%)	(4.53%)	(9.44%)
Net asset value per Share (US$)	1.54	1.63	2.20	2.30
Debt to Equity	33.35%	30.87%	22.23%	20.15%
Current ratio	1.59	1.76	0.42	0.58
Equity: total assets	56.90%	57.23%	62.29%	63.31%
Debt service coverage ratio	(0.37)	(2.89)	(0.19)	(0.52)
Borrowings/loss before income tax, depreciation and amortisation	(5.30)	(0.72)	(5.78)	(2.34)
Interest cover	(3.34)	(27.07)	(1.31)	(4.15)
Employees				
Number of employees	760	1 214	1 496	1 745
Value added per employee (US$)	20 286	22 939	13 673	11 351
Annual employment cost per employee (US$)	6 769	4 601	3 733	4 354

NURSERY

Border Timbers has nurtured plantations and maintains them with utmost respect for nature to make sure that our own resources are at the root of our timber harvesting and to respect to our planets ecosystem.

PASSIONATE ABOUT DEVELOPING RESOURCES IN AFRICA

COMPANY DIRECTORS' PROFILES

E. HWENGA CHAIRMAN* - AGE 50

Appointed to the Board in August 2011. He is the Chairman of Border Timbers Limited, Chief Executive Officer of Radar Holdings and Director of a number of other Zimbabwean companies.

R. W. J. STRONG DIRECTOR ^ -AGE 50

Appointed to the Board in March 2014. Chief Executive of Rift Valley Holdings Limited and is a Director of a number of other Zimbabwean companies.

H. B. A. J. VON PEZOLD DIRECTOR ^ - AGE 45

Appointed to the Board in December 2003. Mr. Von Pezold is also a non-executive director for Rift Valley Holdings Limited and serves on the Board of many other local and international companies.

E. KUHN DIRECTOR • - AGE 61

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.

E. MLAMBO DIRECTOR * - AGE 58

Appointed to the Board in June 2013. Currently serves as Company Chief Executive Officer of the Tetrad Holdings Limited (Under Judicial Management) and is a director of a number of other Zimbabwean companies.

W. MUTIZWA DIRECTOR • -AGE 43

Appointed to the Board in August 2014 as Finance Director. He has vast experience in finance and financial reporting spanning across various industries and has been a Finance Director for other quoted and unquoted companies. He subsequently resigned on 30 May 2017.

M. MANGA DIRECTOR * - AGE 56

Appointed to the Board in June 2014. Currently serves as the Chief Executive of the Blue Ribbon Industries Limited and is a Director of a number of other Zimbabwean companies.

S. MATTINSON DIRECTOR* -AGE 72

Appointed to the Board in June 2013. Chairman of the Audit Committee for Border Timbers Limited. He is also a Director of a number of other Zimbabwean companies.

L. KARIMANZIRA • - AGE 35

Appointed as Finance Director on 1 June 2017. He has vast experience in finance and financial reporting both locally and regionally.

Key:
- • Executive Directors
- ^ Non Executive Director
- * Independent Non Executive Director

FJM's RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENT

The Final Judicial Manager (FJM) is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act [Chapter 24:03].

In preparing the financial statements, the FJM is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The FJM is also responsible for the Company's systems of internal control. These 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 and detect misstatement and loss. Nothing has come to the attention of the FJM to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on the going concern basis. However, we draw your attention to note 3g in which the various economic factors affecting financial reporting in Zimbabwe are stated.

Preparer of financial statements

These annual financial statements have been prepared under the supervision of Lysius Karimanzira (ACCA) and have been audited in terms of the Companies Act (Chapter 24:03).

Lysius Karimanzira
Finance Director

The financial statements set out on pages 27 to 77 were approved by the FJM on 29 September 2017.

Peter L Bailey
Final Judicial Manager
KPMG Chartered Accountants (Zimbabwe)
Harare

29 September 2017

CERTIFICATE BY COMPANY SECRETARY

In terms of the Companies Act [Chapter 24:03], I, M. B. Narotam, as Company Secretary confirm that for the year ended 30 June 2017, the Company has lodged with the Registrar of Companies all such Returns as are required of a public company in terms of this Act and that all such Returns are true, correct and up to date.

M. B. Narotam
Company Secretary
Harare

29 September 2017

FJM'S JUDICIAL MANAGER'S REPORT

The activities and results of Border Timbers Limited ("the Company") are summarised in the Operational and Financial Reviews. In addition, the following statutory information is provided.

Authorised and issued share capital
Details of the authorised and issued share capital at 30th June 2017 are included in note 11 to the Company's financial statements.

Reserves
The movements in the reserves of the Company are shown in the statement of changes in equity.

	`2017	2016
	US$	US$
RESULTS FOR THE YEAR		
Loss before income tax	(5 858 137)	(31 858 412)
Income tax credit	3 262 633	7 548 771
Loss for the year	(2 595 504)	(24 309 641)

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
The following are the members of the Board of Directors which is currently suspended and therefore did not serve during the year:

E Hwenga*	Chairman	Appointed as Chairman of the board on 26 March 2014.
E Kuhn •	Director	Appointed 1 January 2013
HBAJ von Pezold^	Director	Appointed 29 December 1993
S Mattinson*	Director	Appointed 26 June 2013
E Mlambo*	Director	Appointed 26 June 2013
RWJ Strong^	Director	Appointed 26 March 2014
W Mutizwa •	Director	Resigned 30 May 2017
L Karimanzira •	Director	Appointed 1 June 2017
M Manga*	Director	Appointed 25 September 2014

Key:
• Executive Directors
^ Non Executive Director
* Independent Non Executive Director
** The board was divested of its power when the Company was placed under judicial management on 29 January 2015.

FJM'S JUDICIAL MANAGER'S REPORT CONT'D

Executive Directors' salaries excluding benefits paid during the year was US$368 360 (2016: US$375 201).

Going concern

The Final Judicial Manager has satisfied himself that the Company is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, he is satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements. However, we draw your attention to note 3g relating to the going concern status of the Company.

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 10 January 2018 in terms of the notice set out on page 6 of this annual report.

Peter L Bailey
Final Judicial Manager

Border Timbers Limited
KPMG Chartered Accountants (Zimbabwe)
Harare

29 September 2017

FORESTRY

Border Timbers has nurtured plantations and maintains them with utmost respect for nature to make sure that our own resources are at the root of our timber harvesting and with respect to our planets ecosystem.

PASSIONATE ABOUT DEVELOPING RESOURCES IN AFRICA

BTL AWARDS AND ACCOLADES

2017 AWARDS

In recognition of our efforts, systems and commitments to sustainable business practices, the following awards were received during the year:

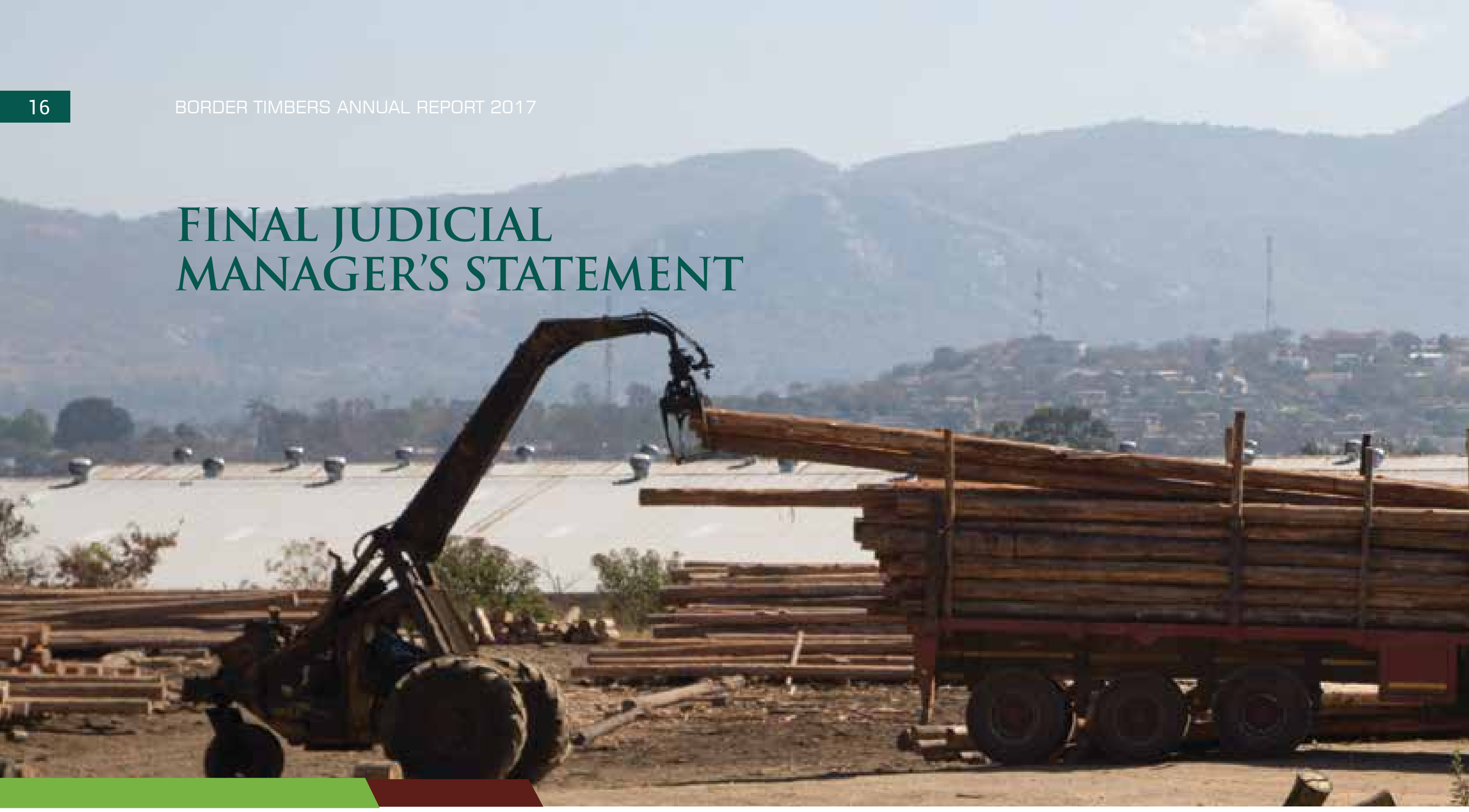
ZNCC Exporter of the year - Agriculture
Zimtrade Exporter of the year - Building and Construction Sector

Border Timbers Limited - won the overall award for Exporter of the year for the second year in a row.

ZimTrade

Exporter of the Year Awards

FINAL JUDICIAL MANAGER'S STATEMENT



Dear Shareholders and Creditors

It is a pleasure to report on the results of Border Timbers Limited (Under Final Judicial Management) for the year ended 30 June 2017.

Update on Judicial Management

I expect to approach the High Court shortly for permission to hold Scheme of Arrangement meetings with each class of creditor. If the proposals being put to each class of creditor are approved by all classes with the appropriate majorities, I will recommend to the Master of the High Court that the Company be taken out of Judicial Management as it is operating successfully with excellent management.

Operating environment

The Zimbabwean operating environment continues to pose serious challenges to the business. Fixed investment by locals and / or foreign investors is small to non-existent. The continued poor economic performance manifested itself in worsened liquidity challenges from beginning of FY17. Delays in foreign payments processing has negatively affected the supply of key raw materials and critical spares.

OPERATING RESULTS

Turnover for the period decreased by 27% from prior year. This was as a result of reduced mill intake volumes in line with sustainable forestry management strategies coupled with the slow start in contracted orders on the poles.

Other income decreased by 50% from US $ 6.4 million in FY 16 to US $ 3.3 million, this was mainly due to a decrease in exports which resulted in lower freight recoveries.

Selling and distribution expenses were down 62% from FY 16 reflecting the reduced sales volumes and success in some cost containment measures.

The net loss after taxation was US $ 2 595 504 (FY16:$ 24 309 641). Excluding the effects of the non-cash fire loss, the position would have been, a net profit after tax of US $ 3 746 740 (FY16: net loss after tax US $ 13 762 518).

FINAL JUDICIAL MANAGER'S STATEMENT CONT'D

Silviculture:

Silviculture operations were outsourced during the year under review and the Company benefited due to a more focused and more efficient plantation management process.

The Company's major business threat remains loss of forestry to fires. During the year the Company lost 1 816 hectares (FY16: 5 097 hectares) to fires. In response to this catastrophe, the Company further strengthened its plantation patrol team and upgraded its firefighting equipment with fire tenders, a move that culminated in reduction of fires. Our gratitude goes to the community, Ministry of Environment, Water and Climate and law enforcement agencies for their effort and assistance in apprehending perpetrators' of arson fires.

Harvesting:

Harvesting outsourcing strategy continued to stabilize mill log supply, all fibre supply to processing plants was from the Company's own plantations with no external log purchases.

Saw Milling:

Lumber production and sales volume for the period was 25% down from prior year. Sawmill throughput was reduced in tandem with sustainable forestry practice on harvesting adopted by the Company. All planned processing plant maintenance programs were done during the period.

Treated Poles:

Treated poles production volume decreased by 26% from 26 905m3 in FY16 to 19 951m3. This was due to a slow start in regional contracted orders; most of the orders were realized towards the end of FY17, the effect of which will be seen in FY18. Geographic market expansion remains the pole business' main objective as the Company remains alert to opportunities in the region and beyond.

Planned maintenance programs were done during the period and also improvements were carried out on all mobile equipment. Pole treatment plant average capacity utilization was 100% during the period under review.

FINAL JUDICIAL MANAGER'S STATEMENT CONT`D

THE MARKET

Lumber

The actual lumber volume sold was 55 240m3 compared to 73 601m3 during the previous year, a 25 % decrease. An improved sales and operating planning (S&OP) has been implemented to better coordinate log supply, mill production and market demand and other initiatives are in place to improve the reputation of the Company as a reliable supplier of excellent quality lumber.

Concerted efforts in producing finger jointed products had a positive impact on average selling price. For some product lines the value pick-up was as high as 20%. As a result of finger jointing the company was able to reduce products into the South African market which had lower prices, offering instead value added product at a better selling price into the Botswana market.

Treated Poles

The actual sales volume of treated poles was 14, 919m3 against 28, 439m3 during the prior year. The Company has over the last year been recognized as a reliable supplier of excellent quality treated poles into the region. Sizable pole tenders to Malawi were secured and the Company has performed extremely well on deliveries, cementing its reputation as a reliable supplier of quality poles in the region.

The Company's pole order book remains full for the next 12 months. The Company continues to look for new markets in dollar based economies particularly West and Central Africa.

A sizable order of Light Poles and Rail Sleepers for the local market came handy boosting sales volumes.

Health and Safety

Border Timbers Limited is committed to the highest standards of Health and Safety. The Disabling Injury Incident Rate ("DIRR") was within an acceptable target during the period under review. Regular periodic machine and final product inspections and certifications are done by SAZ. The health and safety record was commendable with no major accident case recorded.

Outlook

Subdued economic conditions are expected to prevail. However, the demand for the Company's quality products remain strong in the region and beyond. Concerted efforts on market diversification are under way so as to exploit opportunities which gives the best return.

FINAL JUDICIAL MANAGER'S STATEMENT CONT'D

Dividend

In order to sustain the Company's current positive cash generation the Final judicial Manager decided not to declare a dividend.

Appreciation

I would like to like to commend the management and staff, creditors, bank lenders and the Master of the High Court for their co-operation, patience and support as the Company continues on its turnaround strategy.

Peter L Bailey
Final Judicial Manager

Border Timbers Limited
KPMG Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

29 September 2017

PROCESSING

Border Timbers has nurtured plantations and maintain them with utmost respect for nature to make sure that our own resources are at the root of our timber harvesting and with respect to our planets ecosystem.

PASSIONATE ABOUT DEVELOPING RESOURCES IN AFRICA

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

Independent Auditor's Report to the shareholders of Border Timbers Limited

Opinion

We have audited the financial statements of Border Timbers Limited (the Company) set out on pages 27 to 77, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3g in the financial statements, which indicates that the Company incurred a net loss of US$2 595 504 (2016: US$24 309 641) during the year ended 30 June 2017. These events or conditions, along with other matters as set forth in Note 3g, 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.

The following summarises how the matter was addressed in the audit:

- We assessed the approved forecasts of the Company for the subsequent 12 month period for reasonability. This involved challenging key assumptions used in the forecasts with reference to the current structures;
- We performed retrospective reviews by comparing the projected budgets against historical performance to test the reasonableness of the Final Judicial Manager's budgets.
  We engaged our internal experts in performing this review;
- We performed a sensitivity analysis on the Final Judicial Manager's budgets to assess the potential impact of fluctuations on the going concern assumption;
- We assessed the viability of the Final Judicial Manager's plans outlining the strategies to get the Company out of judicial management and plans to settle pre-judicial management creditors and debts;
- We performed subsequent events review and assessed the potential impact of these events on the going concern assumption; and
- We considered the adequacy of going concern disclosures as set out in Note 3g.

We considered the conclusion reached by the Final Judicial Manager to prepare the financial statements on the basis of a going concern and the resultant disclosures to be appropriate.

INDEPENDENT AUDITOR'S REPORT CONT'D

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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 *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters below relate to the audit of the financial statements.

Key Audit Matter	How the matter was addressed in the audit
Valuation of biological assets	
As reflected in note 6 of the financial statements, biological assets were valued at US$72million as at 30 June 2017 (2016: US$75million). In determining the fair value of the biological assets, estimates and judgments are made by the Final Judicial Manager. The assumptions include: • Determination of market prices of standing timber more than 4 years old; • Determination of yield volumes based on species and age of the timber as well as the mean annual increment; and • Samples of standing timber physically measured are representative of the average yield of the rest of the plantation. The key data inputs into the valuation model are: • Market price of standing timber; and • Hectarage and expected yield of standing timber to determine the volume at year end. The split of the biological assets into current assets and non-current assets is based on the estimated value of the planned areas to be harvested based on the ensuing year Annual Plan of Operation. Given the value of the biological assets, together with the significant judgments and estimates that are used in determining the fair value this area has been considered a key audit matter.	Our procedures performed in addressing the key audit matter included the following: • We tested the design and implementation and operating effectiveness of controls in this area; • We assessed the consistency and challenged the reasonability of assumptions used in the Final Judicial Manager's valuation model to determine the value of biological assets. These assumptions were assessed as follows: - The market value used in valuation of standing (more than 4 years in age) was assessed against independent external sources within the same industry. - We assessed the reliability of the Final Judicial Manager's estimated yields through a comparison of actual results on harvested compartments against the expected yields as per the current year Annual Operation Plan. • We engaged our internal experts to assess the reasonableness of the valuation model; • Detailed testing was performed on a sample of the key inputs underpinning the value of biological assets including standing timber movements for the year, namely hectarage harvested, invaded by settlers, lost due to fire damage, lost due to baboon damage and plantings to assess the accuracy, reliability and completeness thereof; • The formulae per the model were reviewed and assessed for accuracy. • We performed sensitivity analysis with respect to the key inputs of the valuation model; • We engaged our information technology specialists to tests controls over access and changes to the database; and • We evaluated the financial statement disclosures for appropriateness and adequacy. We found the recognition and measurement of biological assets to be appropriate. We found the disclosures to be detailed and complete.

INDEPENDENT AUDITOR'S REPORT CONT'D

Key Audit Matter	How the matter was addressed in the audit
Allowance for impairment on trade and other receivables	
As reflected in note 9, the Company had US$5.9 million of trade and other receivables, net of provisions as at 30 June 2017. In determining the allowance for impairment on trade and other receivables the following assumptions were considered: • Expected losses on default based on historic loss experience; • Identification of accounts that exhibit indicators of impairment due to adverse changes in the payment status of the borrower, or national or local economic conditions that correlate with defaults in the Company. As disclosed in note 3e, the estimation of the recoverable amount of trade receivables requires significant judgment and consequently has been included as a key audit matter.	Our procedures performed to address the key audit matter included the following: • We evaluated the design and implementation of controls in this area. • Tested a selection of trade receivables through direct confirmations with the debtors and verification of subsequent receipts; • Assessed and challenged the appropriateness of the Final Judicial Manager's assumptions used in determining the recoverability of selected trade accounts receivables; • We performed an independent assessment of the impairment on trade and receivables with reference to external data and subsequent receipts; • Corresponded with the Company's legal counsel to identify the following: (i) Any litigation against specific debtors; and (ii) Their assessment of success. • We performed a retrospective assessment on the prior year allowance for impairment on trade receivables and subsequent write offs and recoveries. We found the Final Judicial Manager applied sensible judgement in assessing whether or not a trade receivable was impaired or recoverable.

INDEPENDENT AUDITOR'S REPORT CONT'D

Key Audit Matter	How the matter was addressed in the audit
Valuation of property, plant and equipment	
In line with the Company's policy, property, plant and equipment was revalued as at 30 June 2017. As disclosed in note 5, a loss of US$1 566 522 was recognised on valuation of the property, plant and equipment. The Final Judicial Manager engaged an independent external valuer to determine the fair value with reference to prices in the active market. The Final Judicial Manager also performed a reassessment of the useful lives and residual values of the property, plant and equipment, which resulted in changes in the current year. Significant judgment and assumptions are used in assessing the above-mentioned matters. The valuation technique used to determine the fair value was the open market approach which relies on the following assumptions: • A comparison of prices can be made in the market; and • The age and condition of the asset in the market is similar to that being fair valued. Accordingly, we identified the valuation of property, plant and equipment as a key audit matter. Details on the revaluation performed have been disclosed in Note 5 of the financial statements whilst the change in accounting estimates have been disclosed in Note 3a.	Our procedures performed to address the key audit matter included: • Assessing the expert engaged by the Final Judicial Manager for competence and independence; • We evaluated whether the method of measurement used is appropriate in the circumstances and whether in line with industry practice; • We assessed the accounting of the revaluation results against the Company's policy; • We assessed and challenged the assumptions used by the expert in determining the fair values by performing the following: - On a sample basis, using available market data, we determined our independent fair value of a similar asset of the same age and condition and compared to the value determined by the expert. - We performed physical verification of a sample of assets to determine whether the conclusion reached by the expert where consistent with the physical condition of the asset • We obtained an understanding of changes in useful lives that were effected. For a sample, we considered the factors used by the Final Judicial Manager in assigning the remaining useful life for adequacy. • We reviewed the financial statements to adequacy of the disclosures. We assessed the determination of the revalued amounts and re-assessed useful lives, and residual values to be prudent. The related disclosures were appropriately made in the financial statements.

Other Information

The Final Judicial Manager (FJM) is responsible for the other information. The other information comprises the following statements: About Border Timbers, Our Mission and Values, Shareholders Calendar, Statutory Information, Notice of Annual General Meeting, Highlights of Our Performance, Company Directors' Profiles, Final Judicial Manager's ("FJM's), Responsibility for the Annual Financial Statements, Certificate by Company Secretary, FJM's report, BTL Awards and Accolades, FJM's Statement, Analysis of Shareholders and Proxy, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditor's report, which is expected to be made available to us after that date. The other information 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.

INDEPENDENT AUDITOR'S REPORT CONT`D

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Final Judicial Manager for the Financial Statements

The Final Judicial Manager is responsible for the preparation and fair presentation of the financial statements in accordance with *International Financial Reporting Standards IFRS and* the requirements of the Companies Act (Chapter 24:03) and for such internal control as the Final Judicial Manager 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 Final Judicial Manager is 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 Final Judicial Manager either intend 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 Final Judicial Manager.

- Conclude on the appropriateness of the Final Judicial Manager's 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.

- 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.

INDEPENDENT AUDITOR'S REPORT CONT'D

We communicate with the Final Judicial Manager 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 Final Judicial Manager 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 Final Judicial Manager, 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 our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99) and (SI 62/96).

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Charity Mtwazi
Partner
PAAB No: 0585

4 October 2017

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	`2017 US$	2016 US$
ASSETS			
Non-current assets			
Property, plant and equipment	5	32 712 752	36 496 923
Biological assets	6	64 541 472	67 161 873
		97 254 224	103 658 796
Current assets			
Biological assets	6	8 103 711	7 893 531
Inventories	7	3 557 326	3 071 550
Trade and other receivables	9	5 949 294	6 229 100
Cash and cash equivalents	10	1 674 407	1 571 364
		19 284 738	18 765 545
TOTAL ASSETS		116 538 962	122 424 341
EQUITY			
Equity attributable to the owners of the parent			
Share capital	11	429 425	429 425
Non distributable reserve	12	90 455 727	90 455 727
Revaluation reserve	12	294 339	2 004 551
Accumulated loss		(24 873 234)	(22 824 799)
Total equity		66 306 257	70 064 904
LIABILITIES			
Non-current liabilities			
Long term borrowings	13	20 503 458	20 446 455
Deferred tax	14	17 613 396	21 279 408
		38 116 854	41 725 863
Current liabilities			
Trade and other payables	15	10 508 484	9 450 699
Short term borrowings	13	1 607 367	1 182 875
		12 115 851	10 633 574
Total liabilities		50 232 705	52 359 437
TOTAL EQUITY AND LIABILITIES		116 538 962	122 424 341

The notes on pages 31 to 77 are an integral part of these financial statements.

The financial statements were approved by the Final Judicial Manager on 29 September 2017.

Peter L Bailey
Final Judicial Manager

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	`2017 US$	2016 US$
Revenue*		14 971 187	20 490 979
Cost of sales		(16 749 622)	(20 341 502)
Gross (loss)/profit		(1 778 435)	149 477
Other operating income	17.2	3 270 747	6 428 739
Selling and distribution expenses		(2 571 774)	(6 687 902)
Administration expenses		(3 430 530)	(3 620 785)
Other operating expenses	17.1	(658 465)	(319 841)
Fair value gain/(loss) due to biological assets transformation	6	7 002 375	(16 126 133)
Fire loss	6	(6 342 244)	(10 547 123)
Operating loss		(4 508 326)	(30 723 568)
Finance income	20	45 324	644
Finance costs	20	(1 395 135)	(1 135 488)
Loss before income tax		(5 858 137)	(31 858 412)
Income tax credit	21	3 262 633	7 548 771
Loss for the year		(2 595 504)	(24 309 641)
Other comprehensive loss for the year net of tax	`	(1 163 143)	-
Items that will not be reclassifed to profit or loss			
Loss on revaluation of property plant and equipment		(1 163 143)	-
Total comprehensive loss for the year		(3 758 647)	(24 309 641)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(3 758 647)	(24 309 641)
Non-controlling interests		-	-
		(3 758 647)	(24 309 641)
Key statistics			
Weighted Average number of shares		42 942 487	42 942 487
Loss per share attributable to the owners of the parent during the year (cents per share)			
Basic loss per share		(8.75)	(56.61)
Diluted loss per share		(8.75)	(56.61)

The notes on pages 31 to 77 are an integral part of these financial statements.

*Refer to note 17.3

STATEMENT OF CHANGES IN EQUITY

As at 30 June 2017

	Share capital US$	Non distributable reserves US$	Revaluation reserves US$	Accumulated loss US$	Total
Year ended 30 June 2016					
Balance as at 1 July 2015	429 425	90 455 727	2 004 551	1 484 842	94 374 545
Loss for the year	-	-	-	(24 309 641)	(24 309 641)
Balance as at 30 June 2016	429 425	90 455 727	2 004 551	(22 824 799)	70 064 904
Year ended 30 June 2017					
Balance as at 1 July 2016	429 425	90 455 727	2 004 551	(22 824 799)	70 064 904
Loss for the year	-	-	-	(2 595 504)	(2 595 504)
Other comprehensive loss net of tax	-	-	(1 163 143)	-	(1 163 143)
*Transfer on disposal of property, plant and equipment	-	-	(547 069)	547 069	-
Balance as at 30 June 2017	429 425	90 455 727	294 339	(24 873 234)	66 306 257

The notes on pages 31 to 77 are an integral part of these financial statements.

* The transfer on disposal of property, plant and equipment is attributable to previously revalued property, plant and equipment which was disposed of during the year.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	`2017 US$	2016 US$
Cash flow from operating activities			
Operating loss		(4 508 326)	(30 723 568)
Adjustment for:			
- Depreciation	5	1 689 972	1 814 044
- Fair value (gain)/ loss due to biological transformation of biological assets	6	(7 002 375)	16 126 133
- Plantation redemption	6	5 723 039	6 810 518
- Plantation damage	6	6 342 244	10 547 123
- Other non-cash items		2 263 089	159 632
		4 507 643	4 733 882
Changes in working capital			
- Increase in inventories		(1 609 105)	(81 694)
- Decrease / (increase) in trade and other receivables		279 806	(2 901 982)
- Increase in trade and other payables		654 405	2 130 539
Net cash generated from operating activities		**3 832 749**	**3 880 745**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(210 814)	(112 051)
Expenditure on biological assets	6	(2 650 576)	(2 158 229)
Proceeds from sale of property, plant and equipment and insurance claim received		-	15 510
Finance income	20	45 324	644
Net cash used in investing activities		**(2 816 066)**	**(2 254 126)**
Cash flows from financing activities			
(Repayments) / proceeds from borrowings		(178 435)	2 049 383
Interest paid	20	(735 205)	(496 624)
Net cash (used in)/generated in financing activities		**(913 640)**	**1 552 759**
Net increase in cash and cash equivalents		**103 043**	**3 179 378**
Cash and cash equivalents at the beginning of the year		**1 571 364**	**(1 608 014)**
Cash and cash equivalents at the end of the year	10	**1 674 407**	**1 571 364**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 CORPORATE INFORMATION

Border Timbers Limited ("the Company"), under Final Judicial Management, 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 (Under Final Judicial Management) for the year ended 30 June 2017 were authorised for issue on 29 September 2017 by Mr. Peter L Bailey, the Final Judicial Manager ("FJM").

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 Act (Chapter 24:03).

2.1.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment and biological assets.

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 FJM 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 3g).

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.4 Changes in accounting policies and disclosures

a) New standards, amendments and interpretations effective for the first time for 30 June 2017 year ends.

Standard/Interpretation	Effective date	Executive summary
Amendments to IFRS 11- Joint arrangements- Accounting for acquisition of interests in joint operations	Effective on annual periods beginning on or after 1 January 2016	These amendments provide guidance on how to account for acquisition of joint operations of what constitutes a business in IFRS 3 - Business Combinations.
Amendment to IAS 16 – Property, plant and equipment and IAS 38- Intangible assets: Clarification of acceptable methods of depreciation and amortisation.	Effective on annual periods beginning on or after 1 January 2016	Amendments prohibit entities from using a revenue based depreciation method for property, plant and equipment with exception on intangible assets in limited circumstances.
IFRS 14- Regulatory deferral accounts	Effective on annual periods beginning on or after 1January 2016	Specifies the accounting for regulatory deferral account balances that arise from rate regulated.
Amendment to IAS 1 – Presentation of financial statements	Effective on annual periods beginning on or after 1 January 2016	The amendments were a response to comments on the difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement.
IAS 27- Equity method in separate financial statements	Effective on annual periods beginning on or after 1 January 2016	The amendments allow an entity to optionally account for investments in subsidiaries, joint ventures and associates in its separate financial statements, at cost; in accordance with IAS 39 or IFRS 9 and using the equity method.
Amendments to IAS 16 and IAS 41- Agriculture, Bearer plants	Effective on annual periods beginning on or after 1 January 2016	The amendments require that bearer plants be accounted for in the same way as property, plant and equipment in IAS 16 property, plant and equipment, because their operation is similar to that of manufacturing. Bearer plants are used solely to grow produce over several period. At the end of their productive lives they are scrapped.

The above amendments did not have a material impact on the financial statements for the year ended 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.4 Changes in accounting policies and disclosures

(b) New standards, amendments and interpretations issued but not effective for 30 June 2017 year end that are relevant to the Company but have not been early adopted.

The following new standards, amendments and interpretations are not effective for accounting periods ending 30 June 2017 but are relevant to the Company;

Standard/Interpretation	Effective date	Executive summary
IFRS 15 – Revenue from contracts with customers	1 January 2018	It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRS 9- Financial instruments	1 January 2018	All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objectives is to collect the contractual cash flows, and that have contractual cashflows, and that have contractual cash flows that are solely payments of principal and Interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting period. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount oustanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
Amendment to IAS 12 – Income taxes	1 January 2017	The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.4 Changes In Accounting Policies And Disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for 30 June 2017 year end that are relevant to the Company but have not been early adopted (continued).

Standard/Interpretation	Effective date	Executive summary
Amendment to IAS 7 – Cash flow statements	1 January 2017	In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.
IFRS 16- Leases	1 January 2019	After ten years of joint drafting by the IASB and FASB they decided that leases whould be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lesse to recognise assets and liabilities for short term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures the leased assets, initially at the same amount as the lease liabilities, and also includes costs directly related to entering into the lease. Leased assets are armotised in a similar way to other assets such as propoerty, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for 30 June 2017 year end that are relevant to the Company but have not been early adopted (continued).

Standard/Interpretation	Effective date	Executive summary
IFRS 16- Leases (continued)	1 January 2019	One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 supersedes IAS17, 'Leases', IFRIC 4, 'Determining whether an Arrangment contains a Lease', SIC 15, 'Operating Leases- Incentives' and SIC27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

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 Final Judicial Manager, who makes all operational and strategic decisions.

2.3 Foreign Currency Translation

(a) 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 entity operates ('the functional currency'). The financial statements are presented in 'United States of America dollars' ("US$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign Currency Translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other 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 except capital work in progress are shown at fair value, 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.

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 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 previosly 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.

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 accummulated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Buildings and improvements	4 - 30 years;
Plant and machinery	5 - 33 years;
Motor vehicles and tractors	5 - 10 years; and,
Furniture, fittings and equipment	4 - 15 years.

NOTES TO THE FINANCIAL STATEMENTS CONT`D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

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.

2.5 Biological assets

Plantations are stated at fair value less estimated cost to sell at the harvesting stage. All plantings below 4 years for both pine and eucalyptus are stated at development cost which approximates fair value. The age threshold used for quantifying immature timber is dependent on the rotation period of the specific timber genus. Both softwood ("pine") and hardwood ("eucalyptus") less than 4 years are classified as immature timber. All changes in fair value are recognised in the period in which they arise.

Trees are generally felled at the optimum 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 mature timber is determined based on prices on the local and regional markets which are markets in which the bulk of the timber is sold. 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 recognised at the carrying amount of the timber when the timber is felled. The cost of land preparation, planting, weeding and other silvicultural activities including allocation of indirect overheads attributable to the plantation are capitalised as part of biological assets. General and administration overheads of the plantations are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

Classification
The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents on the statement of financial position.

Recognition and measurement
Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured at initial recognition (fair value plus transaction costs) minus principal repayments, plus or minus cummulative amortisation using the effective interest rate method. Effective interest rate method utilises an effective interest rate to calculate armotised cost an to allocate and recognise interest in profit and loss.

Derecogntion of financial assets
The Company derecognises a financial asset when the contractual rights to the cashflows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecogntion of a financial asset in its entirety, the difference between the asset's carrrying amount and the sum of the consideration received and receivables and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. On derecogntion of a financial asset other than in its entirety, the Company allocated the previous carrying amount of the financial asset between the part it contributes to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of the business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets

Assets carried at amortised cost
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events have) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss and other comprehensive income.

2.9 Financial liabilities

Financial liabilities are classfied as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities
Other financial liabilities (including borrowings and trade and other payables) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recogntion.

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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 of time 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 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.

NOTES TO THE FINANCIAL STATEMENTS CONT`D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Borrowings (continued)

Borrowings are classifed 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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (continued)

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 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.

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 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.

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

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 outflow 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 recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainities surrounding the obligation. When some or all of 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 a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS CONT`D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services sold in the normal course of business, net of discounts and value added taxes.

The revenue for the Company comprises sales of processed and raw timber to local and export markets.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the following specific recognition criteria are met.

a) Sale of goods

Revenue is recognised when a performance obligation has been satisfied fully. This happens when significant risks and rewards of ownership are transferred to the buyer, which happens when the goods are shipped, delivered, title and risk have passed to the customer. Sales are generally on cash or credit basis. Revenue is recognised after all the following criteria have been satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c) The amount of revenue can be measured realibly;
d) It is probable that te economic benefits associated with the transcation will flow to the Company; and
e) The costs incured or to be incured in respect to the transction can be measured realibly.

b) Interest income

Interest income is recognised as interest accrues using the effective interest rate method. The Company earns interest on current accounts and short term fixed-term placements held with financial institutions.

c) Other income

Other income is recognised when it is received or when the right to receive is established. It comprises sundry income from burnt logs to third parties ,freight recoveries from export sales and export incentives.

2.20 Leases

Finance leases

Lease 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 so as to produce a constant periodic rate of interest on the remaining balance of the lease receivable for each period.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting date but not distributed at the reporting date.

Dividends declared after the reporting date but before the financial statements are issued are not recognised in the financial statements but are disclosed in the notes to the financial statements.

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 definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing 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 determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected life cycles for these assets. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Change in accounting estimate

As at 30 June 2017 the Company revised its estimate for the useful lives of its items of mobile equipment for assets that had fully depreciated that were subsequently revalued on 30 June 2017. There was no impact on the depreciation charge for the year ended 30 June 2017. It is expected that the future impact of the revision in useful lives will be an increase in the depreciation of $ 88 709 per year should no other additions or disposals be made. The change has been applied prospectively. Assets which previously had nil residual values were assigned new residual values amounting to $ 75 463.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

b) Valuation of property, plant and equipment
In line with the Company policy, property, plant and equipment are revalued periodically. On 30 June 2017 an independent valuation was done on all property, plant and equipment.

c) Valuation of biological assets
In measuring fair value of the plantation, management estimates and judgments are required for the determination of fair value. These estimates and judgments relate to the market prices, age and yields of standing timber. In determining biological asset valuation the following assumptions were used:

- Selected enumerated compartments were deemed representative of the average yields used in the valuation for the rest of the plantation;
- Mean Annual Increment ("MAI") derived from enumerated compartments although lower than industrial averages was deemed reasonable and reflective of the current silviculture practices;
- Biomass for young trees (both pine and eucalyptus less than 4 years) is negligible and cannot easily be quantifiable, therefore development costs have been used;
- Current recovery rates are reasonable and have been used to arrive at saleable output;
- Prices used for valuation are market linked;
- Yield volumes are dependent on species and age.

During the year under review a re-assessment of the state of the biological asset was done following major plantations fires.
The impact and extent of following factors was assessed.
- Compartment stocking levels;
- Baboon damage;
- Impact of land invasions; and,
- Low plant survival rates due to drought weather conditions.

The effect of a change in the MAI and yield on loss before income tax is analysed in note 6.

d) Splitting of biological asset into current and non-current
Amount classified as current biological asset is the estimated value of planned harvested area based on the ensuing year Annual Plan of Operation "APO".

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 a annual basis by the Planning Department in consultation with the Forestry Management Department. Strategic guidance is provided by the FJM, Forestry Platform Head, Managing Director and Finance Director.

e) Impairment losses on trade and other receivables
The Company reviews its trade and other receivables to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Company makes judgments as to whether there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade and other receivables before the decrease can be identified with an individual receivables in that portfolio.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

e) Impairment losses on trade and other receivables (continued)

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Company, or national or local economic conditions that correlate with defaults in the Company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

f) Income taxes

There are many transactions and calculations for which ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax liabilities in the period in which such determination is made.

g) Going concern

Border Timbers Limited was placed under Provisional Judicial Management on the 29th of January 2015 after Management and Directors had made a decision to apply for Provisional Judicial Management to enable the Company to negotiate with its lenders repayment terms of loans that had become due. The Company was subsequestly placed under Final Judicial Management on the 2nd of May 2016 by the High Court of Zimbabwe. The FJM intends to facilitate a Scheme of Arrangement to take the Company out of Final Judicial Management.

As at 30 June 2017, the Company incurred a net loss of US$ 2 595 504 (2016:US$24 309 641) for the year ended 30 June 2017.

The FJM has concluded that the combination of these circumstances represents some level of uncertainty that cast doubt upon the Company's ability to continue as a going concern and that, therefore, the Company maybe unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making inquiries and considering the uncertainities described above the FJM has a reasonable expectation that the Company has adequate resources to continue in operational existance for the foreseeable future.

For these reasons, he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company has maintained the current debt levels. The focus of Management and the FJM is to re-finance the borrowings with much longer term funding at lower interest rates. To date a significant portion of the debt has been re-financed by funds from DEG, a German Development Bank and Zimbabwe Asset Management Company (Private) Limited ("ZAMCO").

To ensure profitability is improved, far reaching cost reduction initiatives have been undertaken. This has seen the orientation of production to focus on more profitable lines. Major production processes have been outsourced resulting in the reallocation of capital expenditure to operating expenditure and better machine reliability.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

FOR THE YEAR ENDED 30 JUNE 2017

4 SEGMENT INFORMATION

	Forestry US$	Manufacturing US$	Total US$
Year ended 30 June 2017			
Statement of profit or loss and other comprehensive income			
Total segment revenue	11 798 291	3 172 896	14 971 187
Inter segment revenue	-	-	-
Revenue from external customers	**11 798 291**	**3 172 896**	**14 971 187**
Operating loss before interest and tax	**(4 758 176)**	**249 850**	**(4 508 326)**
Interest expense	(1 395 135)	-	(1 395 135)
Interest income	45 324	-	45 324
Loss before income tax	**(6 107 987)**	**249 850**	**(5 858 137)**
Statement of financial position			
Total assets	**104 580 914**	**11 958 048**	**116 538 962**
Total liabilities	**41 618 309**	**8 614 396**	**50 232 705**
Other Information			
Capital expenditure on property, plant and equipment	210 814	-	210 814
Capital expenditure on biological assets	2 650 576	-	2 650 576
Depreciation	1 237 455	452 517	1 689 972
Employee numbers	725	35	760
Year ended 30 June 2016			
Statement of profit or loss and other comprehensive income			
Total segment revenue	12 599 324	7 891 655	20 490 979
Inter segment revenue	-	-	-
Revenue from external customers	**12 599 324**	**7 891 655**	**20 490 979**
Operating loss before interest and tax	**(32 313 047)**	**1 589 479**	**(30 723 568)**
Interest expense	(1 135 488)	-	(1 135 488)
Interest income	644	-	644
	(33 447 891)	**1 589 479**	**(31 858 412)**
Statement of financial position			
Total assets	**111 124 957**	**11 299 384**	**122 424 341**
Total liabilities	**44 573 741**	**7 785 696**	**52 359 437**
Other Information			
Capital expenditure on property, plant and equipment	112 051	-	112 051
Capital expenditure on biological assets	2 158 229	-	2 158 229
Depreciation	1 352 583	461 461	1 814 044
Employee numbers	1 176	38	1 214

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

The Company is organized into two main operating segments, all of which operate in Zimbabwe.

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

The Final Judicial Manager assesses the performance of the operating segments based on a measure of loss before interest and tax.All operating segments operate in Zimbabwe and segment sales presents sales to third parties. There are no inter-segment sales.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

4 SEGMENT INFORMATION (CONTINUED)

The Company is domiciled in Zimbabwe. Revenue from external customers from other countries is broken down as follows:

	`2017 US$	2016 US$
Country		
Botswana	3 701 541	4 569 451
South Africa	791 281	2 135 796
Zambia	1 177 917	8 442 367
Other	882 798	26 164
Total revenue from external customers	**6 553 537**	**15 173 778**

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

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$	Motor vehicles and US$	Furniture and fitings US$	Plant and machinery US$	Capital work-in progress US$	Total US$
Year ended 30 June 2016						
Opening net book amount	**31 725 164**	**2 627 967**	**74 649**	**3 598 466**	**189 938**	**38 216 184**
Additions	-	15 575	51 185	36 839	8 452	112 051
Transfers to/(from) captial work-in progress	-	92 603	194	61 223	(154 020)	-
Disposals	-	(17 268)	-	-	-	(17 268)
Depreciation charge	(711 107)	(561 656)	(101 202)	(440 079)	-	(1 814 044)
Closing net book amount	**31 014 057**	**2 157 221**	**24 826**	**3 256 449**	**44 370**	**36 496 923**
As at 30 June 2016						
Cost or valuation	36 041 258	5 577 268	591 434	6 479 736	44 370	48 734 066
Accumulated depreciation	(5 027 201)	(3 420 047)	(566 608)	(3 223 287)	-	(12 237 143)
Net book amount	**31 014 057**	**2 157 221**	**24 826**	**3 256 449**	**44 370**	**36 496 923**
Year ended 30 June 2017						
Opening net book amount	**31 014 057**	**2 157 221**	**24 826**	**3 256 449**	**44 370**	**36 496 923**
Additions	-	62 881	8 797	138 644	492	210 814
Transfers to/(from) captial work-in progress	-	11 432	2 848	-	(14 280)	-
Revaluation	(995 690)	(456 285)	127 993	(242 540)	-	(1 566 522)
Disposals	(1 081)	(510 725)	-	(226 685)	-	(738 491)
Depreciation charge	(710 718)	(467 624)	(84 882)	(426 748)	-	(1 689 972)
Closing net book amount	**29 306 568**	**796 900**	**79 582**	**2 499 120**	**30 582**	**32 712 752**
As at 30 June 2017						
Cost or valuation	**29 306 568**	**796 900**	**79 582**	**2 499 120**	**30 582**	**32 712 752**
Accumulated depreciation	-	-	-	-	-	-
Net book amount	**29 306 568**	**796 900**	**79 582**	**2 499 120**	**30 582**	**32 712 752**

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of Property , Plant and Equipment

The Company's property, plant and equipment was valued on 30 June 2017. The fair value measurements of the Company's property, plant and equipment on 30 June 2017 were perfomed by Messrs TK Hollands, independent valuers not related to the Company. Messrs TK Hollands are members of the Real Estate institute of Zimbabwe and have appropriate qualifications and experience in the fair value measurements.

There has been no change in the revaluation technique.

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

Depreciation expense of US$1 536 561 (2016: US$1 605 389) has been charged in 'cost of sales ' and US$153 411(2016: US$208 655) has been charged in 'administrative expenses' and no depreciation has been charged to distribution expenses.

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

	Land and buildings	Motor vehicles and	Furniture and fitings	Plant and machinery	Capital work-in progress	Total
	US$	US$	US$	US$	US$	US$
As at 30 June 2016						
Cost	34 308 708	6 532 638	537 998	5 138 818	44 370	46 562 532
Accumulated depreciation	(4 724 768)	(4 527 373)	(523 172)	(2 191 655)	-	(11 966 968)
Net book amount	**29 583 940**	**2 005 265**	**14 826**	**2 947 163**	**44 370**	**34 595 564**
As at 30 June 2017						
Cost	34 307 627	6 096 226	549 643	5 050 777	30 582	46 034 855
Accumulated depreciation	(5 435 486)	(4 994 996)	(608 054)	(2 618 404)	-	(13 656 940)
Net book amount	**28 872 141**	**1 101 230**	**(58 411)**	**2 432 373**	**30 582**	**32 377 915**

Land and buildings pledged as security

The Company has pledged land with a carrying amount of US$1 453 776 (2016: US $1 453 776) and buildings with a carrying amount of US$4 014 807 (2016: 4 153 106) as security for the Zimbabwe Asset Management Company ("ZAMCO") long term facility amounting to US$6 670 177 (2016: US $6 728 577) (refer to note 13).

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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).

	Fair value measurements as at 30 June 2017 using:		
	Quoted prices in active markets for identical (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
	US$	US$	US$
Recurring fair value measurements			
Property, plant and equipment			
-Land, roads and bridges	-	-	14 870 406
-Buildings	-	-	14 436 162
-Motor vehicles	-	796 900	-
-Furniture and fittings	-	79 582	-
-Plant and machinery	-	-	2 499 120
Total	-	876 482	31 805 658

	Fair value measurements as at 30 June 2016 using:		
	Quoted prices in active markets for identical (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
	US$	US$	US$
Recurring fair value measurements			
Property, plant and equipment			
Land ,roads and bridges	-	-	14 870 406
- Buildings	-	-	16 143 651
- Motor vehicles	-	-	2 157 221
- Furniture and Fittings	-	-	24 826
Plant and Machinery	-	-	3 256 449
Total	-	-	36 452 553

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	Motor vehicles and tractors	Furniture and fittings	Plant and machinery	Total
	US$	US$	US$	US$	US$
Opening balance	31 014 057	2 157 221	24 826	3 256 449	36 452 553
Additions	-	62 881	8 797	138 644	210 322
Transfers to/(from)	-	11 432	2 848	-	14 280
Disposals	(1 081)	(510 725)	-	(226 685)	(738 491)
Revaluation	(995 690)	(456 285)	127 993	(242 540)	(1 566 522)
Depreciation recognised in the statement of profit or loss and comprehnsive income	(710 718)	(467 624)	(84 882)	(426 749)	(1 689 972)
Closing balance	**29 306 568**	**796 900**	**79 583**	**2 499 120**	**32 682 170**

Information about fair value measurements using significant unobservable inputs (level 3).

Description	Fair Value at 30 June 2017	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability weighted)	Relationship of unobservable inputs to fair value
Land ,roads and bridges	14 870 406	comparison prices	price per square metre	US$20-US$25	the higher the price per square metre the higher the fair value
Buildings	14 436 162	comparison prices	replacement cost per square metre	US$600-US$650	the higher the price per square metre the higher the fair value
Motor vehicles	796 900	comparison prices	unit cost	N/A	the better the age and vehicle condition the higher the fair value
Furniture and Fittings	79 582	comparison prices	unit cost	N/A	the better the age and the condition of the furniture and fittings the higher the fair value
Plant and Machinery	2 499 120	comparison prices	unit cost	N/A	The better the age and condition of the plant and machinery the higher the fair value.
Total	32 682 170				

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Description	Fair Value at 30 June 2016	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability weighted)	Relationship of unobservable inputs to fair value
-Land, roads and bridges	14 870 406	comparison prices	price per square metre	US$20-US$25	the higher the price per square metre the higher the fair value
-Buildings	16 143 651	comparison prices	replacement cost per square metre	US$600-US$650	the higher the price per square metre the higher the fair value
-Motor vehicles	2 157 221	comparison prices	unit cost	N/A	the better the age and vehicle condition the higher the fair value
-Furniture and Fittings	24 826	comparison prices	unit cost	N/A	the better the age and the condition of the furniture and fittings the higher the fair value
-Plant and Machinery	3 256 449	comparison prices	unit cost	N/A	The better the age and condition of the plant and machinery the higher the fair value.
Total	36 452 553				

6 BIOLOGICAL ASSETS

	`2017 US$	2016 US$
As at 1 July	75 055 404	106 380 949
Expenditure for the year (see note 18)	2 650 576	2 158 229
Fair value gain/(loss) due to biological transformation	7 002 375	(16 126 133)
	84 708 355	92 413 045
Deduct:	(12 063 172)	(17 357 641)
Destroyed by fire	(6 342 244)	(10 547 123)
Transfers of harvested timber to inventory	(5 720 928)	(6 810 518)
As at 30 June	**72 645 183**	**75 055 404**
Classification on the statement of financial position:		
Classified as non-current asset	64 541 472	67 161 873
Classified as current asset*	8 103 711	7 893 531
As at 30 June	**72 645 183**	**75 055 404**

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

6 BIOLOGICAL ASSETS (CONTINUED)

	2017 Hectares	2017 US$	2016 Hectares	2016 US$
Comprising of standing timber at fair value less costs to sell				
Age				
1- 6 years	5 643	2 355 404	5 198	2 586 589
7-12 years	3 570	9 872 491	4 140	9 804 208
13-18 years	3 264	18 457 827	4 335	23 799 450
19-24 years	3 414	28 435 420	3 238	25 445 962
25-30 years	367	4 677 256	390	3 843 859
Over 30 years	756	8 846 785	869	9 575 336
	17 014	72 645 183	18 170	75 055 404

Valuation of plantations

A FJM's valuation was carried out as at 30 June 2017. All trees below four years for pine and four years for eucalyptus are stated at development cost .The valuation of plantations greater than these ages was based on an estimated total standing timber volume to which was applied a fair value price for the standing timber, based on market prices.

The growth in biological assets is linked to the Mean Annual Increment ("MAI") for each species and age class. MAI is highly dependent on silvicultural practices and at regular intervals the actual standing timber volume for each compartment is verified through enumerations as determined by the Company's Forestry and Planning Department. To assess the level of current yields against standards, MAI is then derived from the enumerated yields. A combination of the MAI model and actual volumes of standing timber where enumeration were carried out in the current year, was used to determine the volume of standing timber as at 30 June 2017. In arriving at the estimated fair values, the FJM have used market knowledge, professional judgment and historical data.

Write down on Biological asset

During the year under review the Company lost many hactares of forests to fires, valued at US$6 342 244 (2016: US$ 10 547 123). The FJM made a decision to do a re-assessment of the state of the biological assets. The fires affected mainly the mature trees.

As part of the re-assessment process, a re-evaluation of the extent and impact of baboon damage, incursions, cummulative poor rainfall patterns over the years and lately induced by the EL Nino dry weather conditions and poor compartment stocking levels was done.

Extensive fieldwork was done on enumeration and survival rates assessment in order to come up with a fair representative biological asset volume. A total Biological gain of US$7 002 375 was recognised in the financial statements.

The volume of standing timber as at 30 June 2017 amounts to 2 666 725 m3 (2016: 2 729 563 m3).

The table below presents the sensitivity on volume (m3) and value (US $)of biological assets due to change in assumptions. The sensitivities presented show favourable movement, if the sensitivity variables are unfavourable, the negative impact on volume and value would be of a similar magnitude ,ceteris puribus:

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

6 BIOLOGICAL ASSETS (CONTINUED)

Sensitivity analysis on biological assets

		`2017 US$	2016 US$
Increase in volume (cubic meters)	5%*	133 336	136 478
Increase in biological asset (US$)	7%**	5 085 163	5 253 878

* 5% is the sensitivity rate used as it represents the highest and lowest Management's assessment on volume sensetivity's in terms of mean increrement.

** 7% is the sensitivity rate used as it represents the highest and lowest ranges of available market prices for biological asset as at 30 June 2017.

	Fair value measurements as at 30 June 2017 using		
	Quoted prices in active markets for identical (level 1) US$	Significant other observable inputs (level 2) US$	Significant unobservable inputs (level 3) US$
Age			
1- 6 years	-	-	2 355 404
7-12 years	-	-	9 872 491
13-18 years	-	-	18 457 827
19-24 years	-	-	28 435 420
25-30 years	-	-	4 677 256
Over 30 years	-	-	8 846 785
Total	-	-	72 645 183

	Fair value measurements as at 30 June 2016 using		
	Quoted prices in active markets for identical (level 1) US$	Significant other observable inputs (level 2) US$	Significant unobservable inputs (level 3) US$
Age			
1- 6 years	-	-	2 586 589
7-12 years	-	-	9 804 208
13-18 years	-	-	23 799 450
19-24 years	-	-	25 445 962
25-30 years	-	-	3 843 859
Over 30 years	-	-	9 575 336
Total	-	-	75 055 404

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

6 BIOLOGICAL ASSETS (CONTINUED)

The following table represents the company's biologocial assets that are measured at fair value as at 30 June 2017;

Description	Fair Value at 30 June 2017	Unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Pine (1- 6 years)	2 059 895	Cost per hectare	US$119-US$176	The higher the cost per hectare the higher the fair value
Pine (7+ years)	39 040 258	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	US$25-US$27	
Eucalyptus (1- 4 years)	208 775	Cost per hectare	US$119 -US$176	The higher the cost per hectare, the higher the fair value
Eucalyptus (4+ years)	31 336 254	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	US$19-US$27	
Total	72 645 183			

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

7 INVENTORIES

	`2017 US$	2016 US$
Raw materials	534 022	354 457
Work in progress	528 870	604 400
Finished goods	1 613 651	1 322 110
Consumables	880 783	790 583
	3 557 326	**3 071 550**

The cost of inventories recognised as an expense and included in the ' cost of sales' amounted to US$6 408 656 (2016: US$8 521 557).

Inventory write down was US $ 1 123 329 (2016 : reversal of previously written-down inventories US $ 65 287). Inventory write-down and reversal was 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 (2016: US$nil).

8 FINANCIAL INSTRUMENTS BY CATEGORY

`

	2017 US$	2016 US$
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.		
Loans and receivables		
Assets per statement of financial position		
Trade and other receivables (excluding prepayments and VAT receivable)	5 786 853	5 787 986
Cash and cash equivalents	1 674 407	1 571 124
	7 461 260	**7 359 110**
Other financial liabilities at amortised cost		
Liabilities per statement of financial position		
Trade and other payables (excluding statutory liabilities)	8 371 403	7 282 629
Borrowings (current and non-current)	22 110 825	21 629 330
	30 482 228	**28 911 959**

NOTES TO THE FINANCIAL STATEMENTS CONT`D
FOR THE YEAR ENDED 30 JUNE 2017

9 TRADE AND OTHER RECEIVABLES

	`2017 US$	2016 US$
Trade receivables from external parties	5 530 003	5 336 116
Trade receivables from related parties (see note 16)	48 028	35 975
Less: allowance for impairment on trade receivables	(599 958)	(295 872)
Trade receivables net	4 978 073	5 076 219
Prepayments	6 489	57 615
Loans to employees	129 393	11 171
Receivables from disposal of equipment to contractors	15 123	452 269
Net investment in finance leases receivable (see note 9.1)	185 161	234 193
Other receivables	635 055	397 633
	971 221	1 152 881
	5 949 294	**6 229 100**

Other receivables mainly include sundry debtors and VAT receivable and is net of allowance for impairment for other trade receivables of US $ 41 358 (2016 : Nil.)

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 6 % p.a (2016:6 %). 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.

	`2017 US$	2016 US$
Movement in the allowance for impairment of trade and other receivables was as follows:		
As at 1 July	295 872	396 388
Increase /(decrease) in allowance for impairment on trade receivables	304 086	(100 516)
Increase in allowance for impairment on other receivables	41 358	-
As at 30 June	**641 316**	**295 872**

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The analysis of net trade receivables is as follows:

Description	Total	"Neither past due nor impaired"	Past due but not impaired		
		0-30 days	31-60 days	61-90 days	>90 days
	US$	US$	US$	US$	US$
As at 30 June 2017					
Trade receivables from external parties	4 930 045	1 233 121	934 555	230 460	2 531 909
Trade receivables from related parties	48 028	14 042	450	-	33 536
	4 978 073	1 247 163	935 005	230 461	2 565 445
As at 30 June 2016					
Trade receivables from external parties	5 040 244	1 186 574	1 098 058	671 572	2 084 041
Trade receivables from related parties	35 975	3 653	152	-	32 169
	5 076 219	1 190 227	1 098 210	671 572	2 116 210

Past due but not impaired
These relate to a number of independent customers for whom there is no recent history of default.

Past due and impaired
The amount of the provision is US$641 316 (2016: US$295 872). The individually impaired receivables mainly relate to customers facing liquidity challenges and amounts in dispute. A portion of the receivables is expected to be recovered.

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 are neither past due nor impaired.

The carrying amount of trade and other receivables approximates their fair value as at year end because of short term tenor.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	`2017 US$	2016 US$
United States of America Dollar (US$)	5 208 969	5 362 835
South African Rand (ZAR)	420 160	473 891
Botswana Pula (BWP)	320 165	392 374
Trade receivables	**5 949 294**	**6 229 100**
Counterparties without external credit rating		
Company 1	3 353 954	3 703 955
Company 2	1 640 719	1 920 525
Company 3	954 621	604 620
	5 949 294	**6 229 100**

Counterparties 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)

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.

	`2017 US$	2016 US$
Non-current receivables		
Finance lease-gross receivable	180 000	252 000
Unearned finance income	(40 675)	(66 839)
	139 325	**185 161**
Current receivables		
Finance lease-gross receivable	72 000	84 000
Unearned finance income	(26 164)	(34 968)
	45 836	**49 032**
Gross receivables from finance leases:		
No later than one year	72 000	84 000
Later than one year and no later than 5 years	168 000	216 000
Later than 5 years	12 000	36 000
	252 000	336 000
Unearned future finance income on finance leases	(66 839)	(101 807)
Net investment in finance leases	**185 161**	**234 193**
The net investment in finance leases may be analysed as follows:		
No later than one year	45 836	50 156
Later than one year and no later than 5 years	128 209	164 582
Later than 5 years	11 116	61 439
	185 161	**276 177**

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

10 CASH AND CASH EQUIVALENTS

	`2017 US$	2016 US$
Cash and bank balances (excluding bank overdrafts)	1 674 407	1 571 364
Cash and cash equivalents include the following for the purpose of the statement of cash flows:		
Cash and bank balances	1 674 407	1 571 364
Cash and cash equivalents per statement of cash flows	1 674 407	1 571 364
Cash on hand and at bank are denominated in the following currencies		
United States of America dollar ("US$")	1 487 804	1 462 357
South African Rand ("ZAR")	17 095	29 144
Botswana Pula ("BWP")	169 508	79 863
	1 674 407	1 571 364

11 SHARE CAPITAL

	`2017	2016
Authorised		
Number of ordinary shares	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 entilted to dividends as declared from time to time and one vote per share at general meetings of the company.

	Number of issued shares each	Ordinary shares US$	Total US$
Issued and fully paid			
Year ended 30 June 2017			
At the beginning of the year	42 942 487	429 425	429 425
At the end of the year	42 942 487	429 425	429 425
Year ended 30 June 2016			
At the beginning of the year	42 942 487	429 425	429 425
At the end of the year	42 942 487	429 425	429 425

The unissued shares are under the control of the Final Judicial Manager who may issue them on such terms and conditions as he see fit subject to the limitation of the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements. The period of this authority is unlimited.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

12 OTHER RESERVES

	`2017 US$	2016 US$
12.1 Non-distributable reserve		
Balance as at 30 June	**90 455 727**	**90 455 727**
The non-distributable reserve arose as a result of the net effect of restatement in the US$ of assets and liabilities previously denominated in Zimbabwe dollars in 2009.		
12.2 Revaluation reserve		
Balance as at 30 June	**294 339**	**2 004 551**
The revaluation relates to revaluation of property, plant and equipment in terms of the Company's policies.		
13 BORROWINGS		
Non-current borrowings		
Bank borrowings		
Deutshe Investitions - und Entwicklungsgesellschaft mbH ("DEG")	5 872 201	6 125 000
Zimbabwe Asset Management Corporation (Private) Limited ("ZAMCO")	5 956 437	6 193 272
Total non-current bank borrowings	**11 828 638**	**12 318 272**
Related party loans		
Rift Valley Services Zimbabwe (Private) Limited	7 367 804	6 865 218
Rift Valley Corporation Limited	975 000	975 000
Forrester Estates (Private) Limited	332 016	287 965
	8 674 820	8 128 183
	20 503 458	**20 446 455**
Current borrowings		
Bank borrowings		
Ecobank Zimbabwe Limited	593 630	604 652
Zimbabwe Asset Management Company (Private) Limited ("ZAMCO")	713 740	535 305
Deutshe Investitions - und Entwicklungsgesellschaft mbH ("DEG")	299 997	42 918
Total current borrowings	**1 607 367**	**1 182 875**
Total borrowings	**22 110 825**	**21 629 330**

- The DEG loan bears interest of Libor plus 2.5%. DEG amended the loan agreement in 2016 and released the assets previously attached as security and required the Company to provide surety in the amount of not less than USD3 100 000 in favour of DEG from a bank that DEG designates as acceptable. The loan matures in 2022 financial year.

- The related party loans are unsecured with interest rates of 9.74% per annum for Rift Valley Services Zimbabwe (Private) Limited loan and 20% for Forrester Estates (Private) Limited loan. The Rift Valley Corporation Limited loan does not accrue interest. The loans are payable after the Company has settled all amounts due to DEG.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

13 BORROWINGS (CONTINUED)

- A re-financed ZAMCO facility of US$6 666 919, which carries an interest rate of 7% per annum expires on 31 October 2023.

  The loan is secured as follows:
  i) land with a carrying amount US$1 453 776 and buildings with a carrying amount of US$4 153 106 as at 30 June 2017;
  ii) Cession of all insurance of immovable assets taken from reputable insurance companies; and;
  iii) Assignment of debtors book save for debtors book acknowledged as assigned to a working capital facility provider.
- The Ecobank loan which carries interest rate of 11% had matured during the 2015 finacial year and negotiations are still underway to restructure the loan which should be concluded by December 2017. The loan is unsecured.
  The carrying amount of the short term borrowings approximate their fair value due to their short term nature . The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2017	2016	2017	2016
	US$	US$	US$	US$
Non-current borrowings	20 503 458	20 446 455	16 057 098	15 707 432

Borrowing powers
The Articles of Association provide that the Company may from time to time at the discretion of the FJM borrow raise or source borrowings up to half the value of the shareholders 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.

	2017	2016
Shareholders equity	66 306 257	70 064 904
Maximum borrowing limit;		
50% of shareholders equity	33 153 129	35 032 452
Borrowings as at year end	(22 110 825)	(21 629 336)
Unutilised borrowing capacity	**11 042 304**	**13 403 116**

NOTES TO THE FINANCIAL STATEMENTS CONT`D
FOR THE YEAR ENDED 30 JUNE 2017

14 DEFERRED TAX

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

	2017 US$	2016 US$
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	(6 154 599)	(4 134 280)
- Deferred tax assets to be recovered within 12 months	(471)	(36 646)
	(6 155 070)	(4 170 926)
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	23 767 388	25 435 497
- Deferred tax liabilities to be recovered within 12 months	1 078	14 837
	23 768 466	25 450 334
Deferred tax liabilities (net)	17 613 396	21 279 408
The gross movement on the deferred tax account is as follows:		
At 1 July	**21 279 408**	**28 828 179**
Credit to statement of profit or loss	(3 262 633)	(7 548 771)
Credit through other comprehensive income	(403 379)	-
At 30 June	**17 613 396**	**21 279 408**
The deferred tax account comprises the following:		
Accelerated depreciation for tax purposes	5 661 354	6 226 650
Biological assets	18 706 135	19 326 767
Prepayments	1 079	14 836
Unrealised exchange gains	(471)	(36 646)
Assessed tax losses	(6 154 599)	(4 134 280)
Other temporary differences	(600 102)	(117 919)
	17 613 396	**21 279 408**
The deferred tax credit to the statement of profit or loss and other comprehensive income comprises of the following:		
Accelerated depreciation for tax purposes	(565 297)	(408 959)
Biological assets	(620 632)	(8 066 327)
Prepayments	(13 757)	(2 882)
Unrealised exchange gains	36 175	17 558
Assessed tax losses	(2 020 319)	901 479
Other temporary differences	(482 182)	10 360
	(3 666 012)	**(7 548 771)**

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

14 DEFERRED TAX (CONTINUED)

	2017 US$	2016 US$
Split as follows:		
Tax Credit charge to profit or loss	(3 262 633)	(7 548 771)
Charge through other comprehensive income	(403 379)	-
	(3 666 012)	(7 548 771)

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 2020 have been used to estimate future taxable profits.

The Company recognised deferred tax assets of US$6 154 599 (2016: US$4 134 280) in respect of tax assessed losses amounting to US$23 901 355 (2016:US$16 055 455). The assessed losses expire between 30 June 2018 and 30 June 2023.

	`2017 US$	2016 US$
15 TRADE AND OTHER PAYABLES		
Trade payables	3 434 473	3 105 105
Accruals	3 927 741	3 347 495
Payable to related parties (see note 16)	1 009 189	830 029
Statutory liabilities	2 137 081	2 168 070
	10 508 484	**9 450 699**

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

Statutory liabilities comprise statutory levies amounting to US$406 577 (2016: US$394 351), and employee pensions US$1 730 503 (2016:US$1 773 719).

The carrying amount of trade and other payables are assumed to approximate their fair value due to their short- term nature.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

15 TRADE AND OTHER PAYABLES (CONTINUED)

	`2017 US$	2016 US$
Analysis of trade and other creditors currency exposure		
Creditors class		
Trade creditors		
United States of America Dollar ("US$")	4 074 598	3 105 105
South African Rand ("ZAR")	427 643	734 832
	4 502 241	**3 839 937**
Other creditors		
United States of America Dollar ("US$")	3 869 163	3 442 692
South African Rand ("ZAR")	-	-
	3 869 163	3 442 692
Analysis of total trade and other creditors per currency		
United States of America Dollar ("US$")	7 943 760	6 547 797
South African Rand ("ZAR")	427 643	734 832
Total trade and other creditors excluding statutory liabilities	8 371 403	7 282 629
Statutory liabilities	2 137 081	2 168 070
Total trade and other creditors	10 508 484	9 450 699

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.

		`2017 US$	2016 US
a) Transactions	**Nature of Relationship**		
i) Sales of goods			
- United Builders Merchants (Private) Limited	Common directorship	345 984	413 740
- Northern Tobacco (Private) Limited	Fellow subsidiary	10 521	46 756
		356 505	**460 496**

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

16 RELATED PARTY DISCLOSURES (CONTINUED)

		`2017 US$	2016 US$
ii) Purchases of goods and services			
Timberbay Services Limited	Close family relationship	1 329 443	628 272
v) Interest charged			
Rift Valley Services Zimbabwe (Private) Limited	Parent	502 586	364 061
Forrester Estates (Private) Limited	Common shareholding	44 045	47 702
		546 631	**411 763**

The interest has been accrued but not yet paid. The related party loans are unsecured and accrue interest at a rate of 9.74% and 20% per annum.

		`2017 US$	2016 US$
b) Year end balances arising from sales/purchase of goods /services			
i) Receivables from related parties			
United Builders Merchants	Common directorship	7 556	7 556
Northern Tobbacco (Private) Limited	Fellow subsidiary	40 472	28 419
		48 028	**35 975**

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.

		`2017 US$	2016 US$
ii) Payables to related parties arising from purchase of goods/services			
Rift Valley Services Zimbabwe (Private) Limited	Fellow subsidiary	701 546	629 620
Rift Valley Forestry (Private) Limited	Fellow subsidiary	-	200 408
Timberbay Services Limited	Close family relationship	307 643	668 690
		1 009 189	**1 498 718**

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.

		`2017 US$	2016 US$
c) Loans from related parties			
Rift Valley Services (Private) Limited	Fellow subsidiary	7 367 804	6 865 218
Rift Valley Corporation Limited	Parent	975 000	975 000
Forrester Estates (Private) Limited	Common shareholding	332 016	287 971
		8 674 820	**8 128 189**

The shareholder's loans attracts interest of 9.74%, 9.74% and 20% per annum respectively. The loan is payable on demand after the Company has settled all amounts due to DEG.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

16 RELATED PARTY DISCLOSURES (CONTINUED)

		`2017 US$	2016 US$
d) Guarantees from related parties			
Rift Valley Services (Private) Limited	Parent	3 100 000	3 100 000

The guarantee is in respect of the German Development Bank loans ("DEG").

	2017 US$	2016 US$
e) Key management compensation		
Short term employee benefits	366 710	374 025
Post employment benefits	1 650	1 176
	368 360	375 201
f) Final Judicial Managers fees	247 693	398 152
g) Loans to key management personnel	65 661	-

17 OTHER OPERATING INCOME AND EXPENSES

17.1 Other operating expenses

	2017 US$	2016 US$
Loss on disposal of property, plant and equipment	557 131	1 759
Other expenses	103 163	-
Exchange (gains)/losses	(1 829)	318 082
	658 465	319 841

17.2 Other operating income

	2017 US$	2016 US$
Sundry income	1 746 391	783 271
Freight recoveries	1 524 356	5 645 468
	3 270 747	6 428 739

17.3 Reclassification of freight recoveries

For the period ended 30 June 2017, the Company reported freight recoveries from export sales as other operating income. Previously this was reported under revenue. The reason for the re-classification was to appropriatly distinguish between revenue earned in the ordinary course of activities and other income. The reclassification has also been effected on the prior year comparative to conform to the current year presentation. The net effect is that the reclassification has has no financial impact on the prior year reported loss for the year.

	2016 US$
Revenue as previously stated	26 136 447
Restated amount	20 490 979
Decrease in revenue due to reclassification	(5 645 468)
Other income	
Freight recoveries	5 645 468
Impact on loss before tax	-

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

18 EXPENSES BY NATURE

	`2017 US$	2016 US$
Auditors remuneration		
- current year audit services	16 500	16 500
- prior year audit services	53 014	86 950
Bank charges	47 723	76 470
Consultancy	63 355	341 302
Depreciation charge	1 689 851	1 814 044
Electricity	679 544	959 073
Employee benefit expense (see note 19)	4 429 177	5 188 729
Foreign and local travel	161 966	168 882
Fuels and oils	404 493	660 175
Haulage	2 741 672	7 075 384
Inventory write down (reversal)/allowance (see note 7)	1 123 329	(65 287)
Impairment :		
- receivables (see note 9)	345 444	44 964
Insurance	160 633	186 296
Management fees (Judicial managers fees)	247 693	398 152
Other expenses	370 094	298 904
Plantation - redemption (see note 6)	6 342 244	10 547 123
Printing and stationery	42 424	42 364
Protective clothing	50 382	70 336
Raw material and consumables used (including redemption)	6 167 026	8 521 557
Repairs and maintenance - motor vehicles	273 495	256 674
Repairs and maintenance - plant/ buildings	656 434	745 608
Repairs and maintenance- office equipment	21 653	25 830
Sub-contracted services	5 330 498	5 667 964
Security	65 911	97 935
Subscriptions	77 639	101 869
Telephone costs	90 650	96 225
Utilities	179 938	251 357
(Write-up)/write-down of biological assets (see note 6)	(7 002 375)	16 126 133
	25 400 836	59 801 515
Capitalisation of forestry costs (see note 6)	(2 650 576)	(2 158 229)
Total cost	22 750 260	**57 643 286**

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 CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

19 EMPLOYEE BENEFIT EXPENSES

	`2017 US$	2016 US$
Wages and salaries	2 956 597	3 399 043
Retrenchment costs	667 266	630 615
Pension fund contribution (see note 23.2)	-	240 909
Social security costs (see note 23.2)	85 822	115 033
Staff welfare costs	351 132	427 929
	4 060 817	4 813 528
Key management remuneration:		
Short term employee benefits	366 710	374 025
Post employment benefits	1 650	1 176
	4 429 177	**5 188 729**

	`2017 Number of employees	2016 Number of employees s
Manning levels at 30 June		
Permanent	725	1 157
Contract	35	57
Total	760	1 214

`

20 FINANCE INCOME AND COSTS

	2017 US$	2016 US$
Interest costs		
Bank borrowings	848 504	723 725
Related party borrowings	546 631	411 763
	1 395 135	1 135 488
Interest paid for the purpose of the statement of cashflows		
Finance costs	1 395 135	1 135 488
Accrued interest	(659 930)	(638 864)
Interest paid	735 205	496 624
Finance income		
Short-term bank deposits	45 324	644

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

21 INCOME TAX CREDIT

	`2017 US$	2016 US$
Deferred tax charge	(3 262 633)	(7 548 771)
The tax on the Company`s loss before income tax differs from the theoretical amount that would arise using the tax rate applicable to the profits of the Company as follows:		
Loss before income tax	(5 858 137)	(31 858 412)
- Taxation calculated at domestic tax rate 25.75% (2015: 25.75%)	(1 508 470)	(8 203 541)
- Non-deductible/(taxable) expenses	(1 754 163)	654 770
- Tax losses not recognised		
Tax credit	(3 262 633)	(7 548 771)

The income tax rate applicable to the Company's taxable income for the year ended 30 June 2017 is 25.75% (2016:25.75%).

22 LOSS PER SHARE

a) Basic

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

`

	2017 US$	2016 US$
Weighted average number of ordinary shares	42 942 487	42 942 487
Loss attributable to equity holders from continuing operations (US$)	(3 758 647)	(24 309 642)
Basic loss per share (cents)	(8.75)	(56.61)
Diluted loss per share (cents)	(8.75)	(56.61)

There were no dilutive ordinary shares outstanding during the year (2016: Nil).

23 PENSION FUNDS

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

23.1 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.

During the year under review the employer applied for placement of Border Timbers Limited Pension Fund under paid-up status to the Commisioner of Insurance. The pension fund was placed under paid-up status with effect from 1 May 2016.

NOTES TO THE FINANCIAL STATEMENTS CONT`D
FOR THE YEAR ENDED 30 JUNE 2017

23 PENSION FUNDS (CONTINUED)

23.2 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 3% of pensionable emoluments up to a maximum of US$700.00 per month for each employee.

	2017 US$	2016 US$
Contributions recognized in the statement of profit/(loss) and other comprehensive income:		
Border Timbers Limited Pension Fund	-	240 909
National Social Security Fund	85 822	115 033
Total	85 822	355 942

24 FINANCIAL RISK MANAGEMENT

24.1 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 Judicail Manager ("FJM"). The Company`s Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating divisions. The FJM 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 Final Judicial Manager that advises on financial risks and the appropriate financial risk governance framework for the Company. The Final Judicial Manager 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 Final Judicial Manager 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

24 FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

24.2 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 (2016: US$nil) because as at 30 June 2017 it had neither commodity contracts nor equity security investments.

(ii) Interest rate risk management
The Company's interest rate risk would arise from borrowings. Borrowings issued at variable rates expose the Company to 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 personnel and represents management's assessment of the reasonable possible change in foreign exchange rates.

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1 Financial risk factors (continued)

24.2 Market risk (continued)

	2017 US$ Strengthening	2016 US$ Strengthening	2017 US$ Weakening	2016 US$ Weakening
Effect of 5% strengthening or weakening of foreign currency				
Loss before income tax				
South African rand ("ZAR")	22 724	23 973	(19 090)	(21 690)
Botswana Pula ("BWP")	22 399	24 899	(20 992)	(22 492)
	45 123	**48 872**	**(40 082)**	**(44 182)**
Current assets				
South African rand ("ZAR")	24 475	26 475	(22 154)	(23 954)
Botswana Pula ("BWP")	22 399	24 899	(20 992)	(22 492)
	46 874	**51 374**	**(43 146)**	**(46 446)**
Current liabilities				
South African rand ("ZAR")	(1 752)	(2 502)	3 064	2 264
Botswana Pula ("BWP")	-	-	-	-
	(1 752)	**(2 502)**	**3 064**	**2 264**

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 off-shore borrowings generally have variable interest 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$.

	2017 US$	% of total borrowings	2016 US$	% of total borrowings
Variable interest rate borrowings	6 172 198	28%	6 167 918	29%
Fixed and non-re-pricing interest rate borrowings	15 938 627	72%	15 461 330	71%
Total borrowings	**22 110 825**	**100%**	**21 629 412**	**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 analysis below have been determined based on the exposure to interest for both derivates and non-derivative instruments at the end of the reporting period. A 80% basis point increase and 90% basis point for decrease is used when reporting interest rate internally to key management personnel and represents managements assessment of the reasonably possible change in interest rates.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1 Financial risk factors (continued)

24.2 Market risk (continued)

	Impact on profit/loss before tax	
	2017	2016
	US$	US$
Variable Interest rates- increase by 80 basis points (80bps)*.	(44 156)	(49 000)
Interest rates- decrease by 90 basis points (90 bps)*.	50 281	55 125
*Holding all other variables constant.		

24.3 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.

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.

	2017	2016
	US$	US$
Counterparties with external credit rating		
A+		
A	13 578	24 927
A-	-	
AA-	54 736	77 637
BB+	10 223	76 699
BB-	-	-
BBB-	1 555 641	1 331 313
BBB+		52 229
Other unrated cash and cash equivalents	40 229	8 559
	1 674 407	1 571 364

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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1 Financial risk factors (continued)

24.2 Market risk (continued)

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 class of financial assets. The Company does not hold collateral as security.

24.4 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 flows.

	Less than months	Between 3 3 1 year	Bewteen 1 months and years	Between 2 and 2 years	and 5 years	Over 5 Total
	US$	US$	US$	US$	US$	US$
At 30 June 2017						
Borrowings	-	1 607 367	-	20 503 458	-	22 110 825
Trade and other payables excluding statutory liabilities	881 375	7 490 028	-	-	-	8 371 403
	881 375	**9 097 395**	**-**	**20 503 458**	**-**	**30 482 228**
At 30 June 2016						
Borrowings	209 083	1 489 970	1 180 424	3 541 273	15 208 580	21 629 330
Trade and other payables excluding statutory liabilities	995 008	6 287 621	-	-	-	7 282 629
	1 204 091	**7 777 591**	**1 180 424**	**3 541 273**	**15 208 580**	**28 911 959**

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 roll over of the short term facilities until the Company has sufficient cash flows to fund the repayments.

As at 30 June 2017 the Company had no undrawn uncommitted borrowing facilities (30 June 2016:US$nil). The liquidity risk on foreign creditors and lenders has increased due to delay of foreign payments caused by foreign currency shortages.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

24.5 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 2016.

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.

	2017 US$	2016 US$
The gearing ratios as at 30 June were as follows:		
Interest bearing loans and borrowings	22 110 825	21 629 330
Less cash and cash equivalents	(1 674 407)	(1 571 364)
Net debt	20 436 417	20 057 966
Total capital	86 742 674	90 122 875
Gearing ratio	24%	22%

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

25 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 four 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 FireTowers and a radio network. Standby teams including specialised, dedicated Fire Tenders are on duty at all times 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.

NOTES TO THE FINANCIAL STATEMENTS CONT`D
FOR THE YEAR ENDED 30 JUNE 2017

25 RISK MANAGEMENT – AGRICULTURAL ACTIVITIES (CONTINUED)

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 Zimbabwe Republic Police (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.

26 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.

27 LAND DESIGNATION

During previous financial years, the Zimbabwe Government de-listed all land previously listed for compulsory acquisition. In 2005 the Constitution of Zimbabwe Amendment (No 17) was enacted into Zimbabwe law by the Parliament of Zimbabwe to confirm acquisition of land for resettlement purposes which took place pursuant of the Land Reform Program beginning 2000 and to provide for the acquisition on future of agricultural land for resettlement and other purposes.

The constitutional provision states that:
- All land that has been identified in the Government Gazette between 2 June and 8 July 2005 or identified after that date by the Government, as being Agricultural land required for resettlement purposes is acquired by the state and is vested in the state with full title therein;
- No compensation shall be payable to such land except for any improvements on the land; and,
- The acquisition of such land may not be challenged by the courts except to the extent of amounts payable for improvements.

It should however be noted that both the land and operating assets of the Company are protected through a bilateral investment agreement between Zimbabwe and Germany, and are therefore not considered to be impaired.

28 CONTINGENT LIABILITY

In the ordinary course of the business, the Company has a number of employee and supplier related legal cases pending. As at the reporting date, there was a tax audit in progress. The Final Judicial Manager cannot reasonably predict the outcome of the tax audit and pending cases.

29 EVENTS AFTER THE REPORTING PERIOD

There were no events that ocurred after the balance sheet date.

ANALYSIS OF SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2017

ANALYSIS OF SHAREHOLDING

DIRECTORS SHAREHOLDING
None of the sitting Directors hold any shares
In their individual capacities

SHAREHOLDER DISTRIBUTION

Analysis of shareholders as at 30 June 2017	Number of shares	% of total	Issued US$	% shares
1-5000	566	86	472 154	1
5001 - 10000	30	5	211 002	0
10001 - 25000	18	3	286 951	1
25001 - 50000	13	2	445 699	1
50001 - 100000	16	2	1 161 348	3
100001 - 200000	3	0	452 704	1
200001 - 500000	6	1	1 467 905	3
500001 - 1000000	1	0	903 142	2
1000001 and above	4	1	37 541 582	87
TOTAL	657	100	42 942 487	100

Analysis by industry				
industry				
Other corporates	49	7	28 496 793	66
Investments/trust/props	41	6	8 682 223	20
Resident individual & trusts	20	3	524 873	1
Standard company	414	63	2 788 836	6
External companies	18	3	343 606	1
Banks & nominees	62	9	526 312	1
Non resident individuals	5	1	284 648	1
Pension funds	46	7	1 256 973	3
External banks & noms	1	0	36 420	0
Fcda - resident individual	1	0	1 803	0
Total	657	100	42 942 487	100

Top 10 shareholders

Rank		Issued US$	% shares
1	FRANCONIAN ZIMBABWE INVESTMENTS (PRIVATE) LIMITED	27 926 805	65
2	LIMPOPO LIMITED	4 294 248	10
3	ZAMBEZI LIMITED	4 294 248	10
4	FRANCONIAN ZIMBABWE	1 026 281	2
5	BORDER TIMBERS LIMITED PENSION FUND	903 142	2
6	KUHLMANN WILHELM HENRY ALFFRED HANS-ALBERT	373 394	1
7	SAXONIAN ESTATE LIMITED	223 239	1
8	NATIONAL SOCIAL SECURITY AUTHORITY	219 455	1
9	RADIA PRAKASH	218 248	1
10	TONLY INVESTMENTS (PRIVATE) LIMITED	218 196	1
		39 697 256	**92**
Other shareholders		3 245 231	8
Total		**42 942 487**	**100**

ANALYSIS OF SHAREHOLDERS CONT'D
FOR THE YEAR ENDED 30 JUNE 2017

Disclosure of Non- public shareholders as defined by the Zimbabwe Stock Exchange Listing requirements as at 30 June 2017		
#	Non-public shareholder	Company's position
1	The directors of the Company.	Neither the Directors nor FJM hold shares in the Company.
2	An associate director of the Company or any subsidiaries.	Not applicable
3	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.	None
4	Any person who, by virtue of any agreement, has the right to nominate a person to the board of the Company.	None
5	Any person who, is interested in more than 10% or more of the securities of the Company of the relevant class less exempted by the committee.	Please, refer to page 78.

SHARE PRICE INFORMATION	US cents
TOTAL	
30 June 2016	20
30 June 2017	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

BORDER TIMBERS
A RIFT VALLEY COMPANY

2017 PROXY FORM

For use at the Annual General Meeting ("AGM") of Border Timbers Limited (under Final Judicial Management) which will be held at 09.00 hours 10 January 2018 in the Board Room at Northern Tobacco (Private) Limited complex, 4-12 Paisley Road, Southerton, Harare.

I/WE .... the undersigned, being entitled to .... votes, hereby appoint .... or failing him, the Chairman of the Meeting as my/ our proxy to vote for me / us and on my / our behalf at the above AGM of the Company and at any adjournment thereof on the resolutions set out in the Notice of the Meeting as indicated below and otherwise as he shall deem fit.

ORDINARY RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1 To receive , consider and adopt the audited financial statement for the year ended 30 June 2017, together with the reports of the Final Judicial Manager and Independent Auditor.			
2 **Independent Auditor's 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. Messrs Deloittee & Touche Chartered Accountants (Zimbabwe) being eligible, offer themselves for re-appointment.			

Full Name ---

Signature ---

Dated this ---

Notes:

(1) This proxy form should be lodged with the Secretary of the Company, to be received not later than 10.00am on Monday, 08 January 2018.

(2) 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 poll, vote in his stead. A proxy need not also be a member.

(3) Change of address:
Members are requested to advise the Transfer Secretaries, in writing of any change of address.

Company Secretary
M.B. Narotam.
4-12 Paisely Road
Southerton
Harare, Zimbabwe
P. O. Box ST629
SOUTHERTON
Harare, Zimbabwe

Transfer Secretaries
Corpserve Registrars (Private) Limited
2nd Floor ZB Centre
Cnr 1st and Kwame Nkrumah Avenue
Harare, Zimbabwe

BORDER TIMBERS
A RIFT VALLEY COMPANY

www.bordertimbers.com