BORDER
TIMBERS
A RIFT VALLEY COMPANY

ANNUAL REPORT | 2016

Contents

About Border Timbers

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 African Police Company ("BSAP Company") in 1924. The BSAP 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 listed on the Zimbabwe Stock Exchange is a subsidiary of the Rift Valley Corporation.

Divisions

The Company is comprised of three divisions: Forestry, Sawmilling and Pole Manufacturing and has five estates; Tilbury, Charter and Sawerombe are in the Chimanimani area to the south of Mutare town and Imbeza and Sheba estates are to the north in the Penhalonga area. Logs harvested by the Forestry Division are processed at the Company's two sawmills at 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").

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 ensure 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 of in a designated dump site.

Social responsibility

Border Timbers Limited employs in excess of 1200 workers on a full time basis. An additional 460 are employed by our harvesting 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 provide an education for employees' children as well as those of neighbouring communities.

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. Forestry Management Services had taken over plantations that were first established in the Imbeza area by the British South African Police Company (BSAP Co) in 1924. The BSAP 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 the current 47 886 hectares. Border 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;
- Adhering to the highest standard of ethics and acting with integrity all times;
- Honouring every commitment made regardless of the personal cost;
- Continually improving by reducing waste and optimizing value extraction, through constantly challenging and test all actions;
- Taking great care of the health and safety of all employees and the operating environment;
- Driving quality into everything that is done;
- Communicating honestly and relentlessly with all stakeholders;
- Creating a very strong team whilst recognizing individual efforts.

Shareholder's Calendar

As at 30 June 2016

Anticipated dates

FY16 Annual General Meeting - 14 December 2016

Interim reports

- 6 months to 31 December 2016 - March 2017
- 12 months to 30 June 2017 - September 2017

Annual Report published - October 2017

FY17 Annual General Meeting - November 2017

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

BORDER TIMBERS
A RIFT VALLEY COMPAN

Statutory Information

DIRECTORS**

E Hwenga *	(Chairman) ;
H B A J von Pezold^	(Deputy Chairman) ;
R W J Strong^	(Non-Executive Director) appointed 26 March 2014 ;
E Kuhn ●	(Managing Director) ;
W Mutizwa ●	(Finance Director) ;
D M Lapp^	(Non-Executive Director) ;
S Mattinson*	(Non-Executive Director) ;
E Mlambo*	(Non-Executive Director) ; and
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.

OPERATING COMMITTEE

D M Lapp	(Chairman)
E Kuhn	(Vice Chairman)
RWJ Strong	
W Mutizwa	
E Hwenga	
P West	
G Bottger	
L Ngoma	

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

BANKERS

MBCA Bank Limited
Ecobank Zimbabwe Limited
Stanbic Bank Limited
Steward Bank Limited
CBZ Bank Limited

SECRETARY M. B. Narotam

REGISTERED OFFICE 4-12 Paisley Road, Southerton
Harare, Zimbabwe

INDEPENDENT AUDITOR PricewaterhouseCoopers
Chartered Accountants
(Zimbabwe)

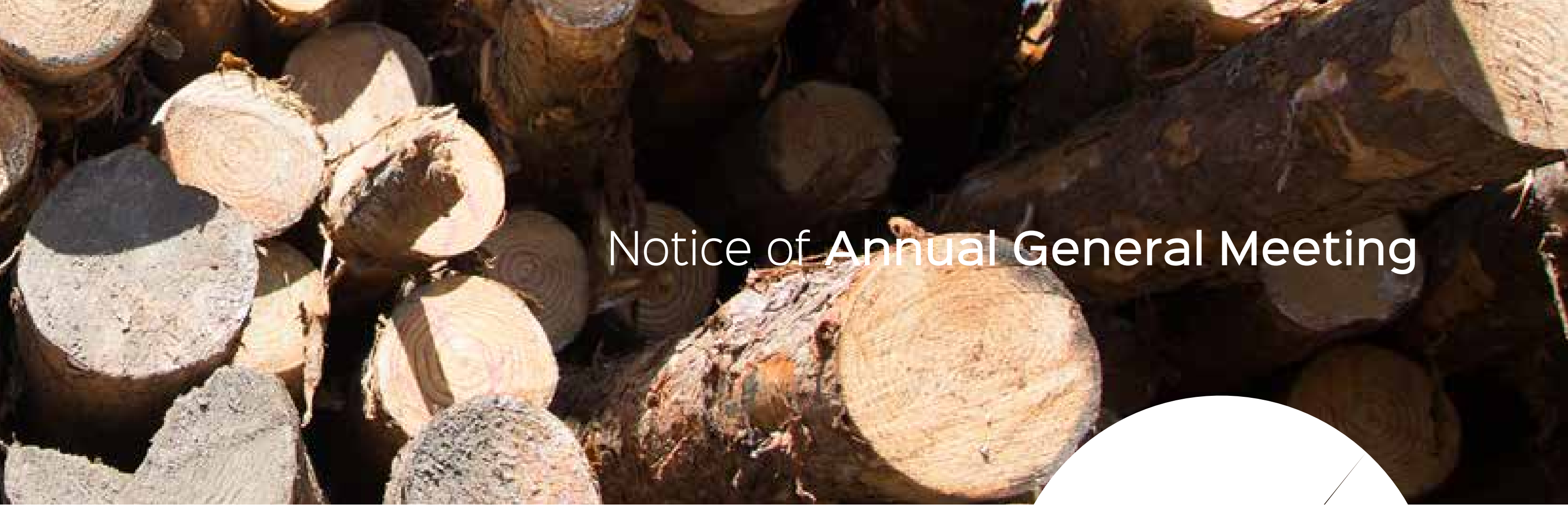
ATTORNEYS

Henning Lock Donagher and Winter
Honey and Blackenberg
Maunga and Maanda
Wintertons
Mhungu, Matutu, Kwirira and Magwaliba
Tandiri and Associates

POSTAL ADDRESS	P.O. Box ST 629, Southerton, Harare
PERIOD OF FINANCIAL STATEMENTS	Year ended 30 June 2016
DATE FINANCIAL STATEMENTS AUTHORISED FOR ISSUE	28 October 2016

Key

● *Executive Directors*
^ *Non-Executive Director*
* *Independent Non-Executive Director*
** *The Board was divested of its powers 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 (under Final Judicial Management) will be held at 09:00 am on Wednesday, 14 December 2016 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 RESOLUTIONS

1. Financial Statements

To receive, consider and adopt the audited financial statements for year ended 30 June 2016, together with 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 an Independent Auditor for the ensuing year.

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

3. Any Other Business

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

In accordance with the requirements of the Companies Act, 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 Company Secretary not less than forty-eight hours before the meeting.

By order of the FJM
M.B. Narotam
Company Secretary
Harare, Zimbabwe
8 November 2016

4-12 Paisley Road
Southerton, Harare,
Zimbabwe
P.O. Box ST 629
Southerton
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 10:00 am on Monday 12 December 2016.

Change of Address:

Members are requested to advise the Company Secretary in writing of any change of address.

Highlights of Our **Performance**

	2016 US$	2015 US$	2014 US$	2013 US$
Statement of Comprehensive Income				
Revenue from continuing and discontinued operations	26 136 447	17 806 549	18 840 003	24 122 232
Operating (loss)/profit	(30 723 568)	(3 207 491)	(8 676 898)	5 317 761
Net finance cost	(1 134 844)	(2 441 295)	(2 171 825)	(2 838 189)
(Loss)/profit before income tax from continuing and discontinued operations	(31 858 412)	(5 648 786)	(10 848 723)	2 479 572
(Loss)/profit for the year from continuing and discontinued operations	(24 309 641)	(4 270 744)	(9 312 536)	1 192 325
Statement of Financial Position				
Equity attributable to owners of the parent	70 064 904	94 374 545	98 645 289	107 957 825
Cash and cash equivalents	1 571 364	432 867	878 905	1 613 705
Borrowings	21 629 330	20 981 964	19 878 943	16 969 796
Statement of Cash Flows				
Net increase/(decrease) in cash and cash equivalents	3 179 378	(485 793)	740 579	(380 154)
Ordinary Share Performance				
Basic (loss)/earnings per Share (US$ cents)	(56.61)	(9.95)	(21.69)	2.78
Market price per share at 30 June (US$)	0.20	0.20	0.20	0.20
Shares in issue (number)	42 942 487	42 942 487	42 942 487	42 942 487
Other				
Operating (loss)/profit return on total assets	(26.02%)	(3.73%)	(5.57%)	3.25%
(Loss)/profit for the year return on shareholders equity	(34.70%)	(4.53%)	(9.44%)	1.10%
Net asset value per Share (US$)	1.63	2.20	2.30	2.51
Debt to Equity	30.87%	22.23%	20.15%	15.72%
Current ratio	1.76 : 1	0.42 : 1	0.58 : 1	0.73 : 1
Equity: total assets	57%	62%	63%	66%
Debt service coverage ratio	(2.89)	(0.19)	(0.52)	0.33
Borrowings/profit before income tax depreciation and amortisation	(0.72)	(5.78)	(2.34)	6.33
Interest cover	(27.07)	(1.31)	(4.15)	1.87
Number of employees	1 214	1 496	1 745	2 311
Value added per employee (US$)	22 939	13 673	11 351	13 037
Annual employment cost per employee (US$)	4 601	3 733	4 345	3 865

SHAREHOLDERS CALENDAR

FY16 Annual General Meeting - 14 December 2016

Anticipated Dates

Interim reports
- 6 months to 31 December 2016 - March 2017
- 12 months to 30 June 2017 - September 2017

Annual Report published - October 2017

FY17 Annual General Meeting - November 2017

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

Ecofriendly Nurturing

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.

Company Directors **Profiles**

The details of each Director are as follows:

E. Hwenga **CHAIRMAN*** **- age 49**	Appointed to the Board in August 2011. He is the Chairman of Border Timbers Limited and a Director of a number of other Zimbabwean companies.
H. B. A. J. von Pezold **DIRECTOR ^** **- age 44**	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. Mlambo **DIRECTOR *** **- age 57**	Appointed to the Board in June 2013. Currently serves as Company Chief Executive Officer of the Tetrad Holdings Limited (Under PJM) and is a director of a number of other Zimbabwean companies.

Key

- ● *Executive Directors*
- ^ *Non-Executive Director*
- * *Independent Non-Executive Director*
- ** *The Board was divested of its powers when the Company was placed under Judicial Management on 29 January 2015 .*

Company Directors **Profiles**

D. M. Lapp
DIRECTOR ^
- age 48

Appointed to the board in March 2014. Head of Forestry Platform in Rift Valley Holdings Limited with vast experience in the forestry industry gained in North and South America.

S. Mattinson
DIRECTOR*
-age 71

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.

R. W. J. Strong
DIRECTOR ^
-age 49

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

E. Kuhn
DIRECTOR •
- age 60

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.

W. Mutizwa
DIRECTOR •
-age 42

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.

M. Manga
DIRECTOR *
- age 55

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.

Key

● *Executive Directors*
^ *Non-Executive Director*
* *Independent Non-Executive Director*
** *The Board was divested of its powers when the Company was placed under Judicial Management on 29 January 2015.*

FJM's Responsibility for the Annual Financial Statement

The 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 ("IFRS"), and in a manner required by the Zimbabwe 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 was 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.

The financial statements set out on pages 25 to 76 were approved by the FJM on 28 October 2016 and are signed on its behalf by:

Peter L Bailey
Final Judicial Manager

Border Timbers Limited
KPMG Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

28 October 2016

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 2016, 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

28 October 2016

The Company has continued to focus on operational, marketing and other initiatives to turn around its financial performance. It is encouraging to report that there has been a noticeable improvement in both cash profit and cash generation for the year being reported.

The activities and results of 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 2016 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.

Results for the year

	2016 US$	2015 US$
Loss before income tax	(31 858 412)	(5 648 786)
Income tax credit	7 548 771	1 378 042
Loss for the year	(24 309 641)	(4 270 744)

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' emoluments for salaried Director paid during the year was US$375 202 (2015: US$442 987).

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 3(g) 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 re-appointment of Messrs PricewaterhouseCoopers 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 14 December 2016 in terms of the notice set out on page 5 of this annual report.

Peter L Bailey
Final Judicial Manager

Border Timbers Limited
KPMG Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

28 October 2016

Directors

The following are the members of the Board** of Directors which was divested of its powers 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;
W Mutizwa ●	Director	Appointed 1 August 2014;
HBAJ von Pezold ^	Director	Appointed 29 December 2003;
S Mattinson *	Director	Appointed 26 June 2013;
E Mlambo *	Director	Appointed 26 June 2013;
RWJ Strong ^	Director	Appointed 26 March 2014;
DM Lapp ^	Director	Appointed 26 March 2014; and,
M Manga*	Director	Appointed 25 September 2014.

Key

● *Executive Directors*

^ *Non-Executive Director*

* *Independent Non-Executive Director*

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

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 2016.

Appointment of Final Judicial Manager

Restructuring discussions with lenders were not fully finalized in H2FY16. In order to allow negotiations to advance smoothly the High Court of Zimbabwe decided to place the Company under Final Judicial Management. I was then appointed as a Final Judicial Manager on 2 May 2016. I am taking active efforts to put in place a Scheme of Arrangement, which if approved by all classes of creditor would enable the Company to be taken out of judicial management.

Update on priorities under Final Judicial Management

In the previous report to shareholders and creditors I had indicated three major objectives. A progress update on each objective is set out below.

Objective as at 30 June 2015	Progress to date
To monitor and encourage both existing and new turnaround strategies in order to maximize cash generation, return to the business to profitability, and settle outstanding obligations at the earliest opportunity	I am happy to report that the Company has been delivering strong positive cash flows on a monthly basis.
To attempt to source additional equity and/or loan funding on better terms than the penalty interest rates which were being charged on borrowings. I am pleased to report that there are positive indications both from local and foreign sources and it is hoped that some replacement funding will be obtained within the next few months.	Discussions with some potential investors did not progress as anticipated. With current shareholders commitment, my focus was then to ensure that the company generate positive cash flows. Efforts are underway to identify potential investors.
To facilitate a Scheme of Arrangement between the shareholders and bankers which would allow the company to be taken out of Judicial Management as soon as possible. Whilst no Scheme of Arrangement has yet been agreed to, there is a possibility that this will be achieved before the current extension to 13 January 2016 ends.	The proposed Scheme of Arrangement did not come to fruition. Local banks debt was taken over by Zimbabwe Asset Management Corporation ("ZAMCO"). The loan by ZAMCO carries a seven year repayment period at an affordable interest rate of 7%. Discussions between the remaining major lenders and shareholders are ongoing on the finalization of the Scheme of Arrangement.

I am pleased to report on the results of **Border Timbers Limited** (Under Final Judicial Management) for the year ended 30 June 2016.

Final Judicial
Manager's Statement Cont`d

My main objective at the moment is to come up with a Scheme of Arrangement that will see the Company coming out of Final Judicial Management and creditors being paid their pre-judicial management debt. I am also considering other options that would see creditors being paid even before the Scheme of Arrangement is in place.

Business Environment
The economic environment remains subdued with tight liquidity conditions affecting access to working capital funding.

Financial Highlights
The headline figures are as follows:

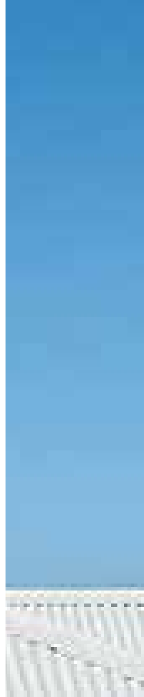
	FY2016 US$	FY2015 US$	Year–on-Year %
Revenue for the year	26 136 447	17 806 549	47
Net cash from operating activities	3 880 745	3 837 773	1
Capital expenditure	112 051	214 440	(48)
Plantation development	2 158 229	2 731 098	(21)
Finance cost	1 135 488	2 490 230	54
Net current assets/(liability)	8 131 971	(1 509 574)	639

Financial review
The Company continued to show strong potential on its turnaround program. During the year under review the Company generated positive cash flows almost on a monthly basis. The strong cash flow generation resulted in the Company generating sustainable working capital to reinvest in the business. Outsourcing strategy coupled with re-alignment of staffing levels is having a positive effect on the performance of the Company. The outsourcing strategy has resulted in almost 80% of the Company production costs being variablized.

Revenue up 47% from prior year comparative is reflecting the combined effect of increased volumes and change in distribution channels. Record production and sales levels on transmission poles were achieved buoyed by resilient demand in transmission pole business in the SADC Region. Pine products revenue was broadly steady with growth in the local and Botswana markets off-setting a slowdown in the Mozambican market and depreciating South African Rand.

A net biological asset write-down of US$16 126 133 was done during the year after a re-assessment of the plantation quality after the fire. The fire damage affected mainly mature trees. A total of US$10 547 123 was lost from the plantations due to fires. As part of the re-assessment process, a re-evaluation of the extent and impact of baboon damage, settler invasions and lower than expected yields was done. Plantation yields were slowed down by the years of poor rainfall patterns and lately induced by the El Niño dry weather conditions and poor stocking in young compartments.





Final Judicial
Manager's Statement Cont`d

Finance costs were down 54% due to the successful loan restructuring exercise which saw better priced and longer tenure loans being negotiated.

The net loss after tax was US$24 309 641 (FY15: US$4 270 744). Excluding the effects of the non-cash biological asset transformation adjustments and redemption, the net profit before tax would have been US$1 625 362 (FY15: Loss before tax US$4 786 361).
Cash and cash equivalents at the end of the period increased by US$3 179 378 up from a net overdraft position of US$1 608 014 in the prior year.

No new borrowings were made during year. However, most short term loans were restructured into long term debt at affordable interest rates through the takeover of local bank debt by Zimbabwe Asset Management Corporation ("ZAMCO"). Current ratio up 94%, improved from being negative net current liability to a net current asset position.

Forestry

Planting was done to a limited scale, in the main affected by short rainy season experienced due to El Nino induced weather conditions. Minimum commercial and non-commercial weeding was done. Total area thinned (including thinning to waste and productive thinning) was down 212%. Silviculture performance was affected in the main by working capital constraints as the Company resorted to sweating the working capital cycle without external support. Following the successful roll-out of harvesting outsourcing, I approved the decision to change the silviculture business model from an in-house function to an outsourced model in line with modern trends in forestry throughout the world. This change in model will see a more focused silviculture regime being implemented. This will enable the Company to build up its resource again through catch-up of silviculture activities. In addition, this change in model on silviculture has also removed the burden of high fixed cost on the Company's cost structure.

Continued loss of forests to fire, a major business threat, was 5 097 hectares. In an effort to abate the threat the Company further strengthened its plantation patrol team and upgraded its firefighting equipment with fire tenders, a move that culminated in reduction of fires. I extend my gratitude and appreciate the efforts and support given by community, the Ministry of Environment, Water and Climate and law enforcement agencies. All suspected cases of arson were reported and investigations are ongoing.

Sawmilling

Lumber production for the period was 13% up from prior year. Sawmill average uptime was more than 90% during the period under review. The Company continues to invest in phased kiln upgrades in order to improve grade outturn and product quality. All planned processing plant maintenance programs were done during the period. The Company's traditional markets remained insatiable for the Company's quality products.

Poles

Treated poles production up 59% and remains the Company's cash cow. A boon in regional demand for treated poles saw the Company clinching lucrative contracts that sustained cash generation of the business. 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. While record prices on transmission poles was achieved last year, the strengthening of the United States of America dollar ("US$") against major currencies has resulted in normally less aggressive regional competitors moving into the Company's markets. This will likely see pricing under considerable pressure in the coming financial year. The Company will look to reduce cost build up along the production chain to mitigate against any possible reduction in prices. 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.

Final Judicial
Manager's Statement Cont`d

Environment
Your Company continues to manage to international environmental standards and, under the auspices of the Timber Producers Federation, to develop local standards and guidelines. It is pleasing to note that BTL's environmental management continues to be of a high standard.

The Standards Association of Zimbabwe ("SAZ") is currently working on a program which will see the local pole treatment standard being harmonised with the South African standard. This will enhance competitiveness for your Company in the region and beyond.

Health and Safety
Border is committed to the highest standards of Health and Safety. The Disabling Injury Incident Rate ("DIFR") was within an acceptable target during the period under review. Regular periodic machine and final product inspections and certifications are done by the Standards Association of Zimbabwe ("SAZ"). The health and safety record was commendable with no major accident case recorded: thanks to management and staff for maintaining their focus on safety.

Outlook
Subdued economic conditions are expected to prevail. The demand for the Company's products remain strong in the region and beyond. New markets are being explored in West and Central Africa for transmission poles. Concerted efforts on product and market diversification are under way with a view to expand the Company's revenue base. Engagement with the remaining major lenders, creditors and shareholders on possible implementation of a Scheme of Arrangement are ongoing. Future updates will be provided at the appropriate time.

Dividend
Under these current circumstances, I have decided not to declare a dividend.

Appreciation
I would like to commend all management and staff, creditors, bank lenders, shareholders and the Master of High Court for their co-operation, patience and support as the company forges ahead on its turnaround strategy.

Peter L Bailey
Final Judicial Manager

Border Timbers Limited
KPMG Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

28 October 2016

Operational Report

Operational Report

OVERVIEW

Key Performance Indicators

	FY2016	FY2015	Year –on-Year (%)
Area planted (Hactares)	303	1 170	(74)
Round wood production (m3)	232 850	168 032	39
Sawn wood production (m3)	73 686	65 222	13
Number of employees (Each)	1 214	1 496	(19)

The Company has continued to focus on operational, marketing and other initiatives to turn around its financial performance. It is encouraging to report that there has been a noticeable improvement in both cash profit and cash generation for the year being reported.

Furthermore, the Company also persisted on its strategy of outsourcing with considerable success. Silviculture has now been outsourced along with harvesting and transport. The silviculture are working on catching up with silvicultural management through re-planting, thinning, weeding & pruning.

Demand for lumber remained strong throughout the year but the adverse exchange rate movements of the South African Rand and the Botswana Pula impacted on the average selling prices. The Zimbabwean market share however, remained at the level of previous years although the imports of product from South Africa played a role in exerting downward pressures on prices.

The treated pole business operated above capacity during the year on the back of secured lucrative orders from the region and beyond. This saw the Company build-up working capital which assisted the Company during a period in which no external support was received.

Staff rationalization, although painful as it results in loss of employment for the affected employees was started and completed during the year under review. The core business is now correctly staffed given the current level of operations. Over a two year period the wage bill has been reduced by over 50%, the savings will be felt in the medium to long term period.

FORESTRY AND SAWMILLING

Silviculture

Planting was done to a limited scale in the main affected by the short rain season experienced due to El Niño induced weather conditions. Minimum commercial and non-commercial weeding was done. Total area thinned (including thinning to waste and productive thinning) was down by 212%. Following the successful roll-out of harvesting outsourcing, the Judicial Manager made a decision to change the silviculture business model from an in-house function to an outsourced model in line with modern trends in forestry throughout the world.

The Company's major business threat remains loss of forests to fire. During the year the Company lost 5 097 hectares to fire. 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 containment 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

Round wood production was down 18% from last year. Harvesting operations performed to plan at 100%. Mill fibre supply to processing plants was maintained at above 90% during the period under review which assisted in keeping plant capacity utilization high and to reduce stock-out plant down time. All fibre supply to processing plants was from the Company's own plantations with no external log purchases.

Outsourcing of Haulage Operations

The haulage activities have been completely outsourced throughout all the operations. This has resulted in better reliability of equipment and deliveries to the saw mills.

Outsourcing of Harvesting Operations

Harvesting activities have been completely outsourced throughout the operations. The decision to outsource log transport and harvesting processes continues to have a substantial impact on the business through reliability in mill log supply, occasioning augmented mill plant operating capacity. Mill plant capacity utilization averaged 96% during FY16. In addition, the costs of the aforementioned processes have been variablized; fixed costs have been reduced and payment is based on volume.

Saw Milling:

Lumber production for the period was 13% up from prior year. Sawmill average uptime was more than 90% during the period under review. All planned processing plant maintenance programs were done during the period. Sawmill operating models have been realigned in line with the reduction in volume intake post fires. Effects of these changes will be felt in the coming year. Various initiatives as detailed below are ongoing.

New product – Eucalyptus saw timber

Eucalyptus ("Euc") milling had been halted in 2014 in order to focus on pine production efficiencies. Faced with reduction in volume of pine at Charter and its attended impact on profitability on the Company as a whole, a strategic decision was made to resume Euc lumber milling. During the last quarter plans were firmed up. Euc saw milling has been outsourced to a contractor and markets are being developed to sell the product. Indicative pricing shows that the Company will achieve a fair and profitable margin. The introduction of Euc albeit at a managed volume will aid the Company in maintaining profitability going forward. Volumes will be increased gradually in response to market demand.

Finger jointing

Concerted efforts on producing finger jointed products has had a positive impact on average selling price. A high value pick-up has been achieved on some product lines. As a result of finger jointing the Company was able to reduce products into the South African market, offering instead value-added product at a better selling price into Botswana market, at an improved margin.

Retailing Lumber

Retail outlet sales continues to improve, albeit at a slow pace due to prevailing liquidity challenges. Efforts are being made to identify low end and low value products that would suit current market needs. Increased marketing efforts underway are anticipated to have positive impact on sales.
The objective is to increase volume gradually as we introduce the product direct to the final consumer. The Company is considering expanding its distribution channel to enhance its market presence through taking the product to the final consumer.

Improved matching of production and market requirements

As a result of reduction in volumes due to fires experienced last year, the Company made a strategic move to start producing high valued products. The saw mills are now producing to market demand and for value. The Botswana market continues to be our largest market in terms of volume and margins and this will be further strengthened in FY17.

Treated transmission poles production up 59% on prior year largely driven by increased rural electrification programs in the region.

Operational Report Cont`d

Mozambique and Zambia are now developed markets albeit at a smaller volume.

Treated Poles:

Treated transmission poles production up 59% on prior year largely driven by increased rural electrification programs in the region. Pole treatment plant average capacity utilization was 100% during the period under review.

New products light poles and pulpwood logs

The Company is looking at ways to maximise log recovery on harvested poles. To this end, the Company is now producing in addition to transmission poles, light poles and pulp wood logs from harvested poles. Light poles production is for both local and export markets. Furthermore, an off-take agreement has been signed-off locally for sale of pulp logs. While improving log recovery this will also reduce the cost of land preparation for re-planting.

THE MARKET

Lumber

The actual lumber volume sold was 73 601m3 compared to 69 910m3 during the previous year, a 5% upsurge.
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 buttress the Company's position as the best and reliable supplier of excellent quality lumber.

Treated Poles

The actual sales volume of treated poles was 28 439m3 against 12 384m3 during the prior year. The Company has over the last year re-claimed its position as a reliable supplier of excellent quality treated poles. A number of pole tenders into the region and beyond were secured and the Company has performed well on customer satisfaction.

The Company's pole order book remains full for the next 12 months.

SAFETY, HEALTH, ENVIRONMENT

The company's safety metrics, such as Lost Work Day Rate, fell within acceptable norms.

All the Company clinics functioned well throughout the year. HIV Aids testing continued and anti-retroviral drugs are being dispensed and progress monitored.

The Company is compliant with all regulatory requirements and continues to monitor adherence. During the last waste, emissions controls and water quality audits conducted by the Environmental Management Agency ("EMA") all the Company's plants received Blue Status.

The Company won a number of certificates in the Environment and Occupational Health and Safety Audits conducted by the Timber Producers Federation during the month of June 2016. All the plants were awarded four and five star ratings.

CONCLUSION

Despite the country and regional challenges that the Company has been facing it remains committed to contributing to the economy and especially the thousands of people that directly and indirectly depend on it in the Manicaland province of Zimbabwe.

All efforts are being directed towards maintaining the Company at profitable levels and to re-establish a firm foundation for growth in the future. This effort is beginning to take hold, results over the last year have improved steadily, and we expect the positive trend to be sustained.

BTL Awards and Accolades

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

- Overall exporter of the year award;
- Exporter of the year award building and construction sector; and
- Sectoral award
  Occupational, safety and health silver award

  Border Timbers Limited – Charter Sawmill won this award in the Occupational Safety and Health Competition held during the period January to December 2015 and in which the Competitor's accident record was measured against the National Average Accident Frequency Rate and National Average injury Severity Rate of the particular industry concerned.

pwc

INDEPENDENT AUDITOR'S REPORT

to the shareholders of

BORDER TIMBERS LIMITED (Under Final Judicial Management)

We have audited the financial statements of Border Timbers Limited, which comprise the statement of financial position as at 30 June 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 25 to 76.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by Zimbabwe Companies Act (Chapter 24:03).

Emphasis of matter

We draw attention to note 3g to the financial statements, which indicates that the Company incurred a loss of US$24 309 641 for the year ended 30 June 2016. This indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare **28 October 2016**

Statement of **Financial Position**

As at 30 June 2016

	Note	30-June-2016 US$	Restated 30-June-2015 US$	Restated 1-July-2014 US$
ASSETS				
Non-current assets				
Property, plant and equipment	5	36 496 923	38 216 184	41 585 525
Biological assets	6	67 161 873	98 274 894	95 949 764
Total non-current assets		**103 658 796**	**136 491 078**	**137 535 289**
Current assets				
Biological assets	6	7 893 531	8 106 055	8 562 512
Inventories	7	3 071 550	2 924 569	4 693 497
Trade and other receivables	9	6 229 100	3 550 278	4 150 150
Cash and cash equivalents	10	1 571 364	432 867	878 905
Total current assets		**18 765 545**	**15 013 769**	**18 285 064**
TOTAL ASSETS		**122 424 341**	**151 504 847**	**155 820 353**
Equity				
Equity attributable to the owners of the parent				
Share capital	11	429 425	429 425	429 425
Non-distributable reserve	12	90 455 727	90 455 727	90 455 727
Revaluation reserve		2 004 551	2 004 551	2 131 461
(Accummulated losses)/retained profits		(22 824 799)	1 484 842	5 628 676
Total equity		**70 064 904**	**94 374 545**	**98 645 289**
Liabilities				
Non-current liabilities				
Borrowings	13	20 446 455	11 778 780	10 302 421
Deferred tax	14	21 279 408	28 828 179	30 206 221
Total non-current liabilities		**41 725 863**	**40 606 959**	**40 508 642**
Current liabilities				
Trade and other payables	15	9 450 699	7 320 159	6 896 371
Provisions	16	-	-	193 529
Bank overdrafts	13	-	2 040 881	2 001 126
Borrowings	13	1 182 875	7 162 303	7 575 396
Total current liabilities		**10 633 574**	**16 523 343**	**16 666 422**
Total liabilities		**52 359 437**	**57 130 302**	**57 175 064**
TOTAL EQUITY AND LIABILITIES		**122 424 341**	**151 504 847**	**155 820 353**

The notes on pages 29 to 76 are an integral part of these financial statements.

The financial statements were approved by the Final Judicial Manager on 29 September 2016.

Peter L Bailey
Final Judicial Manager

Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	30-June-2016 US$	30 June-2015 US$
Revenue		26 136 447	17 806 549
Cost of sales	19	(20 341 502)	(21 488 197)
Gross profit/(loss)		**5 794 945**	**(3 681 648)**
Other operating income	18	783 271	77 566
Fair value (loss)/gain due to biological assets	6	(16 126 133)	7 636 490
Plantation damage - fire loss	6	(10 547 123)	(392 860)
Selling and distribution expenses	19	(6 687 902)	(2 234 379)
Administration expenses	19	(3 620 785)	(3 271 830)
Other operating expenses	18	(319 841)	(1 340 830)
Operating loss		**(30 723 568)**	**(3 207 491)**
Finance income	21	644	48 935
Finance costs	21	(1 135 488)	(2 490 230)
Loss before income tax		**(31 858 412)**	**(5 648 786)**
Income tax credit	22	7 548 771	1 378 042
Loss for the year		**(24 309 641)**	**(4 270 744)**
Other comprehensive income for the year net of tax		**-**	**-**
Total comprehensive loss for the year		**(24 309 641)**	**(4 270 744)**
Loss for the year attributable to:			
-Owners of the parent		**(24 309 641)**	**(4 270 744)**
-Non-controlling interests		**-**	**-**
		(24 309 641)	**(4 270 744)**
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 (US$ cents per share)			
Basic loss per share (US$ cents)		**(56.61)**	**(9.95)**
Diluted loss per share (US$ cents)		**(56.61)**	**(9.95)**

The notes on pages 29 to 76 are an integral part of these financial statements.

Statement of Changes Equity

For the year ended 30 June 2016

	Share capital US$	Non-distributable reserves US$	Revaluation reserve US$	Retained earnings/ accumulated losses US$	Total US$
Year ended 30 June 2015					
Balance as at 1 July 2014	**429 425**	**90 455 727**	**2 131 461**	**5 628 676**	**98 645 289**
Comprehensive loss for the year	-	-	-	(4 270 744)	**(4 270 744)**
Transfer from revaluation reserve on disposed assets	-	-	(126 910)	126 910	**-**
Balance as at 30 June 2015	**429 425**	**90 455 727**	**2 004 551**	**1 484 842**	**94 374 545**
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**
Comprehensive loss for the year	-	-	-	(24 309 641)	**(24 309 641)**
Other comprehensive income	-	-	-	-	**-**
Balance as at 30 June 2016	**429 425**	**90 455 727**	**2 004 551**	**(22 824 799)**	**70 064 904**

The notes on pages 29 to 76 are an integral part of these financial statements.

Statement of **Cash Flows**

For the year ended 30 June 2016

	Note	30-June-2016 US$	30-June-2015 US$
Cash flow from operating activities			
Operating loss		**(30 723 568)**	**(3 207 491)**
Adjustment for:			
Depreciation	5	1 814 044	2 017 857
Fair value loss/(gain) on biological assets	6	16 126 133	(7 636 490)
Plantation redemption	6	6 810 518	8 106 055
Plantation damage - fire damage	6	10 547 123	392 860
Loss on disposal of property, plant and equipment	18.1	1 759	991 518
Bad debts written-off		5 593	107 961
Allowance for doubtful debts	9	(100 516)	(40 342)
Exchange losses	18	318 083	349 311
Reversal of inventory write-down	7	(65 287)	(334 604)
		4 733 882	**746 635**
Changes in working capital			
(Increase)/decrease in inventories		(81 694)	2 103 532
(Increase)/decrease in trade and other receivables		(2 901 982)	757 347
Increase in trade and other payables		2 130 539	230 259
Net cash generated from operating activities		**3 880 745**	**3 837 773**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(112 051)	(214 440)
Expenditure on biological assets	6	(2 158 229)	(2 731 098)
Proceeds from sale of property, plant and equipment and insurance claim received		15 510	-
Interest received	21	644	48 935
Net cash used in investing activities		**(2 254 126)**	**(2 896 603)**
Cash flows from financing activities			
Proceeds from/(repayments) of borrowings		2 049 383	(313 458)
Interest paid	21	(496 624)	(1 113 505)
Net cash generated/(used) from financing activities		**1 552 759**	**(1 426 963)**
Net increase/(decrease) in cash and cash equivalents		**3 179 378**	**(485 793)**
Cash and cash equivalents at the beginning of the year		**(1 608 014)**	**(1 122 221)**
Cash and cash equivalents at the end of the year	10	**1 571 364**	**(1 608 014)**

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 2016 were authorised for issue on 28 October 2016 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).

2.1.4 Changes in accounting policies and disclosures

a)New standards, amendments and interpretations effective for the first time for 30 June 2016 year ends.

There are no new standards, amendments and interpretations effective for the first time for 30 June year ends that are relevant to the Company.

(b) New standards, amendments and interpretations issued but not effective for 30 June 2016 year ends 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 2016 but are relevant to the Company;

Standard/Interpretation	Effective date	Executive Summary
Amendments to International Accounting Standard 1,'Presentation of financial statements' disclosure initiative.	1 January 2018	In December 2014 the International Accounting Standard Board ("IASB") issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

Standard/Interpretation	Effective date	Executive summary
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation.	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
IFRS 15 – 'Revenue from contracts with customers'	1 January 2018	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. 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.
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.
Amendment to IAS 7 – Cash flow statements	1 January 2017	In January 2016, the International Accounting Standards Board (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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

Standard/Interpretation	Effective date	Executive summary
IFRS 16 – Leases	1 January 2019	After ten years of joint drafting by the IASB and FASB they decided that lessees should 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 lessee 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 lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, 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. 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 IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
Amendments to IAS 27, 'Separate financial statements' on equity accounting.	January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

Standard/Interpretation	Effective date	Executive summary
Amendment to IFRS 15- Revenue from contracts with customers.	1 January 2018	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
Amendments to IFRS 2 - Classification and measurement of share-based payment transactions.	1 January 2018	The IASB issued an amendment to IFRS 2, 'Share-based Payment', addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled, share-based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes.The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
Amendments to IFRS 4 - Applying IFRS 9 Temporary exemption from Financial Instruments with IFRS 4 Insurance IFRS 9: Contracts.	1 January 2018 Overlay approach: when first apply IFRS 9	On 12 September 2016, the International Accounting Standards Board (IASB) published an amendment to IFRS 4, 'Insurance contracts'. This addresses the concerns of insurance companies about the different effective dates of IFRS 9, 'Financial instruments', and the forthcoming new insurance contracts standard. The amendment to IFRS 4 provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and the 'overlay approach'. Both approaches are optional. IFRS 4 (including the amendments that have now been issued) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

(c) New standards, amendments and interpretations issued but not effective for 30 June 2016 year ends that are not relevant to the Company

The following new standards, amendments and interpretations are not effective for accounting periods ending 30 June 2016 and are not relevant to the Company;

Standard/Interpretation	Effective date	Executive summary
IFRS 14 – 'Regulatory deferral accounts'	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants.	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant and included examples of non-bearer plants and removed current examples of bearer plants from IAS 41.
IFRS 9 – 'Financial Instruments' -Financial liabilities -Derecognition of financial instruments; -Financial assets	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been General hedge accounting relocated from IAS 39, 'Financial instruments: recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendments to IFRS 10, ' Consolidated Financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exception.	1 January 2016	The amendment clarify the application of the consolidation exception for investment entities and their subsidiaries.

General hedge accounting

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

Standard/Interpretation	Effective date	Executive summary
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets	Postponed	The postponement applies to changes introduced by the IASB in 2014 through (initially 1 narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS January 2016) 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
Amendment to IFRS 9 'Financial instruments', on general hedge accounting.	1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: ·Their own credit risk requirements for financial liabilities; ·Classification and measurement (C&M) requirements for financial assets; ·C&M requirements for financial assets and financial liabilities; and, ·The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

(d) Improvements to IFRS.

Annual improvements 2014, issued September 2014

In September 2014, the IASB issued annual improvements to IFRS 2012 - 2014 cycle, which contains five amendments to four standards, excluding inconsequential amendments. The amendments are effective for annual periods beginning on or after 1January 2016;

Standard/Interpretation	Effective date	Executive summary
Amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'	1 January 2016	This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
Amendment to IFRS 7 – 'Financial Instruments: Disclosures'	1 January 2016	Applicability of the offsetting disclosures to condensed interim financial statements. The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose '[...] an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.
Amendment to IFRS 7 – 'Financial Instruments: Disclosures'	1 January 2016	Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
Amendment to IAS 19 – 'Employee Benefits'	January 2016	Discount rate: regional market issue - The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

2.1.4 Changes in accounting policies and disclosures (continued)

Standard/Interpretation	Effective date	Executive summary
Amendment to IAS 34 – 'Interim Financial Reporting'	1 January 2016	Disclosure of information 'elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

There are no other standards, amendments and interpretations that are not yet effective that are likely to have a material impact on the Company.

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 comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating expenses`

2.4 Property, plant and equipment

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

Property, plant and equipment are shown at fair value except capital work in progress, based on periodic valuations by independent professional valuers less subsequent accumulated depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset ,and the net amount is restated to the revalued amount of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

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. Decreases that offset previous increases of the same asset are charged against the revaluation reserve through other comprehensive income, all other decreases are charged to the statement of comprehensive income.

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.

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

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2.5 Biological assets

Plantations are stated at fair value less estimated cost to sell at the harvesting stage. All plantings below 6 years for pine and 4 years for eucalyptus are stated at development cost and approximates fair value. The age threshold used for quantifying immature timber is dependent on the rotation period of the specific timber genus. Softwood ("pine") less than 6 years and hardwood ("eucalyptus") less than 4 years is 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 comprehensive income in accordance with IAS 41, 'Agriculture'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Biological assets (continued)

Biological assets do not include land. Transfers to inventory are recognized 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 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets

at the lowest levels for which there are separately identifiable cash flows ('cash-generating units'). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial 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 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 amortised cost and to allocate and recognise interest in profit and loss.

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.

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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Inventories

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

The values of obsolete and slow moving stocks are reduced, where necessary, to estimated net realisable values. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs of completion and estimated selling expenses.

2.10 Trade 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.

2.11 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.

2.12 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.

2.13 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 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.

2.14 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 comprehnsive 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Current income and deferred tax (continued)

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.

2.15 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.

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

The Company and all its employees contribute to the National Social Security Pension Fund in terms of the National Social Security Act (Chapter 17:04) of which the contributions are determined by the systematic recognition of legislated 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 at the earlier of the following dates: (a) when the entity recognises costs for a restructuring that is within the scope of IAS 37, (Provisions, Contingent Liabilities and Contingent Assets) and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discontinued to their present value.

Bonus plans

The Company recognises a liability and an expense for bonuses based on the monthly wage bill the assumption being that a 13th cheque will be paid to employees at the end of December depending on the Company's performance and cash flow considerations. However, no provision was recognised at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 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.

2.17 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

2.18 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.

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.

2.19 Leases

Finance leases

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

Each lease receipt is allocated between the receivable and finance income. The corresponding rental receivable, including finance income, are included in receivables. The interest element of the finance income is credited to the statement of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 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.

2.21 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.

b) Valuation of property, plant and equipment
In line with the Company policy, property, plant and equipment are revalued periodically. On 30 June 2010 an independent valuation was done on all property, plant and equipment. As at 30 June 2016, the FJM reviewed the carrying values of property, plant and equipment and in their view, there is no significant change in the fair value as at 30 June 2016.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The FJM performed a detailed assessment of the fair value of property, plant and equipment as at 30 June 2016. For land and buildings, for motor vehicles and tractors, furniture and fittings, plant and machinery, fair value was determined by reference to prices in an active market or recent market transactions on arms length terms. A physical inspection of property, plant and equipment was carried out by the Regional Engineering Managers with the assistance of senior divisional managers to assess the condition of property, plant and equipment. A review as at 30 June 2016 showed that there was no significant changes in fair value.

The Company tests whether property, plant and equipment has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered, in accordance with the accounting policy note 2.6 to the financial statements. The recoverable amounts of property, plant and equipment have been determined with reference to fair value less cost to sell using the methods described above.

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 (pine less than 6 years 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;

c) Valuation of biological assets

- 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)/profit income 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.

Notes to the Financial Statements Cont`d

For the year ended 30 June 2016

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 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. 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 2016, the Company incurred a net loss of US$24 309 641 (2015:US$4 270 744) for the year ended 30 June 2016.

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 a re-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 2016

4 SEGMENT INFORMATION

	Forestry US$	Manufacturing US$	Total US$
Year ended 30 June 2016			
Statement of comprehensive income			
Total segment revenue	13 965 877	12 170 570	26 136 447
Inter segment revenue	-	-	-
Revenue from external customers	**13 965 877**	**12 170 570**	**26 136 447**
Operating loss	(32 313 047)	1 589 479	(30 723 568)
Interest expense	(1 135 488)	-	(1 135 488)
Interest income	644	-	644
(Loss)/profit before income tax	**(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	**44 573 742**	**7 785 695**	**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
Year ended 30 June 2015			
Statement of comprehensive income			
Total segment revenue	14 217 114	3 589 435	17 806 549
Inter segment revenue	-	-	-
Revenue from external customers	**14 217 114**	**3 589 435**	**17 806 549**
Operating loss	(1 531 076)	(1 676 415)	(3 207 491)
Interest expense	(2 474 497)	(15 733)	(2 490 230)
Interest income	48 935	-	48 935
Loss before income tax	**(3 956 638)**	**(1 692 148)**	**(5 648 786)**
Statement of financial position			
Total assets	**142 608 894**	**8 895 953**	**151 504 847**
Total liabilities	**50 162 756**	**6 967 546**	**57 130 302**
Other Information			
Capital expenditure on property, plant and equipment	214 440	-	214 440
Capital expenditure on biological assets	2 731 098	-	2 731 098
Depreciation	1 527 836	470 021	2 017 857
Employee numbers	1 459	37	1 496

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.

4 SEGMENT INFORMATION (continued)

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: harvesting, treatment and supply of pole products to the agricultural and electrification industry.

The Final Judicial Manager assesses the performance of the operating segments based on a measure of profit before interest and tax. All operating segments operate in Zimbabwe and segment sales present sales to third parties and intersegment sales.

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

Country	30-June-2016 US$	30-June-2015 US$
Botswana	6 269 534	5 688 423
South Africa	2 930 429	2 862 507
Zambia	11 583 385	2 191 367
Other	35 898	468 955
Total revenue from external customers	20 819 246	11 211 252

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 tractors US$	Furniture and fittings US$	Plant and machinery US$	Capital work-in progress US$	Total US$
Year ended 30 June 2015						
Opening net book amount	**32 430 434**	**4 921 746**	**64 444**	**4 150 501**	**18 400**	**41 585 525**
Additions	-	36 000	6 902	-	171 538	**214 440**
Transfers to/(from)	-	5 509	105 788	(111 297)	-	**-**
capital work-in-progress	-	-	-	-	-	**-**
Disposals	-	(1 564 722)	(1 202)	-	-	**(1 565 924)**
Depreciation charge	(705 270)	(770 566)	(101 283)	(440 738)	-	**(2 017 857)**
Closing net book amount	**31 725 164**	**2 627 967**	**74 649**	**3 598 466**	**189 938**	**38 216 184**
As at 30 June 2015						
Cost or valuation	**36 041 259**	**5 517 130**	**539 273**	**6 381 331**	**189 938**	**48 668 931**
Accumulated depreciation	(4 316 095)	(2 889 163)	(464 624)	(2 782 865)	-	**(10 452 747)**
Net book amount	**31 725 164**	**2 627 967**	**74 649**	**3 598 466**	**189 938**	**38 216 184**
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)	-	92 603	194	61 223	(154 020)	**-**
capital work-in-progress	-	-	-	-	-	**-**
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**

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation
In line with Company policy, property, plant and equipment items are revalued periodically. As at 30 June 2016, FJM reviewed the carrying values of property, plant and equipment and there was no significant changes in fair value (refer to note 3b).

Depreciation recognised in the Statement of Comprehensive Income
Depreciation expense of US$1 605 389 (2015: US$1 766 200) has been charged in 'cost of sales ' and US$208 655 (2015: US$251 657) 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 US$	Motor vehicles and tractors US$	Furniture and fittings US$	Plant and machinery US$	Capital work-in progress US$	Total US$
As at 30 June 2015						
Cost or valuation	34 225 154	6 452 219	485 499	5 145 710	189 938	46 498 520
Accumulated depreciation	(4 067 608)	(3 884 832)	(427 009)	(1 804 248)	-	(10 183 697)
Net book amount	**30 157 546**	**2 567 387**	**58 490**	**3 341 462**	**189 938**	**36 314 823**
As at 30 June 2016						
Cost or valuation	34 308 708	6 532 638	537 998	5 138 818	44 368	46 562 530
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**	**44 368**	**34 595 562**

The Company has pledged land with a carrying amount of US$1 453 776 (2015: Nil) and buildings with a carrying amount of US$4 153 106 (2015: Nil) as security for the Zimbabwe Asset Management Corporation ("ZAMCO") long term loan amounting to US$6 728 577 (refer to note 13).

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 2016 using		
	Quoted prices in active markets for identical assets (level 1) US$	Significant other observable inputs (level 2) US$	Significant unobservable inputs (level 3) 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**

	Fair value measurements as at 30 June 2015 using		
	Quoted prices in active markets for identical assets (level 1) US$	Significant other observable inputs (level 2) US$	Significant unobservable inputs (level 3) US$
Recurring fair value measurements			
Property, plant and equipment			
-Land ,roads and bridges	-	-	14 870 406
-Buildings	-	-	16 854 758
-Motor vehicles	-	-	2 627 967
-Furniture and Fittings	-	-	74 649
-Plant and Machinery	-	-	3 598 466
Total	**-**	**-**	**38 026 246**

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 2016

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurements using significant unobservable inputs (level 3)

	Land and buildings US$	Motor vehicles and tractors US$	Furniture and fittings US$	Plant and machinery US$	Total US$
Opening balance	**31 725 164**	**2 627 967**	**74 649**	**3 598 466**	**38 026 246**
Additions	-	15 575	51 185	36 839	**103 599**
Transfers to/(from)	-	92 603	194	61 223	**154 020**
Disposals	-	(17 268)	-	-	**(17 268)**
Depreciation recognised in the statement of comprehnsive income	(711 107)	(561 656)	(101 202)	(440 079)	**(1 814 044)**
Closing balance	31 014 057	2 157 221	24 826	3 256 449	36 452 553

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

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	16 143 652	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				

5 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Description	Fair Value at 30 June 2015	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	16 854 758	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	2 627 967	Comparison prices	Unit cost	N/A	The better the age and vehicle condition the higher the fair value.
-Furniture and Fittings	74 649	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	3 598 466	Comparison prices	Unit cost	N/A	The better the age and condition of the plant and machinery the higher the fair value.
Total	**38 026 246**				

6 BIOLOGICAL ASSETS

	30-June-2016 US$	30-June-2015 US$
As at 1 July	**106 380 949**	**104 512 276**
Expenditure for the year (see note 19)	2 158 229	2 731 098
Fair value gain due to biological transformation	(16 126 133)	7 636 490
	92 413 045	**114 879 864**
Deduct:	**(17 357 641)**	**(8 498 915)**
Destroyed by fire/cyclone	(10 547 123)	(392 860)
Transfers of harvested timber to inventory	(6 810 518)	(8 106 055)
As at 30 June	**75 055 404**	**106 380 949**
Classification on the statement of financial position		
Classified as non-current asset	67 161 873	98 274 894
Classified as current asset*	7 893 531	8 106 055
As at 30 June	**75 055 404**	**106 380 949**

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

Change in presentation of biological assets
The Company changed its presentation of biological assets from non-current asset presentation to both non-current asset and current assets. Current consummable biological asset represents the portion of the biological asset which is forecast to be harvested in the next 12 months. This change in presentation will result in a fairer presentation of what is expected to be harvest after 12 months and within 12 months. Furthermore, it is a move towards industry practice.

	30-June-2015 US$	1-July-2014 US$
Non-current assets		
As previously stated	106 380 949	104 512 276
Restated amount	98 274 894	95 949 764
Decrease in biological assets	(8 106 055)	(8 562 512)
Current assets		
Biological asset	8 106 055	8 562 512
Change in total biological assets	-	-

The change is of a qualitative nature which neither affects recognised amounts nor their measurement.

6 BIOLOGICAL ASSETS (CONTINUED)

Comprising of standing timber at fair value less costs to sell	2016 Hectares	2016 US$	2015 Hectares	2015 US$
Age				
1- 6 years	5 198	2 586 589	6 756	3 546 623
7-12 years	4 140	9 804 208	4 572	13 701 651
13-18 years	4 335	23 799 450	4 816	37 955 981
19-24 years	3 238	25 445 962	3 646	36 918 039
25-30 years	390	3 843 859	477	5 172 750
Over 30 years	869	9 575 336	576	9 085 905
	18 170	**75 055 404**	**20 843**	**106 380 949**

Valuation of plantations

FJM's valuation was carried out as at 30 June 2016. All trees below six 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 asset 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 was carried out in the current year, was used to determine the volume of standing timber as at 30 June 2016. In arriving at the estimated fair values, the FJM has used market knowledge, professional judgment and historical data.

Write-down on Biological asset

During the year under review the Company lost many hactares of forest to fires, valued at 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 write down of US$16 126 133 was recognised in the financial statements.

The volume of standing timber as at 30 June 2016 amounts to 2 729 563 m3 (2015: 3 972 707 m3).

The table below presents the sensitivity of the value of the biological assets due to change in assumptions. The sensitivities presented show favourable movement, if the sensitivity variables are unfavourable, the negative impact on biological assets value would be of a similar magnitude, *ceteris paribus*:

Effect of 5% movement in the mean annual increment:

	30-June-2016 US$	30-June-2015 US$
Increase in volume (cubic meters)	136 478	198 635
Increase in biological asset (US$)	3 752 772	5 319 047

6 BIOLOGICAL ASSETS (continued)

The following table represents the Company's biological assets that are measured at fair value at 30 June 2016.

	Fair value as at 30 June 2016 measurements using		
	Quoted prices in active markets for identical assets (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**

The following table represents the company's biological assets that are measured at fair value at 30 June 2015.

	Fair value as at 30 June 2015 measurements using		
	Quoted prices in active markets for identical assets (level 1) US$	Significant other observable inputs (level 2) US$	Significant unobservable inputs (level 3) US$
Age			
1- 6 years	-	-	3 546 623
7-12 years	-	-	13 701 651
13-18 years	-	-	37 955 981
19-24 years	-	-	36 918 039
25-30 years	-	-	5 172 750
Over 30 years	-	-	9 085 905
Total	**-**	**-**	**106 380 949**

6 BIOLOGICAL ASSETS (continued)

The following table represents the company's biologocial assets that are measured at fair value as at 30 June 2016.

Description	Fair value as at 30 June 2016	Unobservable input	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)	39 040 259	Mean annual increment	(11-13)m3/ha/year	The higher the price per cubic metre and mean annual incre-ment the higher the fair value.
		Price per cubic meter	US$25-US$27	
Euc (1- 4 years)	208 774	Cost per hectare	US$119 -US$176	The higher the cost per hectare the higher the fair value.
Euc (4+ years)	33 746 476	Mean annual incre-ment	(18-20)m3/ha/year	The higher the price per cubic metre and mean annual incre-ment the higher the fair value.
		Price per cubic meter	US$19-US$27	
Total	**75 055 404**			

7 INVENTORIES

	30-June-2016 US$	30-June-2015 US$
Raw materials	354 457	337 521
Work-in progress	604 400	493 393
Finished goods	1 322 110	1 233 675
Consumables	790 583	859 980
	3 071 550	**2 924 569**

The cost of inventories recognised as an expense and included in the 'cost of sales' amounted to US$8 521 557 (2015: US$10 754 965).

Reversal of previously written down inventories was US$65 287 (2015: US$334 064). Inventory write-down reversal is included in 'cost of sales' in the statement of comprehensive income.

No inventory was pledged as security during the year, (2015: Nill)

8 FINANCIAL INSTRUMENTS BY CATEGORY

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

	30-June-2016 US$	30-June-2015 US$
Assets per statement of financial position		
Loans and receivables:		
Trade and other receivables (excluding prepayments)	6 171 485	3 481 470
Cash and cash equivalents	1 571 124	432 867
	7 742 609	**3 914 337**
Other financial liabilities at amortised cost		
Liabilities per statement of financial position		
Trade and other payables (excluding statutory liabilities)	7 282 629	5 596 467
Borrowings (current and non-current)	21 629 096	20 981 964
	28 911 725	**26 578 431**

9 TRADE AND OTHER RECEIVABLES

	30-June-2016 US$	30-June-2015 US$
Trade receivables from external parties	5 336 116	2 006 075
Trade receivables from related parties (see note 17(b))	35 975	469 593
Less: allowance for impairment on trade receivables	(295 872)	(396 388)
Trade receivables - net	**5 076 219**	**2 079 280**
Prepayments	57 615	68 808
Loans to employees	11 171	62 308
Receivables from disposal of equipment to contractors	452 269	767 062
Net investment in finance leases receivable (see note 9.1)	234 193	276 177
Other receivables	397 633	296 643
	1 152 881	1 470 998
	6 229 100	**3 550 278**

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

Movement in the allowance for impairment of trade receivables was as follows:

	30-June-2016 US$	30-June-2015 US$
As at 1 July	**396 388**	**436 730**
Decrease in allowance for receivables impairment	(100 516)	(40 342)
As at 30 June	**295 872**	**396 388**

9 TRADE AND OTHER RECEIVABLES (continued)

Other receivables include non trade debtors mainly transporters fuel issues and deposits.

Loans to employees relate to housing, education, medical and are payable over varying periods not exceeding 12 months and carry standard rate of interest at 17.5% p.a (2015:17.5% p.a).

The analysis of net trade receivables is as follows:

	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 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
Total	**5 076 219**	**1 190 227**	**1 098 210**	**671 572**	**2 116 210**
As at 30 June 2015					
Trade receivables from external parties	1 796 650	603 072	490 929	258 037	444 612
Trade receivables from related parties	282 630	105 381	91 924	42 344	42 981
Total	**2 079 280**	**708 453**	**582 853**	**300 381**	**487 593**

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$295 872 (2015: US$396 388). 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.

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

9 TRADE AND OTHER RECEIVABLES (CONTINED)

	30-June-2016 US$	30-June-2015 US$
United States of America Dollar ("US$")	5 362 835	2 561 122
South African Rand ("ZAR")	473 891	483 026
Botswana Pula ("BWP")	392 374	506 130
Trade receivables	**6 229 100**	**3 550 278**
Counterparties without external credit rating		
Company 1	3 703 955	33 107
Company 2	1 920 525	3 136 314
Company 3	604 620	380 857
	6 229 100	**3 550 278**

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); and
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.

	30-June-2016 US$	30-June-2015 US$
Non-current receivables		
Finance lease-gross receivable	252 000	322 000
Unearned finance	(66 839)	(95 979)
	185 161	**226 021**
Current receivables		
Finance lease-gross receivable	84 000	94 000
Unearned finance income	(34 968)	(43 844)
	49 032	**50 156**
Gross receivables from finance leases:		
-No later than one year	84 000	94 000
-Later than one year and no later than 5 years	216 000	250 000
-Later than 5 years	36 000	72 000
	336 000	416 000
Unearned future finance income on finance leases	(101 807)	(139 823)
Net investment in finance leases	**234 193**	**276 177**
The net investment in finance leases may be analysed as follows:		
-No later than one year	49 032	50 156
-Later than one year and no later than 5 years	153 073	164 582
-Later than 5 years	32 088	61 439
	234 193	**276 177**

10 CASH AND CASH EQUIVALENTS

	30-June-2016 US$	30-June-2015 US$
Cash and bank balances (excluding bank overdrafts)	**1 571 364**	**432 867**
Cash and cash equivalents include the following for the purpose of the statement of cash flows:		
Cash and bank balances	1 571 124	432 867
Bank overdrafts (see note 13)	240	(2 040 881)
Cash and cash equivalents per statement of cash flows	**1 571 364**	**(1 608 014)**
Cash on hand and at bank are denominated in the following currencies:		
United States of America dollar ("US$")	1 462 357	344 224
South African Rand ("ZAR")	29 144	16 869
Botswana Pula ("BWP")	79 863	71 774
	1 571 364	**432 867**

11 SHARE CAPITAL

	30-June-2016 US$	30-June-2015 US$
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.

Issued and fully paid	Number of shares Each	Ordinary shares US$	Total US$
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
Year ended 30 June 2015			
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.

12 OTHER RESERVES

12.1 Non-distributable Reserve

	30-June-2016 US$	30-June-2015 US$
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

	30-June-2016 US$	30-June-2015 US$
Balance as at 30 June	2 004 551	2 004 551

The revaluation relates to revaluation of property, plant and equipment in terms of the Company's policies.

13 BORROWINGS

	30-June-2016 US$	30-June-2015 US$
Non-current borrowings		
Bank loans borrowings		
Deutshe Investitions - und Entwicklungsgesellschaft mbH ("DEG")	6 125 000	6 125 000
Zimbabwe Asset Management Corporation ("ZAMCO")	6 193 272	-
Total non-current bank borrowings	**12 318 272**	**6 125 000**
Related party borrowings		
Rift Valley Services Zimbabwe (Private) Limited	6 865 218	4 276 656
Rift Valley Corporation Limited	975 000	1 050 855
Forrester Estates (Private) Limited	287 965	326 269
Total related party borrowings	**8 128 183**	**5 653 780**
Total non-current borrowings	**20 446 455**	**11 778 780**
Current borrowings		
Bank borrowings		
FBC Bank Limited	-	5 104 613
Infrastructure Development Bank of Zimbabwe ("IDBZ")	-	339 763
NMB Bank Limited	-	1 143 048
Ecobank Zimbabwe Limited	604 652	531 633
Zimbabwe Asset Management Company (Private) Limited ("ZAMCO")	535 305	-
Deutshe Investitions - und Entwicklungsgesellschaft mbH ("DEG")	42 918	43 246
Total current borrowings	**1 182 875**	**7 162 303**
Total borrowings	**21 629 330**	**18 941 083**
Bank overdrafts		
MBCA Bank Limited	-	2 037 382
Infrastructure Development Bank of Zimbabwe ("IDBZ") Limited	-	3 499
Total Bank Overdrafts	**-**	**2 040 881**
Total borrowings	**21 629 330**	**20 981 964**

• The DEG loan bears interest of Libor plus 2.5%. DEG amended the loan agreement 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 loans are payable on demand after the Company has settled all amounts due to DEG.

• During the year under review Rift Valley Services (Private) Limited, the Company's major shareholder took over the MBCA Loan of US$2 000 000.00. The sharehoder loan now accrues interest at 7.79% per annum.

13 BORROWINGS (continued)

- A successful loan restructuring exercise resulted in Zimbabwe Asset Management Company ("ZAMCO") acquiring loans form three financial institutions as follows with effect from 1 November 2015
  - NMB Bank Limited loan anmount of US$1 177 383;
  - FBC Bank Limited loan amount of US$5 114 153; and,
  - Infrastructural Development Bank of Zimbabwe loans outstanding amount of US$375 383.
- A re-financed ZAMCO facility of US$6 666 919 which carries an interest rate of 7% per annum expires on 31 October 2023. ZAMCO took over loan plus interest of the three banks mentioned above as a new loan at reduced interest rates. The loan is secured as follows:
  i) land with a carrying amount US$1 453 776 and buildings with a carrying amount of US$4 153 105 as at 30 June 2016;
  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.
- Loan repayment will be done in quarterly instalments commencing the quarter ending 31 October 2016.
- The other current bank borrowings have maturity periods ranging from 30 to 90 days and bear interest rates ranging from 11% to 22%. The loans are unsecured.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2016 US$	2015 US$	2016 US$	2015 US$
Non-current borrowings	**20 446 455**	**11 778 780**	**15 707 432**	**10 253 212**

Fair value is calculated based on the present value of future principal and interest cash flows, discounted by the relevant market rates for borrowing facilities of similar nature and tenor. The fair value measurements are within Level 3 of the fair value hierarchy.

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.

	30-June-2016 US$	30-June-2015 US$
Shareholders equity	**70 064 904**	**94 374 545**
Maximum borrowing limit;		
50% of shareholders equity	35 032 452	47 187 273
Borrowings as at year end	(21 629 336)	(18 941 083)
Unutilised borrowing capacity	**13 403 116**	**28 246 190**

14 DEFERRED INCOME TAX

	30-June-2016 US$	30-June-2015 US$
The analysis of deferred tax assets and deferred tax liabilities is as follows		
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	(4 134 280)	(5 035 759)
- Deferred tax assets to be recovered within 12 months	(36 646)	(54 204)
	(4 170 926)	**(5 089 963)**
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	25 435 497	33 900 397
- Deferred tax liabilities to be recovered within 12 months	14 837	17 745
	25 450 334	**33 918 142**
Deferred tax liability (net)	**21 279 408**	**28 828 179**
The gross movement on the deferred tax account is as follows:		
At 1 July	28 828 179	30 206 221
Credit to statement of comprehensive income	(7 548 771)	(1 378 042)
At 30 June	**21 279 408**	**28 828 179**
The deferred tax account comprises the following:		
Accelerated depreciation for tax purposes	6 226 650	6 635 609
Biological assets	19 326 767	27 393 094
Prepayments	14 836	17 744
Unrealised exchange gains	(36 646)	(54 204)
Assessed tax losses	(4 134 280)	(5 035 759)
Other temporary differences	(117 919)	(128 305)
	21 279 408	**28 828 179**
The deferred tax (credit)/charge to the statement of comprehensive income comprises of the following:		
Accelerated depreciation for tax purposes	(408 959)	(707 572)
Biological assets	(8 066 327)	481 183
Prepayments	(2 882)	7 436
Unrealised exchange gains	17 558	(49 024)
Assessed tax losses	901 479	(1 135 172)
Other temporary differences	10 360	25 107
	(7 548 771)	**(1 378 042)**

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 2019 have been used to estimate future taxable profits.

The Company recognised deferred tax assets of US$4 134 280 (2015: US$5 035 759) in respect of tax losses amounting to US$16 055 455 (2015: US$19 556 344). The assessed losses expire between 30 June 2017 and 30 June 2022.

15 TRADE AND OTHER PAYABLES

	30-June-2016 US$	30-June-2015 US$
Trade payables	3 105 105	1 171 992
Accruals	2 636 575	3 004 155
Payable to related parties (see note 17)	830 029	1 420 320
Statutory liabilities	2 168 070	1 723 692
	9 450 699	**7 320 159**

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$394 351 (2015: US$327 042) and employee pensions US$1 773 719 (2015:US$1 396 650).

15 .1 Analysis of trade and other creditors currency exposure

	30-June-2016 US$	30-June-2015 US$
Creditors class		
Trade creditors		
United States of America Dollar ("US$")	3 105 105	1 171 992
South African Rand ("ZAR")	734 832	-
Botswana Pula ("BWP")	-	-
	3 839 937	**1 171 992**
Other creditors		
United States of America Dollar ("US$")	3 442 692	4 424 475
South African Rand ("ZAR")	-	-
Botswana Pula ("BWP")	-	-
	3 442 692	**4 424 475**

15.2 Analysis of total trade and other creditors per currency

	30-June-2016 US$	30-June-2015 US$
United States of America Dollar ("US$")	6 547 797	5 596 467
South African Rand ("ZAR")	734 832	-
Botswana Pula ("BWP")	-	-
Total trade and other creditors excluding statutory liabilities	**7 282 629**	**5 596 467**
Statutory liabilities	**2 168 070**	**1 723 692**
Total trade and other creditors	**9 450 699**	**7 320 159**

	30-June-2016 US$	30-June-2015 US$
16 PROVISIONS		
As at 1 July	**-**	**193 529**
Additional provision	-	192 502
Unutilized amounts reversed	-	(386 031)
As at 30 June	**-**	**-**

The provision is in respect of annual bonus.

17 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.

a) Transactions	Nature of Relationship	30-June-2016 US$	30-June-2015 US$
i) Sales of goods			
- Timberbay Services (Proprietary) Limited	Common directorship	-	400 058
- Timber Products International (Private) Limited	Former Subsidiary	-	535 435
- United Builders Merchants (Private) Limited	Common directorship	413 740	299 291
- Northern Tobacco (Private) Limited	Fellow subsidiary	46 756	258 287
		460 496	1 493 071

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

17 RELATED PARTY DISCLOSURES (continued)

		30-June-2016 US$	30-June-2015 US$
ii) Purchases of goods and services			
- Timberbay Services (Proprietary) Limited	Common directorship	-	**1 219 272**
iii) Management fees charged			
- Rift Valley Services (Private) Limited	Fellow subsidiary	**-**	**241 744**

The management fees are paid to Rift Valley (Private) Limited for administration and corporate services. The fees are charged as 1.5% of budgeted turnover.

		30-June-2016 US$	30-June-2015 US$
v) Interest charged			
- Rift Valley Holdings (Private) Limited	Parent	364 061	379 860
- Forrester Estates (Private) Limited	Common shareholding	47 702	46 627
		411 763	**426 487**

The interest has been accrued but not yet paid. The related party loan is unsecured and has an interest rate of 9.74% and 20% per annum, respectively.

		30-June-2016 US$	30-June-2015 US$
vi) Other expenses			
- Timberbay Services (Proprietary) Limited	Common directorship	**-**	**172 032**

Other expenses comprise of penalty fees for termination of the purchase agreement between Border Timbers Limited and
- Timberbay Services (Proprietary) Limited

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

		30-June-2016 US$	30-June-2015 US$
i) Receivables from related parties			
- United Builders Merchants	Common directorship	7 556	229 484
- Northern Tobacco (Private) Limited		28 419	-
		35 975	**229 484**

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. The allowance for impairment against related party receivables amounted to US$186 964 (2015: US$ 186 964).

		30-June-2016 US$	30-June-2015 US$
ii) Payables to related parties arising from sales/purchase of goods/services			
- Rift Valley Services Zimbabwe (Private) Limited	Fellow subsidiary	629 620	629 620
- Rift Valley Forestry (Private) Limited	Fellow subsidiary	200 408	122 010
- Timberbay Services (Proprietary) Limited	Common directorship	668 690	668 690
		1 498 718	**1 420 320**

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.

17 RELATED PARTY DISCLOSURES (continued)

		30-June-2016 US$	30-June-2015 US$
c) Loans from related parties			
- Rift Valley Services (Private) Limited	Fellow subsidiary	6 865 218	4 276 656
- Rift Valley Holdings (Private) Limited	Parent	975 000	1 050 855
- Forrester Estates (Private) Limited	Common shareholding	287 971	326 269
		8 128 189	**5 653 780**

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

		30-June-2016 US$	30-June-2015 US$
d) Guarantees from related parties			
- Rift Valley Services (Private) Limited	Parent	**3 100 000**	**8 125 000**

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

	30-June-2016 US$	30-June-2015 US$
e) Key management compensation		
- Short term employee benefits	772 177	533 413
-Post employment benefits	1 176	1 176
	773 353	**534 589**

Key management includes FJM and executive directors.

	30-June-2016 US$	30-June-2015 US$
18.1 Other operating expenses		
Loss on disposal of property, plant and equipment	1 759	991 518
Exchange losses	318 083	349 311
	319 842	**1 340 829**
18.2 Other operating income		
Proceeds from insurance claim	-	2 125
Sundry income	783 271	75 441
	783 271	**77 566**

Sundry Income consist of rent receivable, beerhall profits and sale of burnt and rejected logs.

Notes to the **Financial Statements** Cont`d

For the year ended 30 June 2016

19 EXPENSES BY NATURE

		30-June-2016 US$	30-June-2015 US$
Auditors remuneration			
- current year audit services		16 500	16 500
- prior year audit services		86 950	102 311
Bank charges		76 470	82 970
Consultancy		341 302	335 164
Contract cancellation fees	(see note 17)	-	172 032
Depreciation charge	(see note 5)	1 814 044	2 017 857
Director's fees		-	-
Electricity		959 073	956 541
Employee benefit expense	(see note 20)	5 585 706	5 676 703
Foreign and local travel		168 882	140 096
Fuels and oils		660 175	880 891
Haulage		6 677 232	2 226 764
Inventory write down (reversal)/allowance	(see note 7)	(65 287)	(334 604)
Impairment :			
- receivables		44 964	67 619
Insurance		186 296	167 047
Management fees	(see note 17)	398 152	241 744
Other expenses		300 079	331 868
Plantation damage-fire loss	(see note 6)	10 547 123	392 860
Printing and stationery		42 364	38 455
Protective clothing		70 336	42 622
Raw material and consumables used (including redemption		8 521 557	10 754 965
Repairs and maintenance - motor vehicles		256 674	260 931
Repairs and maintenance - plant/ buildings		745 608	690 554
Repairs and maintenance- office equipment		25 830	67 844
Sub-contracted services		5 667 964	4 256 541
Security		97 935	122 921
Subscription		101 869	75 278
Telephone costs		96 225	96 508
Utilities		251 359	237 382
Write down of biological assets	(see note 6)	16 126 133	-
		59 801 515	**30 118 313**
Capitalisation of forestry costs	(see note 6)	(2 158 229)	(2 731 098)
Total cost of sales, administrative and distribution and selling costs		**57 643 286**	**27 387 264**

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.

20 EMPLOYEE BENEFIT EXPENSES

	30-June-2016 US$	30-June-2015 US$
Wages and salaries	3 399 043	3 706 005
Retrenchment costs	630 615	631 437
Pension fund contribution (see note 24.2)	240 909	309 193
Social security costs (see note 24.2)	113 857	137 412
Staff welfare costs	427 929	358 067
	4 812 353	5 142 114
Directors remuneration:		
- Short term employee benefits	772 177	533 413
-Post employment benefits	1 176	1 176
	5 585 706	**5 676 703**

	2016 Number of employees	2015 Number of employees
Manning levels at 30 June		
-Permanent	1 157	1 495
-Contract	57	1
Total	**1 214**	**1 496**

21 FINANCE INCOME AND COSTS

	30-June-2016 US$	30-June-2015 US$
Finance costs		
Interest charged		
-Bank loans	1 087 786	2 443 603
-Related party borrowings	47 702	46 627
	1 135 488	**2 490 230**
Interest paid for the purpose of the statement of cashflows		
-Finance costs	1 135 488	2 490 230
-Accrued interest	(638 864)	(1 376 725)
-Interest paid	**496 624**	**1 113 505**
Finance income		
Short-term bank deposits	**644**	**48 935**

22 INCOME TAX EXPENSE

	30-June-2016 US$	30-June-2015 US$
Deferred tax charge	**(7 548 771)**	**(1 378 042)**
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 entity as follows:		
Loss before income tax	31 858 412	(5 648 786)
- Taxation calculated at domestic tax rate 25.75% (2015: 25.75%)	(8 203 541)	(1 454 562)
- Non-deductible/(taxable) expenses	654 770	76 520
- Tax losses not recognised	-	-
Tax credit	**(7 548 771)**	**(1 378 042)**

The income tax rate applicable to the Company's taxable income for the year ended 30 June 2016 is 25.75% (2015: 25.75%).

23 LOSS PER SHARE

a) Basic earnings per share
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.

	30-June-2016	30-June-2015
Weighted average number of ordinary shares	**42 942 487**	**42 942 487**
Loss attributable to equity holders (US$)	**(24 309 641)**	**(4 270 744)**
Basic loss per share (US$ cents)	(56.61)	(9.95)
b) Diluted loss per share		
Diluted loss per share (US$ cents)	(56.61)	(9.95)

There were no dilutive ordinary shares outstanding during the year (2015: Nill).

24 PENSION FUNDS

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

24.1 The Border Timbers Limited 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 placement under paid-up status to the Zimbabwe Commisioner of Insurance. The pension fund was placed under paid-up status with effect from 1 May 2016.

24.2 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 per month for each employee.

24 PENSION FUNDS (continued)

24.2 Contributions recognized in the statement of comprehensive income:

	30-June-2016 US$	30-June-2015 US$
Border Timbers Limited Pension Fund	240 909	309 193
National Social Security Fund	115 033	138 588
Total	**355 942**	**447 781**

25 FINANCIAL RISK MANAGEMENT

25.1 Financial risk factors

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

Risk management is carried out by the Company`s Finance Department under policies approved by the Final Judicial Manager. 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 who 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 to 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.

25.2 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.

25 FINANCIAL RISK MANAGEMENT (continued)

(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 (2015: US$nil) because as at 30 June 2016 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
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 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 sensitivity analysis below shows the effect of 5% strengthening/weakening of the South African Rand and Botswana Pula on loss before tax, current assets and current liabilities.

Effect of 5% strengthening or weakening of foreign currency	2016 US$ Strengthening	2015 US$ Strengthening	2016 US$ Weakening	2015 US$ Weakening
Loss before income tax				
South African rand (ZAR)	23 973	(8 971)	(21 690)	9 915
Botswana pula (BWP)	24 899	24 079	(22 492)	(26 614)
	48 872	**15 108**	**(44 182)**	**(16 699)**
Current assets				
South African rand (ZAR)	26 475	22 871	(23 954)	(25 279)
Botswana pula (BWP)	24 899	24 079	(22 492)	(26 614)
	51 374	**46 950**	**(46 446)**	**(51 893)**
Current liabilities				
South African rand (ZAR)	(2 502)	(31 842)	2 264	35 194
Botswana pula (BWP)	-	-	-	-
	(2 502)	**(31 842)**	**2 264**	**35 194**

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 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$.

25 FINANCIAL RISK MANAGEMENT (continued)

	2016 US$	% of total borrowings	2015 US$	% of total borrowings
Variable interest rate borrowings	6 167 918	29%	6 168 246	29%
Fixed and non-re-pricing interest rate borrowings	15 461 330	71%	14 813 718	71%
Total borrowings	**21 629 412**	**100%**	**20 981 964**	**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.

	Impact on Profit/ Loss before	
	2016 US$	2015 US$
Interest rates- increase by 80 basis points (80bps)*	(49 000)	(49 000)
Interest rates- decrease by 90 basis points (90 bps)*.	55 125	55 125

**Holding all other variables constant.*

25.3 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 transacts 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.

25 FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Managememnt (continued)

	30-June-2016 US$	30-June-2015 US$
Counterparties with external credit rating		
A+	-	-
A	24 927	108 927
A-	-	13 418
AA-	77 637	192 786
BB+	76 699	37 462
BB-	-	-
BBB-	1 331 313	2 179
BBB+	52 229	-
Other unrated cash and cash equivalents	8 559	78 095
	1 571 364	**432 867**

Trade receivables

The Company trades only with recognised creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to impairment is not significant. The maximum exposure is the carrying amount of trade receivables.

Customer credit risk is managed by established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

25.4 **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 management team. 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.

25 FINANCIAL RISK MANAGEMENT (continued)

25.4 **Liquidity Risk Mamnagement (continued)**

At 30 June 2016	Less than 3 months US$	Between 3 months and 1 year US$	Between 1 and 2 years US$	Between 2 and 5 years US$	Over 5 years US$	Total US$
Borrowings	209 083	1 489 970	1 180 424	3 541 273	15 208 580	21 629 330
Trade and other payables (including statutory liabilities)	995 008	8 455 691	-	-	-	9 450 699
	1 204 091	**9 945 661**	**1 180 424**	**3 541 273**	**15 208 580**	**31 080 029**
At 30 June 2015						
Borrowings	8 907 219	369 343	-	-	14 775 627	24 052 189
Trade and other payables (including statutory liabilities)	743 718	6 576 441	-	-	-	7 320 159
	9 650 937	**6 945 784**	**-**	**-**	**14 775 627**	**31 372 348**

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 2016, the Company had no undrawn uncommitted borrowing facilities (30 June 2015:US$nil).

25.5 **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.

	30-June-2016 US$	30-June-2015 US$
The gearing ratios as at 30 June were as follows:		
Interest bearing loans and borrowings	21 629 330	20 981 964
Less cash and cash equivalents	(1 571 364)	(432 867)
Net debt	**20 057 966**	**20 549 097**
Total capital	**90 122 875**	**114 923 642**
Gearing ratio	**22%**	**18%**

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

26 RISK MANAGEMENT – AGRICULTURAL ACTIVITIES

The Company is exposed to risks 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 Fire Towers 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.

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

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

27 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.

28 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 in 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.

29 EVENTS AFTER THE REPORTING PERIOD

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

Analysis of Shareholders

As at 30 June 2016

ANALYSIS OF SHAREHOLDERS

DIRECTORS SHARE HOLDING

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

Shareholder Distribution	Number of shareholders	% of total	Issued shares	% of total
Analysis of shareholders as at 30 June 2016				
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	88
TOTAL	**657**	**100**	**42 942 487**	**100**

ANALYSIS BY INDUSTRY

INDUSTRY				
OTHER CORPORATES	49	8	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	7
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	Shareholder	Issued shares	% total
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	**94**
	Other shareholders	3 245 231	6
	Total	**42 942 487**	**100**

Analysis of Shareholders Cont`d

Disclosure of Non-public shareholders as defined by the Zimbabwe Stock Exchange Listing Requirements As at 30 June 2016		
#	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 unless exempted by the committee.	Please, refer to page 77.

Share Price Information

Share Price information	US cents
Total	
30 June 2015	20
30 June 2016	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.

Proxy

For use at the Annual General Meeting ("AGM") of Border Timbers Limited (under Final Judicial Management) which will be held at 09:00 hours on Wednesday 14 December 2016 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.

	For	Against	Abstain
ORDINARY RESOLUTIONS 1. To receive, consider and adopt the audited financial statements for year ended 30 June 2016, together with 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 PricewaterhouseCoopers Chartered Accountants (Zimbabwe), being eligible, offer themselves for re-appointment.			

Full Name ____

Signature ____

Dated this ____

BORDER TIMBERS
A RIFT VALLEY COMPANY

4-12 Paisley Road
Southerton, Harare, Zimbabwe
P.O. Box ST 629
Southerton Harare, Zimbabwe