



## SALIENT FEATURES

### Statement of comprehensive income

Revenue 47%;  
Gross profit 257%;  
Finance costs 54%;

Effective borrowing rate 58%

Extraordinary items;

- 5 097 hectares of forests lost to fire;
- \$10 547 122 plantation fire damage charged;
- \$16 126 133 plantation write down charged;

### Statement of cash flows

Cash generated \$3 880 743  
Cash and cash equivalents 198%  
Cash and cash equivalents at the end of the year at \$1 571 364 from a net overdraft position of \$1 608 014 in 2015.

### Statement of financial position

Balance sheet restructuring during the year:  
Current assets 25%  
Current ratio 94%  
Short term borrowings 87%  
Long term borrowings 74%

## COMMENTARY

### Dear Shareholders and Creditors.

It is a pleasure to report on the financial performance of Border Timbers Limited for the year ended 30 June 2016. All figures are in United States of America dollars, the Company's functional and presentation currency.

### Appointment of Final Judicial Manager

Restructuring discussions with lenders were not fully finalised 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 creditors, would enable the Company to be taken out of Final Judicial Management.

In my previous update to the market I had indicated that the Company is working on a Scheme Of Arrangement with creditors. The Scheme Of Arrangement would have seen creditors starting to receive payments on pre-judicial management debt. Discussions with major lenders and the shareholders are ongoing on the finalisation of the Scheme of Arrangement. In addition, we are exploring other options that could see creditors being paid. Further updates will be issued in due course.

### Business environment

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

### Silviculture

Planting was done on a limited scale, in the main affected by the 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. Loss of forestry to fires, a major business threat, was 5 097 hectares. The Company further strengthened its plantation patrol team and upgraded its firefighting equipment with fire tenders, a move that culminated in a reduction of fires. I extend my gratitude and appreciate the efforts and support given by the Ministry of Environment, Water and Climate and law enforcement agencies. All suspected cases of arson were reported and investigations are ongoing.

### Harvesting

Round wood production was down 18.47% 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 utilisation 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.

### Sawmilling

Lumber production for the period was 11.43% 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. The Company's traditional markets remained hungry for the Company's quality products.

### Poles

Treated poles production was 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 utilisation was

100% during the period under review. The Company's pole order book remains full for the next 12 months.

The executive team continues to look for new markets in dollar based economies, particularly West and Central Africa.

### Financial Review

Revenue was up 47% from the prior year comparative reflecting the combined effect of increased volumes and the change in distribution channels. Increased volume was 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 market.

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\$10 547 122 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 years of poor rainfall patterns and lately induced by the El Nino dry weather conditions and poor compartment stocking levels.

Other income was up 910%, largely as a result of plantation fire salvage lumber sales.

Selling and distribution costs were up 199%, in the main due to freight cost on poles business into the region driven by increased volumes through-put and better control of the distribution channel. Administration expenses increased by 11% from the prior year. Other operating expenses were down 76% due to a non-recurring loss on disposal of property, plant and equipment included in prior year of US\$991 518.

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\$1 636 640 (FY15: Loss before tax of US\$4 786 361). Cash generated during the period was US\$3 880 743, a marginal 1% increase on prior year. 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 prior year.

### Outlook

Subdued economic conditions are expected to prevail. The demand for the Company's products remains strong in the region and beyond. New markets are being explored in West and Central Africa. Concerted efforts for product and market diversification are under way with a view to expand the Company's revenue base. Engagement with lenders, creditors and shareholders on possible implementation of a Scheme of Arrangement are ongoing. 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 the 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

29 September 2016

## ABRIDGED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016		30 June 2016	Restated 30 June 2015	Restated 1 July 2014
Notes	US\$	US\$	US\$	US\$
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	36 496 923	38 216 184	41 585 525
Biological assets	6	67 161 872	98 274 894	95 949 764
		<b>103 658 795</b>	<b>136 491 078</b>	<b>137 535 289</b>
<b>Current assets</b>				
Biological assets	6	7 893 533	8 106 055	8 562 512
Inventories		3 071 549	2 924 569	4 693 497
Trade and other receivables		6 229 099	3 550 278	4 150 150
Cash and cash equivalents		1 571 364	432 867	878 905
		<b>18 765 545</b>	<b>15 013 769</b>	<b>18 285 064</b>
<b>Total assets</b>		<b>122 424 340</b>	<b>151 504 847</b>	<b>155 820 353</b>
<b>Equity</b>				
<b>Equity attributable to the owners of the parent</b>				
Share capital		429 425	429 425	429 425
Non-distributable reserve		90 455 727	90 455 727	90 455 727
Revaluation reserve		2 004 551	2 004 551	2 131 461
Accumulated losses/retained profits		(22 824 799)	1 484 842	5 628 676
<b>Total equity</b>		<b>70 064 904</b>	<b>94 374 545</b>	<b>98 645 289</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	7	20 446 461	11 778 780	10 302 421
Deferred tax liabilities		21 279 402	28 828 179	30 206 221
<b>Total non-current liabilities</b>		<b>41 725 863</b>	<b>40 606 959</b>	<b>40 508 642</b>
<b>Current liabilities</b>				
Trade and other payables		9 450 699	7 320 159	6 896 371
Provisions		-	-	193 529
Bank overdrafts	7	-	2 040 881	2 001 126
Borrowings	7	1 182 874	7 162 303	7 575 396
<b>Total current liabilities</b>		<b>10 633 573</b>	<b>16 523 343</b>	<b>16 666 422</b>
<b>Total liabilities</b>		<b>52 359 436</b>	<b>57 130 302</b>	<b>57 175 064</b>
<b>Total equity and liabilities</b>		<b>122 424 340</b>	<b>151 504 847</b>	<b>155 820 353</b>

## ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016		30 June 2016	30 June 2015
	US\$	US\$	US\$
<b>Revenue</b>		<b>26 136 447</b>	<b>17 806 549</b>
Cost of sales		(20 341 503)	(21 488 197)
<b>Gross profit/(loss)</b>		<b>5 794 944</b>	<b>(3 681 648)</b>
Other operating income		783 271	77 566
Selling and distribution and expenses		(6 687 902)	(2 234 379)
Administration expenses		(3 620 785)	(3 271 830)
Other operating expenses		(319 841)	(1 340 830)
Fair value (loss)/gain due to biological assets		(16 126 133)	7 636 490
Plantation damage		(10 547 122)	(392 860)
<b>Operating loss</b>		<b>(30 723 568)</b>	<b>(3 207 491)</b>
Finance income		644	48 935
Finance costs		(1 135 488)	(2 490 230)
Loss before income tax		(31 858 412)	(5 648 786)
Income tax credit		7 548 771	1 378 042
<b>Loss for the year</b>		<b>(24 309 641)</b>	<b>(4 270 744)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>126 910</b>
<b>Items that will be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Items that will not be reclassified to profit or loss</b>		<b>-</b>	<b>126 910</b>
Transfer from revaluation reserve on disposed property, plant and equipment		-	126 910
<b>Total comprehensive loss for the year</b>		<b>(24 309 641)</b>	<b>(4 143 834)</b>

## ABRIDGED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016		Share capital	Non-distributable reserves	Revaluation reserves	Retained profits/accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Year ended 30 June 2015</b>						
<b>Balance as at 1 July 2014</b>	<b>429 425</b>	<b>90 455 727</b>	<b>2 131 461</b>	<b>5 628 676</b>	<b>98 645 289</b>	
Loss for the year	-	-	-	(4 270 744)	(4 270 744)	
Other comprehensive income for the year	-	-	(126 910)	126 910	-	
<b>Balance as at 30 June 2015</b>	<b>429 425</b>	<b>90 455 727</b>	<b>2 004 551</b>	<b>1 484 842</b>	<b>94 374 545</b>	
<b>Year ended 30 June 2016</b>						
<b>Balance as at 1 July 2015</b>	<b>429 425</b>	<b>90 455 727</b>	<b>2 004 551</b>	<b>1 484 842</b>	<b>94 374 545</b>	
Loss for the year	-	-	-	(24 309 641)	(24 309 641)	
Other comprehensive income for the year	-	-	-	-	-	
<b>Balance as at 30 June 2016</b>	<b>429 425</b>	<b>90 455 727</b>	<b>2 004 551</b>	<b>(22 824 799)</b>	<b>70 064 904</b>	

## ABRIDGED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016		30 June 2016	30 June 2015
	Notes	US\$	US\$
<b>Cash flows from operating activities</b>			
Operating loss		(30 723 568)	(3 207 491)
Adjustment for:			
Depreciation	5	1 814 043	2 017 857
Fair value loss/(gain) on biological assets		16 126 133	(7 636 490)
Plantation redemption		6 810 518	8 106 055
Plantation damage		10 547 122	392 860
Loss on disposal of property, plant and equipment		1 757	991 518
Bad debts written-off		5 593	107 960
Allowance for doubtful debts		(100 516)	(40 342)
Exchange losses		318 083	349 312
Reversal of impairment/write-down of inventory		(65 286)	(334 604)
		<b>4 733 879</b>	<b>746 635</b>
<b>Working capital changes</b>			
(Increase)/decrease in inventories		(81 694)	2 103 532
(Increase)/decrease in trade and other receivables		(2 901 981)	757 347
Increase in trade and other payables		2 130 539	230 259
<b>Net cash generated from operating activities</b>		<b>3 880 743</b>	<b>3 837 773</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	5	(112 050)	(214 440)
Expenditure on biological assets		(2 158 229)	(2 731 098)
Proceeds from sale of property, plant and equipment and insurance claim received		15 510	-
Interest received		644	48 935
<b>Net cash used in investing activities</b>		<b>(2 254 125)</b>	<b>(2 896 603)</b>
<b>Cash flows from financing activities</b>			
Proceeds from/(repayments of) borrowings		2 049 383	(313 458)
Interest paid		(496 623)	(1 113 505)
<b>Net cash generated/(used in) from financing activities</b>		<b>1 552 760</b>	<b>(1 426 963)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 179 378</b>	<b>(485 793)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(1 608 014)</b>	<b>(1 122 221)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1 571 364</b>	<b>(1 608 014)</b>

## NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

- Statement of compliance with International Financial Reporting Standards**  
The principal accounting policies of the company have been followed in all material respects and conform to International Financial Reporting Standards ("IFRS"). This publication has been prepared in accordance with the Zimbabwe Companies Act (Chapter 24:03). The same accounting policies and methods of computation are followed as compared with those in the prior financial year. This publication should be read in conjunction with the annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with IFRS and the Zimbabwe Companies Act (Chapter 24:03).
- Placement of the Company under Final Judicial Management**  
The Company was placed under Provisional Judicial Management on 29 January 2015 and subsequently into under Final Judicial Management on 2 May 2016.
- Functional and presentation currency**  
The financial results are presented in United States of American dollars ("US\$") which is the functional and presentation currency of the Company.



**NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS (continued)**

**4 Change in accounting policy on presentation of biological assets**

The Company changed its accounting policy for presentation of biological assets from non-current asset presentation to both non-current asset and current assets. Current consumable biological assets represent the portion of the biological asset which is forecast to be harvested in the next 12 months. This change in presentation results in a fairer presentation of what is expected to be harvested after 12 months and within 12 months. Furthermore, this is a move towards industry practice.

The impact of the change in presentation is as follows;

	30 June 2015 US\$	1 July 2014 US\$
<b>Non-current assets</b>		
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)
<b>Current assets</b>		
Biological asset*	8 106 055	8 562 512
Change in total biological assets	-	-
* Being biological assets to be harvested and sold in the next 12 months after the reporting date.		

**5 Property, plant and equipment movement**

	30 June 2016 US\$	30 June 2015 US\$
<b>Opening balance</b>	<b>38 216 184</b>	<b>41 585 525</b>
Purchases	112 050	214 440
Disposals	(17 268)	(1 565 924)
Depreciation charge	(1 814 043)	(2 017 857)
<b>Closing balance</b>	<b>36 496 923</b>	<b>38 216 184</b>

**6 Biological assets**

	30 June 2016 US\$	30 June 2015 US\$
<b>As at 1 July</b>	<b>106 380 949</b>	<b>104 512 276</b>
Expenditure for the year	2 158 229	2 731 098
Fair value (loss)/ gain due to biological transformation	(16 126 133)	7 636 490
	92 413 045	114 879 864
Deduct:	(17 357 640)	(8 498 915)
Plantation damage- fire	(10 547 122)	(392 860)
Transfers of harvested timber to inventory	(6 810 518)	(8 106 055)
<b>As at 30 June</b>	<b>75 055 405</b>	<b>106 380 949</b>
<b>Classification on the statement of financial position</b>		
Classified as non-current asset	67 161 872	98 274 894
Classified as current asset*	7 893 533	8 106 055
<b>As at 30 June</b>	<b>75 055 405</b>	<b>106 380 949</b>

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

**7 Borrowings**

	30 June 2016 US\$	30 June 2015 US\$
Interest bearing borrowings		
Long term	20 446 461	11 778 780
Short term	1 182 874	7 162 303
Bank overdrafts	-	2 040 881
<b>21 629 335</b>	<b>20 981 964</b>	

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. The shareholder loan now accrues interest at 7.79% per annum. A successful loan restructuring exercise resulted in Zimbabwe Asset Management Company (Private) Limited ("ZAMCO") acquiring outstanding loans and interest from three financial institutions at a reduced interest rate with effect from 1 November 2015 as follows:

- NMB Bank Limited loan amounting to US\$1 177 383;
- FBC Bank Limited loan amounting to US\$5 114 153; and,
- Infrastructural Development Bank of Zimbabwe loan amounting to US\$375 382.

The re-financed ZAMCO loan amounting to US\$6 666 919, which carries an interest rate of 7% per annum expires on 31 October 2023.

The loan is secured as follows:

- 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;
- Cession of all insurance of immovable assets taken from reputable insurance companies; and,
- Assignment of debtors book save for debtors book acknowledged as assigned to a working capital loan provider.

Loan repayments will be effected in quarterly instalments commencing the quarter ended 31 October 2016.

The Company borrowings accrue interest at an effective rate of 5% (2015: 12%).

**8 Related party disclosures**

	30 June 2016 US\$	30 June 2015 US\$
<b>i) Transactions</b>		
Sales of goods	(936 780)	(1 493 071)
Purchases	-	1 219 272
Management fees charged	-	241 744
Interest charge	411 763	426 487
Other expenses	-	172 032
<b>ii) Year end balances</b>		
Receivables from related parties	222 939	469 593
Payables to related parties	(1 540 949)	(1 420 320)
<b>iii) Loans from related parties</b>	(8 128 190)	(5 653 780)
<b>iv) Key management personnel remuneration including judicial managers fees</b>	773 353	534 589
<b>v) Guarantees from related parties</b>	3 100 000	8 125 000

**9 Capital commitments**

Plantation establishment	2 693 102	3 259 071
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**10 Capital expenditure**

Property, plant and equipment	112 050	214 440
Biological assets	2 158 229	2 731 098

**11 Loss before tax is after the following items:**

Depreciation	1 814 043	2 017 857
Exchange losses	318 083	349 312
Retrenchment costs	253 096	-
-	-	-
Reversal of impairment/write-down of inventory	(65 286)	(334 604)

**12 Segment Information**

**12.1 For the year ended 30 June 2016**

	Forestry US\$	Manufacturing US\$	Total US\$
Revenue:			
Local	4 838 820	491 162	5 329 982
Export	9 127 056	11 679 409	20 806 465
<b>Total</b>	<b>13 965 876</b>	<b>12 170 571</b>	<b>26 136 447</b>
Operating (loss)/profit	(32 313 049)	1 589 481	(30 723 568)
Interest expense	(1 135 488)	-	(1 135 488)
Interest received	644	-	644
<b>(Loss)/profit before income tax</b>	<b>(33 447 893)</b>	<b>1 589 481</b>	<b>(31 858 412)</b>
<b>Total assets</b>	<b>111 124 956</b>	<b>11 299 384</b>	<b>122 424 340</b>
<b>Total liabilities</b>	<b>44 573 734</b>	<b>7 785 702</b>	<b>52 359 436</b>

**12.2 For the year ended 30 June 2015**

	Forestry US\$	Manufacturing US\$	Total US\$
Revenue:			
Local	5 764 954	830 337	6 595 291
Export	8 452 166	2 759 092	11 211 258
<b>Total</b>	<b>14 217 120</b>	<b>3 589 429</b>	<b>17 806 549</b>
Operating loss	(1 531 076)	(1 676 415)	(3 207 491)
Interest expense	(2 474 497)	(15 733)	(2 490 230)
Interest received	48 935	-	48 935
<b>Loss before income tax</b>	<b>(3 956 638)</b>	<b>(1 692 148)</b>	<b>(5 648 786)</b>
<b>Total assets</b>	<b>142 608 894</b>	<b>8 895 953</b>	<b>151 504 847</b>
<b>Total liabilities</b>	<b>50 162 756</b>	<b>6 967 946</b>	<b>57 130 302</b>

**13 Events after the reporting date**

There were no events that occurred after the reporting date.

**14 Audit opinion**

The independent auditor, PricewaterhouseCoopers Chartered Accountants, (Zimbabwe), have audited the financial statements of the Company for the year ended 30 June 2016. The independent auditor has undertaken to sign and issue an unqualified audit opinion on the financial statements.

**PASSIONATE  
ABOUT DEVELOPING  
RESOURCES IN AFRICA**

