

**BORDER TIMBERS LIMITED**  
**UNAUDITED INTERIM**  
**FINANCIAL RESULTS**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017



**ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Notes	Unaudited 6 Months 31-Dec-17 US\$	Unaudited 6 Months 31-Dec-16 US\$	Audited Full year 30-Jun-17 US\$
<b>Revenue</b>	<b>10 871 149</b>	<b>8 678 340</b>	<b>14 971 187</b>
Cost of sales	(10,163,050)	(7 996 689)	(16 749 622)
<b>Gross profit</b>	<b>708 099</b>	<b>681 651</b>	<b>(1 778 435)</b>
Fair value gain on biological assets	2 546 254	2 496 829	7 002 375
Fire loss	(81 807)	(1 039 894)	(6 342 244)
Other operating income	953 001	970 324	3 270 747
Distribution and selling expenses	(1 347 300)	(1 452 385)	(2 571 774)
Administration expenses	(1 689 853)	(1 370 813)	(3 430 530)
Other operating expenses	(234 802)	(21 904)	(658 465)
<b>Operating profit/ (loss)</b>	<b>853 592</b>	<b>263 808</b>	<b>(4 508 326)</b>
Finance income	26 048	1 785	45 324
Finance costs	(674 709)	(635 081)	(1 395 135)
<b>Profit / (loss) before income tax</b>	<b>204 931</b>	<b>(369 488)</b>	<b>(5 858 137)</b>
Income tax credit	392 251	394 625	3 262 633
<b>Profit / (loss) for the period</b>	<b>597 182</b>	<b>25 137</b>	<b>(2 595 504)</b>
Other comprehensive loss for the year net of tax	-	-	(1 163 143)
<b>Total comprehensive income / (loss) for the period</b>	<b>597 182</b>	<b>25 137</b>	<b>(3 758 647)</b>
<b>Key Statistics</b>			
Weighted average number of shares	42 942 487	42 942 487	42 942 487
<b>Earnings / (loss) per share (cents)</b>			
Basic earnings / (loss) per share (cents)	1.39	0.06	(8.75)

**ABRIDGED STATEMENT OF FINANCIAL POSITION**

Notes	Unaudited 6 Months 31-Dec-17 US\$	Unaudited 6 Months 31-Dec-16 US\$	Audited Full year 30-Jun-17 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	31 971 274	35 628 348	32 712 752
Biological assets	63 294 674	69 348 369	64 541 472
<b>Total non current assets</b>	<b>95 265 948</b>	<b>104 976 717</b>	<b>97 254 224</b>
<b>Current Assets</b>			
Biological assets	8 603 401	6 007 144	8 103 711
Inventories	3 536 608	3 694 296	3 557 326
Trade and other receivables	5 448 246	5 087 057	5 949 294
Cash and cash equivalents	2 319 848	1 151 399	1 674 407
<b>Total current assets</b>	<b>19 908 103</b>	<b>15 939 896</b>	<b>19 284 738</b>
<b>TOTAL ASSETS</b>	<b>115 174 051</b>	<b>120 916 613</b>	<b>116 538 962</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	429 425	429 425	429 425
Non distributable reserve	90 455 727	90 455 727	90 455 727
Revaluation Reserve	294 339	2 004 551	294 339
Accumulated loss	(24 276 052)	(22 799 662)	(24 873 234)
<b>Total Equity</b>	<b>66 903 439</b>	<b>70 090 041</b>	<b>66 306 257</b>
<b>Non current liabilities</b>			
Borrowings	20 497 108	20 442 915	20 503 458
Deferred tax liability	17 221 139	20 884 778	17 613 396
<b>Total non current liabilities</b>	<b>37 718 247</b>	<b>41 327 693</b>	<b>38 116 854</b>
<b>Current Liabilities</b>			
Trade and other payables	8 632 266	8 160 525	10 508 484
Borrowings	1 920 099	1 338 354	1 607 367
<b>Total current liabilities</b>	<b>10 552 365</b>	<b>9 498 879</b>	<b>12 115 851</b>
<b>Total Liabilities</b>	<b>48 270 612</b>	<b>50 826 572</b>	<b>50 232 705</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>115 174 051</b>	<b>120 916 613</b>	<b>116 538 962</b>

**ABRIDGED STATEMENT OF CASH FLOWS**

	Unaudited 6 Months 31 Dec 17 US\$	Unaudited 6 Months 31 Dec 16 US\$	Audited Full year 30 June 17 US\$
Operating profit / (Loss)	853 591	263 808	(4 508 326)
Non cash items	2 583 291	2 462 689	9 015 969
Cash flow before working capital changes	3 436 882	2 726 497	4 507 642
Movement in working capital	(1 354 451)	(770 876)	(674 894)
<b>Net cash generated from operating activities</b>	<b>2 082 431</b>	<b>1 955 621</b>	<b>3 832 749</b>
<b>Net cash utilised on investing activities</b>	<b>(1 068 666)</b>	<b>(1 389 089)</b>	<b>(2 816 066)</b>
Purchases of property, plant and equipment	(75 283)	(45 573)	(210 814)
Expenditure on biological assets	(1 019 431)	(1 360 201)	(2 650 576)
Proceeds on sale of property, plant and equipment and insurance claim received	-	14 900	-
Interest received	26 048	1 785	45 324
<b>Net cash used in financing activities</b>	<b>(368 324)</b>	<b>(986 497)</b>	<b>(913 640)</b>
Repayments of borrowings	(36 366)	(483 142)	(178 435)
Net interest paid	(331 958)	(503 355)	(735 205)
<b>NET CASH INFLOW / (OUTFLOW) IN CASH AND CASH EQUIVALENTS</b>	<b>645 441</b>	<b>(419 965)</b>	<b>103 043</b>
Cash and cash equivalent at start	1 674 407	1 571 364	1 571 364
<b>Cash and cash equivalent at end</b>	<b>2 319 848</b>	<b>1 151 399</b>	<b>1 674 407</b>

**ABRIDGED STATEMENT OF CHANGES IN EQUITY**

	Share capital US\$	Non distributable reserves US\$	Revaluation reserves US\$	Retained earnings US\$	Total US\$
<b>Balance at 1 July 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>
Profit for the period	-	-	-	25 137	25 137
<b>Balance at 31 December 2016</b>	<b>429 425</b>	<b>90 455 727</b>	<b>2 004 551</b>	<b>(22 799 662)</b>	<b>70 090 041</b>
Balance at 1 July 2017	429 425	90 455 727	294 339	(24 873 234)	66 306 257
Profit for the period	-	-	-	597 182	597 182
<b>Balance at 31 December 2017</b>	<b>429 425</b>	<b>90 455 727</b>	<b>294 339</b>	<b>(24 276 052)</b>	<b>66 903 439</b>

**NOTES TO THE ABRIDGED INTERIM FINANCIAL STATEMENTS**

**1. Accounting Policies**

The principal accounting policies of Border Timbers limited ("the Company") have been followed in all material respects and conform to International Financial Reporting Standards (IFRS) and the Zimbabwe Companies Act (Chapter 24:03). The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements year ended 30 June 2017. These interim financial statements were authorised for issue by the Final Judicial Manager on 27 March 2018.

International Accounting Standard 16 "Property, Plant and Equipment" requires that revaluations of property, plant and equipment be undertaken on a regular basis. An independent valuation was carried out on the 30th of June 2017.

International Accounting Standard 41 "Agriculture" requires that the Company values its "Biological Assets" at fair value. At 31st December 2017 the Judicial Manager valued the biological assets to their estimated fair value of \$71.8 million. The surplus on valuation was transferred to the statement of profit or loss and other comprehensive income as required by the Standard.

2. The financial results are presented in United States Dollars which is the functional and presentation currency of the Company.

	Unaudited 6 Months 31 Dec 17 US\$	Unaudited 6 Months 31 Dec 16 US\$	Audited 12 Months 30 June 17 US\$
<b>3. Related Party Transactions</b>			
<b>(i) Transactions</b>			
- Sales of goods and services	131 201	242 728	356 505
- Purchases of goods and services	1 501 885	651 161	1 329 443
- Interest charged	278 196	283 361	422 522
<b>(ii) Half-year-end balances</b>			
- Receivable from related parties	46 520	279 849	48 028
- Payable to related parties	180 060	1 052 522	1 009 189
<b>(iii) Loans from related parties</b>	8 953 016	8 584 886	8 674 820
<b>(iv) Key management remuneration-including FJM fees</b>	410 944	418 670	616 053
<b>v) Guarantees from related parties</b>	3 100 000	3 100 000	3 100 000

	Forestry and sawmilling	Manufacturing	Total
<b>Dec 2017 Revenue</b>			
Local	5 050 551	2 842 910	7 893 461
Export	1 966 967	1 010 721	2 977 688
<b>Total</b>	<b>7 017 518</b>	<b>3 853 631</b>	<b>10 871 149</b>
Profit before interest	534 326	319 266	853 592
Net interest expense	(648 661)	-	(648 661)
<b>(Loss)/profit before income tax</b>	<b>(114 335)</b>	<b>319 266</b>	<b>204 931</b>
Total assets	104 726 500	10 447 551	115 174 051
Total liabilities	41,298,263	6 972 349	48 270 612
<b>Dec 2016 Revenue</b>			
Local	3 559 057	434 771	3 993 828
Export	2 842 798	1 841 714	4 684 512
<b>Total</b>	<b>6 401 855</b>	<b>2 276 485</b>	<b>8 678 340</b>
(Loss)/profit before interest	(221 005)	484 813	263 808
Net interest expense	(633 296)	-	(633 296)
<b>(Loss)/profit before income tax</b>	<b>(854 301)</b>	<b>484 813</b>	<b>(369 488)</b>
Total assets	115 544 793	5 371 820	120 916 613
Total liabilities	42 831 786	7 994 786	50 826 572

	Unaudited 6 Months 31-Dec-17 US\$	Unaudited 6 Months 31-Dec-16 US\$	Audited Full year 30 June 17 US\$
<b>5. Property, Plant and Equipment</b>			
Opening balance	32 712 752	36 496 923	36 496 923
Additions	75 283	45 573	210 814
Disposals	(96 800)	(26 650)	(738 491)
Revaluation	-	-	(1 566 522)
Depreciation charge	(485 159)	(887 498)	(1 689 972)
Impairment charge	(234 802)	-	-
<b>Closing balance</b>	<b>31 971 274</b>	<b>35 628 348</b>	<b>32 712 752</b>
<b>6. Capital Expenditure</b>			
Property, plant and equipment	75 283	45 573	210 814
Expenditure on biological assets	1 019 431	1 360 201	2 650 576
<b>Total</b>	<b>1 094 714</b>	<b>1 405 774</b>	<b>2 861 390</b>
<b>7. Trade and Other Receivables</b>			
Trade receivables	4 513 712	4 393 365	4 978 073
Other receivables	934 534	693 692	971 221
<b>Total</b>	<b>5 448 246</b>	<b>5 087 057</b>	<b>5 949 294</b>
<b>8. Contingent Liability</b>			
There were no major changes to contingent liabilities identified and reported in the Audited Financial Statements as at 30 June 2017 and when compared to 31 December 2017.			
	Unaudited 6 Months 31-Dec-17 US\$	Unaudited 6 Months 31-Dec-16 US\$	Audited Full year 30 June 17 US\$
<b>9 Borrowings</b>			
Long term	20 497 108	20 442 915	20 503 458
Short term	1 920 099	1 338 354	1 607 367
<b>Total</b>	<b>22 417 207</b>	<b>21 781 269</b>	<b>22 110 825</b>

Restructuring of the local debt resulted in Zimbabwe Asset Management Corporation (ZAMCO) assuming the local debt of US\$ 6.7 million which is secured at an interest rate of 7% per annum.

The German Development Bank loan (DEG) amounting to US \$ 6.1 million (long term borrowing) of which US \$ 3.1 million is guaranteed by Rift Valley Holdings Limited (Parent Company) and accrues interest at a rate of 2.5% p.a.

The rest of the borrowings are unsecured.

**COMMENTARY**

**Operating environment**

During the period under review there were significant changes in the political sphere in our country. The new political dispensation brought upon an encouraging approach to the business environment by focusing on improving the economy.

**Silviculture:**

Silviculture operations were outsourced and the company is benefiting due to a more focused and more efficient plantation management process.

The company's major business threat remains loss of forestry to fires. In the six months to December 2017, forest lost to fire equated to 118 hectares (FY 17 H1: 1 229 hectares) which is a huge improvement compared to previous period as a result of efforts by the Company to strengthen its plantation patrol team and upgrading its fire firefighting equipment. During the period under review the Company acquired more fire rapid response vehicles to improve its response strategies.

**Harvesting and Saw Milling**

Harvesting operations performed well with plant optimisation broadly on plan. Harvesting outsourcing strategy continued to stabilize mill log supply which kept plant capacity utilization high. All fibre supply to processing plants was from the Company's own plantations with no external log purchases.

Lumber production was 30 598 m3, 8% up from prior period (FY 17 H1: 28 398m3). Outsourcing of Charter sawmill continues to have a positive impact on log recovery as a result of access to more appropriate technology and also on cash cost due to variablising of the wet mill fixed costs. The high demand for the Company's Kiln Dried quality lumber resulted in improved Average Selling Prices (ASPs). The Company continues to service its traditional markets with a closer focus on stable and dollarized markets.

**Poles:**

Treated poles sales were 16 578m3, 104% up from prior period (FY 17 H1: 8 096m3) driven largely by sleeper product sales of 5 515m3.

Geographic market expansion remains the pole business main objective with the Company actively pursuing new opportunities in the region and beyond. The Company is also looking at more innovative ways of improving pole log recovery to maximize revenue.

**Financial Performance**

Turnover for the period was US\$ 10.9 million (FY 17 H1: US\$ 8.7 million), 25% increase from prior comparable period. Selling and distribution expenses were down 7% from FY 17 H1 reflecting the successes in cost containment introduced by management. Administration expenses increased by 23% from US \$ 1.3 million in FY 17 H1 to US \$ 1.6 million.

Net profit before taxation was US \$ 0.2million (FY17 H1: loss US \$ 0.3million). Cash generated during the period was US \$2.2million (FY 17 H1: US \$1.9million, 6.5% increase on the prior comparable period. Cash and cash equivalents at the end of the period amounted to US \$ 2.3million (FY 17 H1: US \$1.1million).

**Update on Judicial Management**

I expect to approach the High Court shortly for permission to hold Scheme of Arrangement meetings with each class of creditors. One of the delays in making progress has been the negotiations, currently ongoing, with a major creditor with potential for a large part of the claim to be written off or waived. If the proposals to be submitted to each class of creditors are approved by all classes with the appropriate majorities, I will recommend to the Master of the High Court that the Company be taken out of Judicial Management.

**Dividend**

In order to sustain the Company's current positive cash generation the Final Judicial Manager decided not to declare an interim dividend.

**Appreciation**

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



**Peter L Bailey**  
Final Judicial Manager  
27 March 2018