



## **BORDER TIMBERS LIMITED - GROUP**

A Subsidiary of  
**RADAR HOLDINGS LIMITED**

Financial Statements for the  
Year ended 30 June 2006

**BORDER TIMBERS LIMITED - GROUP**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
(Incorporated in Zimbabwe)  
**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
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**BORDER TIMBERS LIMITED - GROUP**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
(Incorporated in Zimbabwe)  
**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notice of Annual General Meeting**

Time 09.00am  
Date 13th December 2006  
Place 4th Floor Tanganyika House, Kwame Nkrumah Avenue/3<sup>rd</sup> Street, Harare

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of Border Timbers Limited will be held in the Board Room of Radar Holdings Limited to conduct the following business:

1. To receive and consider the audited financial statements for the year ended 30<sup>th</sup> June 2006, together with the reports of the Directors and Auditors.
2. To re-appoint retiring Directors.
3. To determine the remuneration of the non - executive Directors.
4. To confirm the remuneration of the Auditors for past services and to appoint Auditors for the ensuing year.
5. 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 Secretaries not less than forty-eight hours before the meeting.

By order of the Board  
Radar Investments (Private) Limited  
Secretaries

Tanganyika House  
Cnr Kwame Nkrumah  
Avenue/3rd Street  
**Harare**

Harare  
25<sup>th</sup> October 2006

**BORDER TIMBERS LIMITED - GROUP**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Highlights**

	<b>2006</b> <b>ZWD\$'000s</b>	<b>2005</b> <b>ZWD\$'000s</b>
<b>Operating Results</b>		
Turnover	1 482 531 277	165 346 722
Operating Profit	384 401 073	52 205 665
Income before Taxation	22 172 716	13 784 043
Income after taxation	79 407 864	10 546 754

**Percentages and Ratios**

Income before interest and taxation return on total Assets	3.35%	2.73%
Income after tax return on Shareholders funds	1.06%	0.83%
Debt to Equity	4.45%	3.95%
Current Ratio	1.05	1.55

**Ordinary Share Performance (dollars)**

Basic Earnings per Share	\$1 849.17	\$245.60
Dividends per Share	-	-
Dividend Cover (times)	-	-
Market Price per share at 30 June	\$27 000.00	\$2500.00

**Shareholders Calendar in respect of year to June 2006**

**Financial Reports**

Interim Results announced	24 <sup>th</sup> February 2006
Year End results announced	29 <sup>th</sup> September 2006
Annual General Meeting	6th December 2006

Shareholders are reminded to notify Radar Investments (Private) Limited, PO Box 2346, Bulawayo of any change of address.

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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Directorate**

***DIRECTORS***

P W T Chipudhla (Chairman)  
K R R Schofield (Deputy Chairman)  
J Gadzikwa (Managing)  
C Amira  
D Benecke (Finance)  
L Nyathi (Marketing)  
H B A J von Pezold  
R von Pezold

***OPERATIONS BOARD***

H B A J von Pezold (Chairman)  
K R R Schofield  
C Amira  
D Benecke  
G Bottger  
C Carlsson  
J Gadzikwa  
N Grant  
T Kachale  
L Nyathi  
E Oliver

***SECRETARIES***

Radar Investments (Private) Limited

***AUDITORS***

Ernst & Young

***ATTORNEYS***

Henning Lock Donagher & Winter, and Wintertons

***REGISTERED OFFICE***

5th Floor, Charter House  
Leopold Takawira Avenue/Fort Street  
P O Box 2346  
Bulawayo

***BANKERS***

Kingdom Bank Limited  
MBCA Bank Limited  
NMB Bank Limited

***POSTAL ADDRESS***

P O Box 458  
Mutare

***PERIOD OF FINANCIAL STATEMENTS***

Year Ended 30 June 2006

***DATE FINANCIAL STATEMENTS AUTHORISED  
FOR ISSUE***

25<sup>th</sup> October 2006

**BORDER TIMBERS LIMITED - GROUP**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Chairman's Review**

Dear Shareholders

The Company's results for the year were poor and were affected by the difficult operating environment in which your company operated. High inflation, crippling borrowing costs, the shortage of mature standing timber, erratic power outages and widespread arson fires at all the estates, were some of the contributors to this untenable environment. Unfortunately most of these problems continue in the new year and your company will have to endure the challenges that come with such an environment.

**Highlights**

	2006	2005
	\$Millions	\$Millions
Turnover		
Income before tax and interest	1 482 532	165 347
Net interest payable	384 401	52 205
Shareholder's funds	(362 228)	(38 422)
Net current assets	7 476 375	1 265 936
	37300	39 967

**Financial Performance**

The profit before tax for the year increased by a mere Z\$8.4 billion when compared to the same period last year. The foreign currency exchange rate did not ensure reasonable profitability for your company's products. If the exchange rate regime continues unchanged the export of your company's

products will be severely affected.

The amount of time that was diverted from production to fight arson fires in Chimanimani and lost production time due to unscheduled power outages resulted in significantly reduced production volumes.

For most of the year ASPEF money made available to your company constituted only 15% of total borrowings. Other borrowings were extremely expensive; consequently your company lost most of its operating profit to borrowing costs. Management's focus in the coming year will be to continuously engage the relevant authorities in pursuit of the ASPEF money.

The directors have again revalued the company's assets as at 30 June 2006 in order to report more meaningful values in the balance sheet.

**Corporate Governance**

The board of directors, the operating board and the audit committee continued to meet regularly during the year to review the company's operations and strategies and both internal and external audits.

**Outlook and Future Prospects**

The issue of illegal settlers in the plantations has still not been resolved. In fact, the number of illegal settlers increased during the year. The authorities have

continuously advised that the issue will be resolved in the near future.

The arson fires in Chimanimani continued to destroy standing timber at your company estates. The effect of these fires and those that occurred in the last five years was a reduction of mature standing timber available for harvesting and processing. Consequently production levels at the operations have had to be substantially scaled down.

**Turning to the Markets**

Demand in the local market has remained low with very little activity in both the construction and the furniture sector. Demand in South Africa continued to be firm and is expected to remain so in the new year. The pole market in Mozambique grew during the year and is expected to continue to grow in the new year.

**Appreciation**

I would like to thank management, employees and my fellow directors for the commitment that they displayed during the difficult year of 2006. I also would like to thank our suppliers and customers for the support that we received from them during the year.

P W T Chipudhla  
**CHAIRMAN**  
28<sup>th</sup> September 2006

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**Operational Review**

**OVERVIEW**

The company's performance both operationally and financially continued to deteriorate for various reasons; fires consumed a large amount of timber, gold panning activities in Mozambique affected worker availability and a shortage of mature timber within the company's plantations. In the coming year production targets will be adjusted to match the available mature timber.

**SILVICULTURE**

Overall rainfall for the year was 94% of normal. The estates with the least rainfall were Charter and Sawerombe. A shortage of moisture over the planting season had a significant effect on planting operations however as a result of a great deal of hard work, the planting target was achieved.

Gold panning activities were the biggest threat to silvicultural work programs during the year. The high labour turnover in the southern estates was a direct result of the "gold rush". November 2005 saw an enormous number of the company's employees abscond from duties in preference for gold panning activities. Unfortunately this has continued in the new year and has also affected contractor employees.

**Fires and Forest Protection**

Despite numerous initiatives embarked upon to protect the plantations against fire during the year, 2873 hectares of land were ravaged by mainly, arson fires. The timber industry in Manicaland estimates that it lost 9700 hectares to fire damage last year. These losses are not sustainable and will severely impact on the future generation of foreign currency by the timber

industry. It is therefore imperative that the authorities intervene.

With the fire damages that have been reported over the years and the various other factors, the company's plantation rotation cycle has been significantly upset to the extent that the level of harvesting operations have had to be reduced to ensure sustainability.

This status quo will continue for the next eight years and the company will in the meantime endeavor to secure standing timber from outside sources to supplement its current resource complement.

During the year, as a direct consequence of these fires, the company had to divert most of its operations in Chimanimani to the salvage of fire damaged timber. As a result, some silvicultural employees were deployed on harvesting operations.

The reduction in harvesting operations mentioned above, adversely affected the operating capacities of the company's factories in Mutare. The company has had to manage the overall cost structure accordingly.

There were no baboon control operations conducted in the year under review. The company, through the Timber Producers Federation of Zimbabwe, continued to pursue an extension to the derogation from Forest Stewardship Council (FSC) to use Papiol to control baboon damage.

The mapping exercise done for year 2006 to evaluate animal damage levels at the plantations through the Geographical Information Survey system,

clearly indicates the effectiveness of historical baboon control operations through the use of Papiol. Investigations into baboon damage control have proved that other methods are ineffective. Traps are currently being constructed at the plantations for deployment infield as part of alternative control methodology research.

**Planning**

Significant progress was made, during the year, to build upon the Geographical Information System (GIS) and Microforest database that had started in the previous year. The company also saw the first implementation of the Land Optimization Protocol (LOP), which is a critical tool to ensure optimal future economic return for the Company's land holdings. The protocol was used during the year for replanning and afforestation of the fire damaged areas in Chimanimani.

**Harvesting**

Harvesting operations were severely curtailed for the reasons mentioned above. The company continued to source timber from other outside sources because of the shortage of mature standing timber at the company's plantations.

**SAWMILLING**

The sawmills continued to experience disruptions to production mainly because of unscheduled, erratic power outages, and sawmill employees being called upon to assist in fighting fires in the southern plantations. Some timber from fire damaged plantations was salvaged but the salvaged trees

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**Operational Review (continued)**

were immature. This affected the grade quality of the sawn timber and recoveries at the sawmills. Due to the shortage of the mature timber delivered to the sawmills, the biggest mill, Charter, will be reduced to a single shift from a double shift, in the coming year. This will obviously affect the production volume from that mill.

The southern mills also suffered from labour turnover due to gold panning activities in Mozambique.

#### **MANUFACTURING**

##### **Paulington Factory**

The reduction in supply of peeler logs and rough sawn timber from both forestry and sawmilling divisions culminated in the reduction of operational activity at the factory. The factory, thus, operated on a single shift in the last ten months of the financial year. Efforts are underway to secure alternative sources of timber.

It was reported in last year's Annual Report that judgment was still pending on a dispute with ZIMRA over tariff classification of raw materials used to manufacture glue. I am pleased to advise that the Supreme Court judgment was in the Company's favour and the raw materials were released on the correct tariffs. Compensation will now be sought on those raw materials that had a shelf life which expired during the dispute.

##### **Border Timbers International**

Again due to reduced supply of rough sawn timber, this factory was reduced to a single shift in October 2006.

During the year, a decision was made to curtail production of engineered doors as a result of this product's inability to contribute to profits. BTI has re-focused its production from doors to other higher margin products.

#### **THE MARKETS.**

The local market continued to experience subdued demand as both the construction and furniture sectors remained depressed. High interest rates and lack of mortgage finance affected the construction industry. The furniture sector on the other hand was affected by reduced spending on furniture in the domestic market, reduced competitiveness on the export market and competitiveness from lowly priced imports.

Demand in the South African market remained firm for most of the year, however, in the last quarter buyers started to demand reduced prices because of high timber inventories. Imports of plywood in the coastal parts of South Africa are on the increase and these are mainly from Brazil, Chile and China. Despite all this, demand for lumber is expected to remain firm in the new year.

The Government of Botswana reduced Public Sector Expenditure in the second half of the year which affected demand for lumber and related products. Against this background the South African suppliers who had high levels of stock started to reduce prices in this market.

Volumes in Mozambique continued to grow particularly on pole products. The challenge has been the procurement of the treatment chemical, creosote, from Kwekwe. This market has great potential for growth and

the company is well positioned to serve this market.

#### **CAPITAL EXPENDITURE**

Capital expenditure for the year amounted to \$155 billion (old money) compared to \$20 billion last year. The breakdown of the capital expenditure was as follows:

1. Plantation expenditure of \$114 billion
2. Plant, machinery, motor vehicles and other capital expenditure amounted to \$41 billion

#### **LAND ISSUES**

There was no improvement during the year on illegal occupation of the company's plantations; in fact there were renewed activities within the estates. This is very concerning for the future of the industry as some areas are now not accessible for re-establishment. The authorities have continued to assure the industry that the issue will be resolved in the near future.

#### **HUMAN RESOURCES**

Industrial relations remained stable throughout the year and both management and employees are congratulated for the mature way they dealt with issues that arose in the course of 2006.

Subsequent to the year end, 94 employees have been voluntarily retrenched.

J Gadzikwa  
**MANAGING DIRECTOR**  
28<sup>th</sup> September 2006

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**Finance Review**

**Introduction**

As reported in the previous year, power outages have become a major constraint in the struggle to run cost effective, profitable operations. This year, arson fires at previously unrecorded levels, added to the problems to be coped with by management. In addition, following the dramatic increase in inflation, interest rates reached new highs and the cost of borrowing became almost unsustainable. As shareholders are aware, the vast majority of the group's income is in foreign exchange. The exchange rates with foreign currencies became static for more than half of the year and so whilst input costs were rising rapidly on a monthly basis, income was static resulting in a loss of profits and a rapid deterioration in cash flow.

**Operating Results**

The volume throughput in all operations reduced compared to the previous year and were below budget for the year. However, with stringent cost controls, operating margins were satisfactory. Overheads including interest were difficult to control and income before taxation only increased six and a half times compared to last year, whilst in the previous financial year it had increased by 24 times.

This trend will continue in the current year. Plantation expenditure for the year was \$114 billion and additions to fixed assets amounted to \$41 billion.

**Assets Replacement and Refurbishment**

In 2004, the Board of Directors had agreed on a program of fixed assets replacement and refurbishment. This program was vigorously pursued in the 2004 – 2005 financial year but ran into cash flow constraints in the latter part of that year. This problem persisted throughout the current financial year and will continue in the new year. Consequently, the majority of capital expenditure in this year was directed at reforestation.

**Working capital**

Hyperinflation conditions in the country continued unabated and working capital requirements increased rapidly. Current assets increased by \$549 billion. This was mainly financed by increased borrowings of \$343 billion but also by additional amounts owing to creditors of \$263.

**Fixed Assets and Plantations**

The directors again conducted a fixed assets and plantation revaluation on 30<sup>th</sup> June 2006. This was based on depreciated replacement cost in the case of fixed assets and estimated fair value in the case of plantations.

The requirements of International Accounting Standard 16 (Property, Plant and Equipment) changed during the year. Management is now required to review the "remaining useful lives" and the "residual values" of all fixed assets on an annual basis

and where these have changed for any reason, to give effect to these changes in the valuation and depreciation of fixed assets.

This exercise was carried out and the necessary changes made. Due to the high inflation in the country it was ascertained that the carrying amounts in the books of account for many fixed assets, exceeded their residual values and therefore these assets are no longer being depreciated.

**International Accounting Standard 29 (Hyperinflation)**

In that the Radar Group's position as regards this standard remains unchanged, we have not adopted this standard because it is believed that the benefits normally associated with inflation reporting do not truly exist.

**International Accounting Standard 41 (Agriculture)**

This reporting standard, which became operational for the group on 1<sup>st</sup> July 2003, requires that our "Biological Assets" be stated at fair value. As indicated in the financial statements, the directors' revaluation of the group's plantations has now met the requirements of this Standard, except that the surplus on revaluation has been transferred to capital reserve and not the income statement.

D Benecke  
**FINANCE DIRECTOR**  
28<sup>th</sup> September 2006

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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Directors' Report**

Your Directors have pleasure in submitting their reports and consolidated financial statements for the year ended 30<sup>th</sup> June 2006.

**Results**

The results as set out below show retained income for the year of \$79 407 864 000 (2005 \$10 546 754 000), made up as follows: -

	<b>2006</b> <b>ZWD\$'000s</b>	<b>2005</b> <b>ZWD\$'000s</b>
Turnover	1 482 531 277	165 346 722
Income before interest and taxation	384 401 073	52 205 665
Net Interest Payable	362 228 357	38 421 622
Income before taxation	22 172 716	13 784 043
Taxation	(57 235 148)	3 237 289
Income after taxation & attributable to shareholders	79 407 864	10 546 754

**Non Distributable reserves**

Details of movements in reserves are shown in note 12 to the group financial statements.

**Directors**

Mr. G Theart resigned during the year. Messrs J Gadzikwa and P W T Chipudhla retire by rotation and all being eligible, offer themselves for re-election.

**Directors' Emoluments**

Members will be asked to determine the remuneration of the non-executive directors for the year to 30<sup>th</sup> June 2006.

**Auditors**

Members will be asked to approve the Auditors' remuneration for the past audit and to confirm the re-appointment of Messrs. Ernst & Young as auditors to the Company for the ensuing year, who have signified their willingness to continue in office.

On behalf of the Board

**P W T Chipudhla**  
**Chairman**

**K R R Schofield**  
**Director**

Harare  
25<sup>th</sup> October 2006

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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Auditors Report**

**REPORT OF THE INDEPENDENT AUDITORS**  
to the members of Border Timbers Limited

We have audited the financial statements of Border Timbers Limited for the year ended 30 June 2006 on pages 13 to 39

**Respective responsibility of Directors and Auditors**

The financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

**Scope**

We conducted our audit in accordance with approved International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements.
- Assessing the accounting principles used and significant estimates made by management , and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

**Basis of opinion**

The Zimbabwean economy is recognised as being hyperinflationary for purposes of financial reporting. These financial statements have not been prepared in conformity with International Financial Reporting Standards, in that the requirements of IAS 29 (Financial Reporting in Hyperinflationary Economies) have not been complied with. The standard requires that financial statements that report in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date.

The financial effect of non-compliance with IAS 29 has not been formally established for the reason given in Note 25.1.

**Non Compliance, with other International Financial Reporting Standards**

Certain Freehold buildings are not depreciated. This is contrary to IAS 16 (Property, Plant & Equipment) Note 25.2.

The increase in the fair value of plantations has been credited to revaluation reserve rather than the income statement. This is contrary to IAS 41 (Agriculture) Note 25.3.

The requirements of all other International Financial Reporting Standards have been complied with under the historical cost convention.

**Disclaimer of Opinion**

In view of the pervasiveness of the matter referred to in respect of non compliance with Financial Reporting in Hyperinflationary Economies (IAS 29) and the effective limitation of scope imposed on our work, as a result of the absence of the information that should have been extracted from the group's records, necessary to assess the materiality of that non-compliance , we are unable to express an opinion on the financial statements as regards to conformity with International Financial Reporting Standards.

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**Auditors Report - Continued**

**Opinion on the historical cost financial statements**

The attached financial statements have been prepared under the historical cost convention and would form the basis for the restatement in terms of IAS 29. In our opinion, except for non compliance with International Financial Reporting Standards as noted in the preceding paragraphs, the historical cost financial statements, in all material respects, give a true and fair view of the financial position of the group and company as at 30 June 2006 and of the results of the group operations and cash flows for the year then ended, as measured by that convention, and in accordance with the Companies Act (Chapter 24: 03).

**Emphasis of Matter**

Without qualifying our opinion further, we draw your attention to a fundamental uncertainty arising from the nature of implementation of amendment No 17 2005 to the Constitution of Zimbabwe: (Note 26).

**Ernst & Young**

**CHARTERED ACCOUNTANTS (ZIMBABWE)**

**HARARE**  
**25th October 2006**

## **BORDER TIMBERS LIMITED - GROUP**

**A Subsidiary of**

### **RADAR HOLDINGS LIMITED**

(Incorporated in Zimbabwe)

**Annual Report for the Year ended 30<sup>th</sup> June 2006**

#### **Statement of Principal Accounting Policies**

##### **1. NATURE OF BUSINESS**

The Company, which is incorporated in Zimbabwe, grows and processes forest plantations into sawn timber, and other related timber products.

##### **2. ACCOUNTING POLICIES AND FINANCIAL REPORTING CONVENTION**

The accounting policies adopted in the preparation of the year-end financial statement have been followed consistently in all material respects. The financial statements are prepared under the historical cost convention, except that the directors have revalued fixed assets and plantations at 30<sup>th</sup> June 2006. No other procedures have been adopted to reflect the impact of specific price changes or changes in the general level of prices.

##### **3. BASIS OF CONSOLIDATION**

The assets, liabilities, income and losses of the wholly owned subsidiaries are consolidated on the basis of audited financial statements for the year ended 30th June 2006. Subsidiaries are consolidated from the effective dates of acquisition.

Inter-company transactions, balances and unrealised gains or transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

##### **4. INTEREST IN GROUP COMPANIES AND INVESTMENTS**

Interest in group companies and investments are stated at cost to the Group. Provision is made only for any material and permanent diminution in the value of these investments.

##### **5. INFLATION ADJUSTED FINANCIAL STATEMENTS**

The accounts have not been prepared in conformity with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies", as the directors are of the view that the cost of preparing inflation adjusted financial statements would be out of proportion to the perceived benefits to the members and other stakeholders. The financial effects of non-compliance with IAS29 have, accordingly, not been formally established. In monitoring and assessing the performance of the group based on the historical cost financial statement and other relevant factors, the directors do consider the effects of the high rate of inflation in Zimbabwe.

##### **6. REVENUE RECOGNITION**

Turnover comprises the net amounts receivable in the ordinary course of events in respect of sales to customers, group companies and divisions and is brought to account when it is established that the economic benefits associated with the transactions concerned, will flow to the group.

##### **7. LONG TERM BORROWINGS AND LOANS**

Borrowings or loans not payable or receivable within one year, are classified as long term.

##### **8. FIXED ASSETS**

Fixed assets are carried at revalued amounts following the annual revaluation. International Accounting Standard 16 "Property, Plant and Equipment" requires that revaluations of fixed assets be undertaken on a regular basis. The directors revalue all fixed assets at the end of each financial year, on the basis of depreciated replacement cost. Any revaluation surplus after adjusting for accumulated depreciation is transferred to Capital Reserve and is available to offset any future deficit on the revaluation of fixed assets. As part of the revaluation exercise, impairment of any asset is identified and these assets are either scrapped or written down to their net realisable values.

##### **9. PLANTATIONS**

International Accounting Standard 41 "Agriculture" requires that the company values its "Biological Assets" at fair value. At the end of each financial year, the directors revalue the biological assets to their estimated fair value. Surpluses or deficits on revaluation are transferred to capital reserve and not to the income statement as required by the Standard.

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(Incorporated in Zimbabwe)

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### **Statement of Principal Accounting Policies (continued)**

#### **10. DEPRECIATION OF FIXED ASSETS**

Annual depreciation is provided for using the revalued amounts for last year as a base. The provision is calculated at varying rates on a straight line basis over the remaining useful lives of buildings & improvements, plant machinery & equipment and vehicles & tractors. Depreciation is not provided on freehold land, capital work in progress, dams, roads and bridges. Following the latest changes to International Accounting Standard 16 "Property, Plant and Equipment", the "remaining useful lives" and "residual values" of all fixed assets were reassessed and where necessary depreciation charges for this year were adjusted accordingly, resulting in an amount of \$ 1000 000 being written back to the income statement during the year. As this is a change in accounting estimate the change is applied prospectively and no adjustment has been made to prior year estimates.

The rates used to calculate depreciation are as follows:-

- Buildings and improvements 4 to 30 years
- Plant, Machinery and Equipment 5 to 33 years
- Motor Vehicles and Tractors 5 to 10 years

#### **11. STOCK**

Stocks are valued at the lower of cost and net realisable value after appropriate provisions for redundant and slow moving items. Cost is determined on the following bases:-

- Raw materials are valued at invoice cost on an average basis. Consumables are expensed in the period in which they are bought.
- Manufactured and sawn timber products are valued at average raw material costs plus direct production costs, transport and handling costs where applicable and a proportion of fixed production overheads.
- Inventories of forest products, other than sawn timber, are valued and brought to account only when all production processes are complete and the products are available for sale.

#### **12. TAXATION**

- a. **Normal**  
Provision is made for normal taxation, where applicable, at the current rate on the taxable income for the year based on the rates and tax laws enacted at the balance sheet date.
- b. **Residents' Tax on Interest**  
Nil.
- c. **Deferred**  
Deferred taxation is provided for using the full liability method on temporary differences at the balance sheet date, between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. All deferred tax liabilities are recognized and deferred tax assets are only recognized where it is probably that taxable profits will arise in the future against which, these assets can be setoff.
- d. **Capital Gains**  
Provision is made for capital gains taxation, where applicable, at the current rate on the taxable gains for the year based on the rates and tax laws enacted at the balance sheet date.

#### **13. FOREIGN CURRENCIES**

Transactions in foreign currencies are translated into Zimbabwean dollars at the rates of exchange on the date of the transaction. Assets and liabilities in foreign currencies are translated into Zimbabwean dollars at the rates of exchange ruling at the year end.

#### **14. EMPLOYEE BENEFITS**

Employee benefits are provided for company employees through the Radar Group Pension Fund and an independently administered fund. Both these funds are defined contribution schemes. In addition, the company participates in the National Social Security Authority Fund.

#### **15. FINANCIAL INSTRUMENTS**

Financial instruments carried on the balance sheet include cash, trade debtors, trade creditors and borrowings. These instruments are carried at fair value and any impairment is recognized in the Income Statement.

**BORDER TIMBERS LIMITED - GROUP**

**A Subsidiary of**

**RADAR HOLDINGS LIMITED**

(Incorporated in Zimbabwe)

**Annual Report for the Year ended 30<sup>th</sup> June 2006**

**STATEMENT OF PRINCIPAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

***JUDGEMENTS***

No significant judgments have been made which effect the amounts recognised in the financial statements.

***ESTIMATION UNCERTAINTY***

The key assumptions made by the directors at the balance sheet date which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:-

a. **Fixed Assets**

Fixed assets have been revalued in United States Dollars and the carrying amounts shown in the balance sheet are arrived at by converting these figures at the ruling rate of exchange with the Zimbabwean Dollar at 30<sup>th</sup> June 2006.

b. **Plantations**

Plantations are revalued to fair value based on United States Dollar plantation costs in the region. The carrying amount shown in the balance sheet is arrived at by converting this figure at the ruling rate of exchange with the Zimbabwean Dollar at 30<sup>th</sup> June 2006.

**BORDER TIMBERS LIMITED - GROUP**  
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(Incorporated in Zimbabwe)  
**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Consolidated Income Statement**

		<b>2006</b>	<b>2005</b>
	<b>Notes</b>	<b>ZW\$'000s</b>	<b>ZW\$'000s</b>
<b>TURNOVER</b>	2	1 482 531 277	165 346 722
<b>Cost of Sales</b>		<u>871 542 750</u>	<u>106 550 106</u>
<b>GROSS PROFIT</b>		610 988 527	58 796 616
<b>Other operating income</b>		28 022 967	5 998 134
<b>Other expenses</b>		(31 413 979)	(1 889 447)
<b>Distribution and selling expenses</b>		(111 473 348)	(20 185 314)
<b>Administration expenses</b>		<u>(111 723 094)</u>	<u>9 485 675</u>
<b>INCOME BEFORE INTEREST and TAXATION</b>		384 401 073	52 205 664
<b>Net interest payable</b>	4	<u>362 228 357</u>	<u>38 421 621</u>
<b>INCOME BEFORE TAXATION</b>	5	22 172 716	13 784 043
<b>Taxation</b>	7	<u>(57 235 148)</u>	<u>3 237 289</u>
<b>INCOME AFTER TAXATION</b>		79 407 864	10 546 754
<b>RETAINED BY – HOLDING COMPANY</b>		100 192 988	13 057 972
<b>- SUBSIDIARY</b>		<u>(20 785 124)</u>	<u>(2 511 218)</u>
		<u>79 407 864</u>	<u>10 546 754</u>
<b>EARNINGS PER SHARE (BASIC) – DOLLARS</b>	8	<u>\$1 849.17</u>	<u>\$245.60</u>
<b>EARNINGS PER SHARE (HEADLINE) – DOLLARS</b>	8	<u>\$1 828.04</u>	<u>\$210.91</u>

**BORDER TIMBERS LIMITED - GROUP**  
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(Incorporated in Zimbabwe)  
**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Consolidated Balance Sheet**

		<b>2006</b>	<b>2005</b>
	<b>Notes</b>	<b>ZW\$'000s</b>	<b>ZW\$'000s</b>
<b>FUNDS EMPLOYED</b>			
Share capital	10	85 885	85 885
Share premium	11	47 879	47 879
Capital reserve	12	7 289 501 140	1 230 695 157
Retained income		186 740 225	35 106 673
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>		7 476 375 129	1 265 935 594
<b>DEFERRED TAXATION</b>	13	3 244 957 828	560 531 340
<b>LONG AND MEDIUM TERM LIABILITIES</b>	14	34 050 782	15 000 000
		<hr/>	<hr/>
		10 755 383 739	1 841 466 934
<b>EMPLOYMENT OF FUNDS</b>			
<b>FIXED ASSETS</b>	15	5 969 716 707	969 882 229
<b>PLANTATIONS</b>	16	4 775 632 894	832 796 000
<b>INVESTMENTS AND LOANS</b>	17	30	198
<b>INTEREST IN GROUP COMPANIES</b>	18	(27 266 203)	(1 178 313)
<b>CURRENT ASSETS</b>	19	717 207 696	112 989 764
<b>CURRENT LIABILITIES</b>	20	(679 907 385)	(73 022 944)
<b>NET CURRENT ASSETS</b>		37 300 311	39 966 820
		<hr/>	<hr/>
		10 755 383 739	1 841 466 934

The financial statements on pages 13 to 41 were approved by the Board of Directors and authorised for issue on the 25<sup>th</sup> October 2006 and are signed on its behalf by:

**P.W.T. CHIPUDHLA**  
**DIRECTOR**

**K.R.R. SCHOFIELD**  
**DIRECTOR**

**BORDER TIMBERS LIMITED - GROUP**

A Subsidiary of

**RADAR HOLDINGS LIMITED**

(Incorporated in Zimbabwe)

Annual Report for the Year ended 30<sup>th</sup> June 2006**Group Statement of Changes in Equity**

	Share Capital ZW\$'000s	Share Premium ZW\$'000s	Capital Reserves ZW\$'000s	Revenue Reserves ZW\$'000s	Total ZW\$'000s
<b>Balance as at 1 July 2004</b>	85 885	47 879	24 707 770	24 559 919	49 401 453
Transfer from deferred capital gains tax	-	-	595	-	595
Revaluation – Plantations	-	-	787 904 295	-	787 904 295
Revaluation – Fixed Assets	-	-	957 373 262	-	957 373 262
Transfer to deferred taxation			(539 290 765)		(539 290 765)
Income for the year after taxation attributable to shareholders	-	-	-	10 546 754	10 546 754
<b>Balance at 30 June 2005</b>	<b>85 885</b>	<b>47 879</b>	<b>1 230 695 157</b>	<b>35 106 673</b>	<b>1 265 935 594</b>
<b>Balance as at 1 July 2005</b>	85 885	47 879	1 230 695 157	35 106 673	1 265 935 594
Transfer from deferred capital gains tax	-	-	595	-	595
Revaluation – Plantations	-	-	3 922 689 701	-	3 922 689 701
Revaluation – Fixed Assets	-	-	4 950 003 607	-	4 950 003 607
Transfer to deferred taxation			(2 741 662 232)		(2 741 662 232)
Transfer to Revenue Reserves of plantation realisations			(72 225 688)	72 225 688	-
Income for the year after taxation attributable to shareholders	-	-	-	79 407 864	79 407 864
<b>Balance at 30 June 2006</b>	<b>85 885</b>	<b>47 879</b>	<b>7 289 501 140</b>	<b>186 740 225</b>	<b>7 476 375 129</b>

**BORDER TIMBERS LIMITED - GROUP**

A Subsidiary of

**RADAR HOLDINGS LIMITED**

(Incorporated in Zimbabwe)

Annual Report for the Year ended 30<sup>th</sup> June 2006**Group Cash Flow Statement**

		<b>2006</b>	<b>2005</b>
		<b>ZW\$'000s</b>	<b>ZW\$'000s</b>
	<b>Notes</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before interest		384 401 073	52 205 664
Non-cash items	24.1	103 485 046	2 416 220
		<u>487 886 119</u>	<u>54 621 884</u>
Increase in working capital	24.2	(209 818 150)	(27 139 534)
		<u>278 067969</u>	<u>27 482 350</u>
Net interest paid	4	(362 228 357)	(38 421 621)
Taxation paid	24.3	(225 136)	(1 091 801)
		<u>(362 453 493)</u>	<u>(39 513 422)</u>
<b>Net (Outflow) From Operating Activities</b>		<u>(84 385 524)</u>	<u>(12 031 072)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(40 844 164)	(9 368 652)
Plantation Expenditure		(114 423 753)	(11 162 478)
(Increase) in capital work-in-progress		( 19 307 118)	( 100 005)
Proceeds on disposal of fixed assets		1 111 924	1 873 533
Decrease in investments and loans	24.4	168	295
<b>Net (Outflow) From Investing Activities</b>		<u>(173 462 943)</u>	<u>(18 757 307)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest bearing liabilities			
<b>Net Inflow From Financing Activities</b>	24.5	203 577 273	27 582 032
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>(54 271 194)</u>	<u>(3 206 347)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		(1 054 844)	2 151 503
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u>(55 326 038)</u>	<u>(1 054 844)</u>

**BORDER TIMBERS LIMITED - GROUP**

A Subsidiary of

**RADAR HOLDINGS LIMITED**

(Incorporated in Zimbabwe)

Annual Report for the Year ended 30<sup>th</sup> June 2006**Notes to the Group Financial Statements****1, SEGMENT INFORMATION****YEAR ENDED 30 June 2006**

	Forestry ZWD\$'000	Manufacturing. ZWD\$'000	Services ZWD\$'000	Trading ZWD\$'000	Group ZWD\$'000
<b>Revenue</b>					
Turnover	687 804 689	384 870 751	-	409 855 837	1 482 531 277
<b>Results</b>					
Operating profit/(loss)/ before interest & taxation	148 308 306	147 271 403	(122 767 375)	211 588 739	384 401 073
Net interest payable	-	(174 742)	(362 053 615)	-	(362 228 357)
Taxation	-	606 500	(57 841 648)	-	(57 235 148)
Income attributable to ordinary shareholders	148 308 306	146 490 160	(426 979 341)	211 588 739	79 407 864
<b>Balance sheet</b>					
Assets	9 698 544 180	379 030 246	1 384 982 902	0	11 462 557 328
Liabilities	31 334 528	200 307 126	3 754 540 544	0	3 986 182 198
<b>Other Information</b>					
Capital expenditure	145 278 706	1 120 390	8 868 821	0	155 267 917
Depreciation	1 224 543	8 076 801	814 391	0	10 115 735
Employee numbers	1 883	443	96	0	2 420

**YEAR ENDED 30 June 2005**

	Forest ZWD\$'000	Manufacturing. ZWD\$'000	Services ZWD\$'000	Trading ZWD\$'000	Group ZWD\$'000
<b>Revenue</b>					
Turnover	72 773 457	61 126 082	-	31 447 184	165 346 722
<b>Results</b>					
Operating profit/(loss) before interest & taxation	30 545 111	9 929 541	(1 567 688)	13 298 700	52 205 664
Net interest payable	-	(21 737)	(38 399 884)	-	(38 421 621)
Taxation	-	728 785	(3 966 074)	-	(3 237 289)
Income attributable to ordinary shareholders	30 545 111	10 636 589	(43 933 647)	13 298 701	10 546 754
<b>Balance sheet</b>					
Assets	1 508 810 197	86 551 460	320 306 534	0	1 915 668 191
Liabilities	8 662 786	23 138 731	617 931 080	0	649 732 597
<b>Other Information</b>					
Capital expenditure	19 207 525	79 000	1 244 605	0	20 531 130
Depreciation	626 961	45 851	462 036	0	1 134 848
Employee numbers	2 081	623	85	0	2 789

The Group is organised into four main business segments, all of which operate in Zimbabwe:

- Forestry: growing and milling of hardwood and softwood timber
- Manufacturing: manufacture and supply of product to the agricultural, mining, engineering, and building sectors
- Services: property holdings and corporate office activities.
- Trading: supplying products to the industrial, wholesale and engineering sectors

**2006**  
**ZW\$'000s**

**2005**  
**ZW\$'000s**

**2 TURNOVER,**

Turnover comprises net sales to and commissions received from, customers and group companies.

Consolidated turnover excludes sales to, and commissions received from, group companies.

1 482 531 277

165 346 722

**BORDER TIMBERS LIMITED – GROUP**  
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(Incorporated in Zimbabwe)  
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**Notes to the Group Financial Statements (continued)**

**3. RELATED PARTY DISCLOSURES**

The group trades with various fellow subsidiary and jointly controlled companies. These are conducted on an arms length basis and are not material to the group's results. In addition, the group participates in financial transactions involving the holding company, fellow subsidiaries, a subsidiary and variously other jointly controlled companies.

The consolidated financial statements include the financial statements of Border Timbers Limited and the following subsidiary companies.

<b>Name</b>	<b>Country of Incorporation</b>	<b>Activities</b>	<b>%age Equity Interest</b>	
			<b>2006</b>	<b>2005</b>
Border Timbers International (Pvt) Ltd	Zimbabwe	Manufacturing	100	100
Hangani Development Company (Pvt) Ltd	Zimbabwe	Dormant	100	100
Mercury Developments (Pvt) Ltd	Zimbabwe	Dormant	100	100

	<b>2006</b>	<b>2005</b>
	<b>ZW\$'000's</b>	<b>ZW\$'000's</b>
<b>a) Key Management Personnel Remuneration and other Compensation</b>		
Directors Fees	0	0
Remuneration		
- Cash Remuneration	4,324,926	245,200
- Short Term Employee Benefits	802,391	18,139
- Long Term Employee Benefits	28,663	0
	<u>5,155,980</u>	<u>263,339</u>
<b>b) Key Management Personnel Transactions</b>		
Current Accounts		
- Opening Balances	0	0
- Net Movement During the Year	0	0
- Closing Balances	<u>0</u>	<u>0</u>
<b>c) Income Statement Information</b>		
Holding Company		
- Interest Paid	0	1,628,247
Fellow Subsidiaries		
- Interest Paid	29,138,047	261,199
- Sales	68,646,998	13,213,981
- Purchases	6,846,613	465,131
- Other Amounts Paid	156,911	939
Jointly Controlled Companies		
- Interest paid	48,033,686	2,110,402
- Other Amounts Paid	<u>850,000</u>	<u>1,051,000</u>
<b>d) Balance Sheet Information</b>		
Closing Balances		
- Forrester Estate	(23,966,288)	(287,844)
- Franconian	(16,080,129)	(12,000,000)
- Radar Investments	(6,187,449)	1,380,723
- MacDonald Bricks	(19,212,972)	386,723
- UBM	8,389,664	2,673,149
- Radar Properties	(18,005,745)	(3,000,767)
- Rift Valley Holdings	5,565,529	0
- Tradecorp	<u>(3,254,593)</u>	<u>0</u>

**BORDER TIMBERS LIMITED - GROUP**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notes to the Group Financial Statements (continued)**

	<b>2006</b>	<b>2005</b>
	<b>ZW\$'000's</b>	<b>ZW\$'000's</b>
<b>4. NET INTEREST</b>		
Short term liabilities/investments		
- paid	364 340 012	39 059 155
- received	(2 111 655)	(637 534)
	<u>362 228 357</u>	<u>38 421 621</u>
<b>5 INCOME BEFORE TAXATION</b>		
<b>Income before taxation is stated after</b>		
<b>- charging:</b>		
Auditors' remuneration		
- current	25 567 484	1 760 512
- prior year under provision	806 799	371 773
	<u>26 374 283</u>	<u>2 132 285</u>
Directors' emoluments		
- as directors	-	-
- for management	5 155 981	263 339
	<u>5 155 981</u>	<u>263 339</u>
Plantation Redemption	94 276 560	2 771 073
Provisions		
- Depreciation	10 037 021	876 718
- Doubtful debts charge/(reversal)	6 020 309	(1 081 906)
- General	50 000 000	-
	<u>66 057 330</u>	<u>205 188</u>
Staff costs (note 6)	<u>345 338 257</u>	<u>48 549 084</u>
<b>- crediting:</b>		
Exchange profit	143 587 789	32 459 260
Profit on sale of fixed assets	907 249	1 489 701
	<u>144 495 038</u>	<u>33 948 961</u>
<b>6 STAFF COSTS</b>		
- Salaries and wages	320 912 567	45 120 372
- Pension costs	17 854 837	2 926 915
- Medical aid costs	6 570 853	501 797
	<u>345 338 257</u>	<u>48 549 084</u>
<b>Manning levels at 30.06.2006</b>		
Permanent	<b>Nos.</b> 1 744	<b>Nos.</b> 1 938
Contract	676	851
	<u>2 420</u>	<u>2 789</u>

**BORDER TIMBERS LIMITED - GROUP**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notes to the Group Financial Statements (continued)**

	2006 ZW\$'000s	2005 ZW\$'000s
<b>7 TAXATION</b>		
Company taxation	-	80 227
Deferred	(57 235 148)	3 157 062
Capital Gains	-	-
Withholding tax	-	-
	<u>(57 235 148)</u>	<u>3 237 289</u>

The Group's effective rate of taxation is below the current rate of 30.90% (2005 - 30.90%) and is reconciled as follows:

	%	%
Taxation at normal rate	30.90	30.90
Tax effect of net disallowable expenses and exempt income	(53.75)	14.29
Tax effect of EPZ discounted rate	-	(11.65)
Tax effect of temporary differences arising from exchange rate movements	13.49	0.00
Tax effect of accelerated capital allowances	(245.33)	(8.04)
Tax effect of export allowances	(5.30)	(2.00)
Tax effect of tax loss not claimable	1.87	-
Effective rate of taxation for the year	<u>(258.14)</u>	<u>23.49</u>

The group has computed income tax losses carried forward amounting to:-

	<u>(150 417 389)</u>	<u>(381 722)</u>
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**8 HEADLINE EARNINGS PER SHARE**

Headline earnings per share is based on the Group's headline earnings divided by the number of shares or where applicable the weighted average number of shares in issue during the year. 42 942 495 shares were in issue for both years.

**Reconciliation between earnings and headline earnings:**

	2006 Net Income ZW\$'000s	Per share \$'s	2005 Net Income ZW\$'000s	Per share \$'s
<b>Earnings as reported (Basic)</b>	79 407 864	1 849.17	10 546 754	245.60
Adjustments:				
Profit on sales of fixed assets	( 907 249)	(21.13)	( 1 489 701)	(34.69)
Headline Earnings	<u>78 500 615</u>	<u>1 828.04</u>	<u>9 057 053</u>	<u>210.91</u>

	2006 ZW\$'000s	2005 ZW\$'000s
<b>9 INCOME AFTER TAXATION</b>		
The income after taxation in the accounts of the Holding Company amounts to	<u>100 192 988</u>	<u>13 057 972</u>

**BORDER TIMBERS LIMITED - GROUP**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notes to the Group Financial Statements (continued)**

	2006 ZW\$'000s	2005 ZW\$'000s
<b>10 SHARE CAPITAL</b>		
Ordinary shares of \$2 each		
- authorised	43 000 000	86 000
- unissued	57 505	115
<b>Issued and fully paid</b>	<u>42 942 495</u>	<u>85 885</u>

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

<b>11 SHARE PREMIUM</b>		
<b>At 30 June 2006 and 30<sup>th</sup> June 2005</b>	<u>47 879</u>	<u>47 879</u>

<b>12 CAPITAL RESERVE</b>		
At 30 June 2005	1 230 695 157	24 707 770
Surplus arising on revaluation of:		
- Plantations	3 922 689 701	787 904 295
- Fixed assets	4 950 003 607	957 373 262
Transfer to Deferred Taxation	(2 741 662 232)	(539 290 765)
Transfer from Deferred Capital Gains	595	595
Transfer of realised portion on plantations	(72 225 688)	-
<b>At 30 June 2006</b>	<u>7 289 501 140</u>	<u>1 230 695 157</u>
<b>Analysis</b>		
Surplus on revaluation of land, buildings, plantations and plant and equipment	<u>7 289 501 140</u>	<u>1 230 695 157</u>

<b>13. DEFERRED TAXATION</b>		
<b>Temporary Differences</b>		
At 30 June 2005	560 527 815	18 079 988
Transfer ex Capital Reserve	2 741 662 232	539 290 765
Current year charge to income statement	(57 235 148)	3 157 062
	<u>3 244 954 898</u>	<u>560 527 815</u>
<b>Capital Gains</b>	2 930	3 525
<b>At 30 June 2006</b>	<u>3 244 957 828</u>	<u>560 531 340</u>

<b>14. LONG AND MEDIUM TERM LIABILITIES</b>		
<b>Interest Bearing - Unsecured</b>		
Radar Properties (Pvt) Ltd	17 970 652	3 000 000
Franconian Zimbabwe Investments (Pvt) Ltd	16 080 130	12 000 000
	<u>34 050 782</u>	<u>15 000 000</u>

Repayable in monthly installments for capital and interest of \$12 707 000 000 and bearing interest at a rate of 338% per annum. There will be no meaningful reduction in the capital amount owing during the year ended 30<sup>th</sup> June 2006 as interest is calculated monthly and capitalised against the amount owing.

<b>Interest Free - Unsecured</b>		
Total taxation payable	735 429	226 563
Deduct:		
Taxation due within one year (Note 20)	735 429	226 563
	-	-
	<u>34 050 782</u>	<u>15 000 000</u>

**BORDER TIMBERS LIMITED - GROUP**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notes to the Group Financial Statements (continued)**

**15. FIXED ASSETS – Zw\$000's**

30 <sup>TH</sup> JUNE 2006 REVALUATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2006 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2005	691,443,406	206,287,356	67,983,170	4,155,922	12,375	969,882,229
ADDITIONS	0	0	37,312,800	3,531,364	0	40,844,164
DISPOSALS	0	0	(270,392)	(33,325)	0	(303,717)
REVALUATION – DIRECTORS AT 30 <sup>TH</sup> JUNE 2006	3,398,815,531	966,452,992	510,197,542	36,463,137	38,074,405	4,950,003,607
CAPITAL WORK IN PROGRESS: - (OPENING BALANCE)	0	(2,064)	(776,035)	(199,083)	0	(977,182)
- CLOSING BALANCE	0	13,192,418	6,627,728	464,154	0	20,284,300
<b>CLOSING BALANCE – 30<sup>TH</sup> JUNE 2006</b>	<b>4,090,258,937</b>	<b>1,185,930,702</b>	<b>621,074,813</b>	<b>44,382,169</b>	<b>38,086,780</b>	<b>5,979,733,401</b>

30 <sup>TH</sup> JUNE 2006 DEPRECIATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2006 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2005	0	0	0	0	0	0
CURRENT YEAR'S CHARGE	5,217,089	3,471,303	1,322,761	104,582	0	10,155,735
DISPOSALS	0	0	(88,340)	(10,701)	0	(99,041)
REVALUATION – DIRECTORS AT 30 <sup>TH</sup> JUNE 2006						
<b>CLOSING BALANCE – 30<sup>TH</sup> JUNE 2006</b>	<b>5,217,089</b>	<b>3,471,303</b>	<b>1,234,421</b>	<b>93,881</b>	<b>0</b>	<b>10,016,694</b>
<b>NET BOOK VALUE – 30<sup>TH</sup> JUNE 2006</b>	<b>4'085,041,848</b>	<b>1,182,45,399</b>	<b>619,840,392</b>	<b>44,288,288</b>	<b>38,086,780</b>	<b>5,969,716,707</b>

30 <sup>TH</sup> JUNE 2005 REVALUATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2005 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2004	325,033	364,760	3,886,969	487,837	12,375	5,076,974
ADDITIONS	56,691	0	8,063,077	1,248,884	0	9,368,652
DISPOSALS	0	0	(50,340)	0	0	(50,340)
TRANSFERS - OUT	0	0	(441,660)	0	0	(441,660)
REVALUATION – DIRECTORS AT 30 <sup>TH</sup> JUNE 2005	691,071,425	205,922,596	56,336,344	2,498,232	0	955,828,597
CAPITAL WORK IN PROGRESS: - (OPENING BALANCE)	(9,743)	(2,065)	(587,255)	(278,114)	0	(877,177)
- CLOSING BALANCE	0	2,0645	776,035	199,083	0	977,183
<b>CLOSING BALANCE – 30<sup>TH</sup> JUNE 2005</b>	<b>691,443,406</b>	<b>206,287,356</b>	<b>67,983,170</b>	<b>4,155,922</b>	<b>12,375</b>	<b>969,882,229</b>

30 <sup>TH</sup> JUNE 2005 DEPRECIATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2005 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2004	72,897	113,422	276,608	55,060	0	517,986
CURRENT YEAR'S CHARGE	10,841	19,705	1,034,747	69,555	0	1,134,848
DISPOSALS	0	0	(30,694)	0	0	(30,694)
TRANSFERS – OUT	0	0	(77,475)	0	0	(77,475)
DEPRECIATION WRITE BACK FOLLOWING REVALUATION	(83,738)	(133,127)	(1,203,186)	(124,615)	0	(1,544,666)
<b>CLOSING BALANCE – 30<sup>TH</sup> JUNE 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET BOOK VALUE – 30<sup>TH</sup> JUNE 2005</b>	<b>691,443,406</b>	<b>206,287,356</b>	<b>67,983,170</b>	<b>4,155,922</b>	<b>12,375</b>	<b>969,882,229</b>

**BORDER TIMBERS LIMITED - GROUP**  
**A Subsidiary of**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notes to the Group Financial Statements (continued)**

**15 FIXED ASSETS (continued)**

**15.1 Encumbered Assets**

There are no encumbered assets

**15.2 Capital Commitments**

Capital expenditure approved at 30 June 2006

Contracted: NIL

Not Contracted: ZW\$1 498 637 523 (subject to funds being available)

All commitments are to be funded from group resources.

**15.3 Revaluation of Fixed Assets**

The directors revalued fixed assets at 30<sup>th</sup> June 2006 as follows:-

- (i) Land and buildings - depreciated replacement cost.
- (ii) Plant and machinery - depreciated replacement cost according to age, obsolescence, use and condition.

	2006 ZW\$'000s	2005 ZW\$'000s
<b>15.4 Fully Depreciated Assets</b>		
Buildings and improvements	0	0
Plant machinery and equipment	0	0
	<u>0</u>	<u>0</u>

**15.5 Fixed Assets withdrawn from use**

There were no assets withdrawn from use this year.

**16. PLANTATIONS**

**Valuation at 30<sup>th</sup> June 2005**

Expenditure for the period	832 796 000	36 500 301
Plantation depreciation capitalized	114 345 039	10 904 348
Revaluation surplus	78 714	258 130
	<u>3 922 689 701</u>	<u>787 904 295</u>
	4 869 909 454	835 567 074
Deduct:		
Destroyed by fire	(56 753 820)	(739 920)
Felled Timber	(14 350 720)	(2 031 154)
Economic Adjustments	(23 172 020)	-
<b>Valuation at 30<sup>th</sup> June 2006</b>	<u>4 775 632 894</u>	<u>832 796 000</u>

Comprising of	2006 Ha	2005 Ha		
1- 6 years	7 502	7 447	420 198 208	68 261 414
7-12 years	8 192	9 537	1 551 988 127	277 712 144
13-18 years	4 702	4 428	1 205 401 761	217 660 649
19-24 years	1 643	1 587	574 715 901	103 051 378
25-30 years	452	416	186 452 132	29 569 575
Over 30 years	1 105	1 079	836 876 765	136 540 840
	<u>23 596</u>	<u>24 494</u>	<u>4 775 632 894</u>	<u>832 796 000</u>

**Revaluation of plantations**

A director's revaluation was carried out at 30th June 2006 based on estimated fair value based on cost in the region.

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	2006 ZW\$'000s	2005 ZW\$'000s
<b>17 INVESTMENTS AND LOANS</b>		
<b>Shares at cost</b>	30	30
- unquoted (Directors' valuation ZW \$ 30 000)		
<b>Loans</b>	-	168
- Staff Vehicle Purchase scheme (note a)		
	<u>30</u>	<u>198</u>
Note :-		
a) Comprises loans made under a group vehicle purchase scheme.		
<b>18 INTEREST IN GROUP COMPANIES</b>		
Short Term Loan Accounts	(24 683 034)	-
Current accounts	(2 583 169)	(1 178 313)
	<u>(27 266 203)</u>	<u>(1 178 313)</u>
<b>19 CURRENT ASSETS</b>		
Inventories		
- Raw materials	103 604 698	7 811 138
- Work-in-progress	105 439 555	7 749 825
- Finished goods	56 876 411	6 274 075
	265 920 664	21 835 038
Trade debtors	299 484 292	66 603 932
Other debtors and prepayments	87 551 572	14 211 606
Inter - group indebtedness	10 536 053	6 003 236
Cash resources	53 715 115	4 335 952
	<u>717 207 696</u>	<u>112 989 764</u>
Trade debtors are shown after deducting a provision for doubtful debts of	<u>8 521 050</u>	<u>334 873</u>
<b>20. CURRENT LIABILITIES</b>		
Interest Bearing		
- Bank overdraft (unsecured)	109 041 154	5 390 796
- Short Term Loans	189 401 224	29 557 767
	298 442 378	34 948 563
Interest Free		
- Trade creditors	203 655 738	26 422 399
- Other creditors and accruals	176 758 140	11 130 527
- Taxation (Note 14)	735 429	226 563
- Inter-group indebtedness	315 700	294 892
	381 465 007	38 074 381
	<u>679 907 385</u>	<u>73 022 944</u>

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**Notes to the Group Financial Statements (continued)**

**21 BORROWING POWERS**

The Articles of Association provide that the Group 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 Balance Sheet of the Annual Report. This limit may only be exceeded with the sanction of an ordinary resolution of the Company.

**22 PENSION FUNDS**

**22.1 The Radar Group Pension Fund**

The fund is a defined contribution scheme and is not subject to Actuarial valuation. Employer/employee contributions are 10.0% and 5.0% respectively.

**22.2 National Social Security Authority Scheme (NSSA)**

This scheme was promulgated under the National Social Security Act (Chapter 17:04) of 1989.

Employer/employee contributions under the scheme are limited to specific contributions as legislated from time to time.

**23 FINANCIAL RISK MANAGEMENT**

**23.1 Derivative Financial Instruments**

The Group in its management of foreign currency does not use these, nor are they held for trading purposes.

**23.2 Board Meetings**

The Board executive meets regularly to consider and to adopt effective strategies to manage the following risks:

- exposure to exchange rate fluctuations;
- borrowing facilities in the form of bank overdrafts and acceptance credits 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 are placed with approved registered financial institutions and building societies at favourable rates on a short-term basis;
- credit risk in the form of trade debtors that consist of a large customer base. However a sales agent who deals directly with many individual customers, represents a major portion of the amount outstanding.
- Specific provisions for doubtful debts are regularly adjusted. Where appropriate, credit guarantee insurance is purchased;
- Insurance of group assets with the exception of plantations, which are not insured.

**23.3 Financial Instruments**

The estimated net fair values of all financial instruments approximate to the carrying amounts shown in the balance sheet.

**23.4 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.

**BORDER TIMBERS LIMITED - GROUP**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notes to the Group Financial Statements (continued)**

	<b>2006</b>	<b>2005</b>
	<b>ZW\$'000s</b>	<b>ZW\$'000s</b>
<b>24 CASH FLOW INFORMATION</b>		
<b>24.1 Non cash items and separate disclosures</b>		
- Depreciation	10 037 021	876 718
- Plantation depreciation capitalized	78 714	258 130
- Plantation redemption	94 276 560	2 771 073
- Profit on disposal of fixed assets	( 907 249)	( 1 489 701)
	<u>103 485 046</u>	<u>2 416 220</u>
<b>24.2 Movement in working capital</b>		
- Inventories	(244 085 626)	(17 384 537)
- Debtors	(306 220 326)	(26 221 349)
- Short term interest free liabilities	343 594 955	19 384 428
- Inter-group indebtedness	(3 107 153)	(2 918 076)
	<u>(209 818 150)</u>	<u>(27 139 534)</u>
<b>24.3 Taxation paid</b>		
Taxation movement	<u>(225 136)</u>	<u>1 091 801</u>
<b>24.4 Investments and loans</b>		
Staff Loans repaid	<u>168</u>	<u>295</u>
<b>24.5 Financing</b>		
Interest bearing liabilities		
- short term	19 050 782	12 582 032
- long and medium term	184 526 491	15 000 000
	<u>203 577 273</u>	<u>27 582 032</u>

**BORDER TIMBERS LIMITED - GROUP**

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(Incorporated in Zimbabwe)

**Annual Report for the Year ended 30<sup>th</sup> June 2006**

**Notes to the Group Financial Statements (continued)**

**25 NON-COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- 25.1 These financial statements have not been prepared in conformity with IAS 29, (Financial Reporting in Hyperinflationary Economies) as the directors are of the view that the cost of preparing inflation adjusted financial statements would be out of proportion to the perceived benefits to the members and other stakeholders. The financial effects of non-compliance with IAS29 have, accordingly, not been formally established. In monitoring and assessing the performance of the group based on the historical cost financial statements and other relevant factors, the directors do consider the effects of the high rate of inflation in Zimbabwe.
- 25.2 The company does not depreciate all property and this is not consistent with the requirements of IAS 16 “Property, plant and equipment”.
- 25.3 IAS 41 “Agriculture” requires Biological assets to be stated at fair value with the changes in fair value being credited/charged to the profit and loss account. Whilst the plantations have been valued at fair value, the corresponding uplift has been credited to Revaluation Reserves. This is contrary to IAS 41 requirements.

**26. 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 (No17) 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
- The acquisition of such land may not be challenged by the courts except to the extent of amounts payable for improvements.

There is uncertainty of the impact of the above-mentioned amendment on the group. The uncertainty arises as the nature of the implementation of the amendment to constitution is as yet unknown.

**27 CONTINGENT LIABILITIES**

There are no contingent liabilities in existence at 30<sup>th</sup> June 2006.

**28 POST BALANCE SHEET EVENT**

On 31<sup>st</sup> August 2006 the group voluntarily retrenched 94 employees at a gross cost of \$62 420 176 000.

Subsequent to the year end the official rate of exchange between the Zimbabwean Dollar and major foreign currencies, depreciated by 148%

**BORDER TIMBERS LIMITED**  
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**COMPANY INCOME STATEMENT**  
**YEAR ENDED 30TH JUNE 2006**

		<b>2006</b>	<b>2005</b>
		<b>\$</b>	<b>\$</b>
	<b>Notes</b>		
<b>TURNOVER</b>	1	1,437,324,181	166,648,772
<b>COST OF SALES</b>		(844,828,076,)	(100,556,845)
<b>GROSS PROFIT</b>		<hr/> 592,496,105	<hr/> 66,091,927
<b>OTHER OPERATING INCOME</b>		(15,299,539)	3,389,696
<b>DISTRIBUTION AND SELLING EXPENSES</b>		(103,665,798)	(14,746,049)
<b>ADMINISTRATION EXPENSES</b>		(67,912,813)	688,356
<b>OPERATING PROFIT BEFORE INTEREST AND TAXATION</b>		<hr/> 405,617,955	<hr/> 55,423,930
Net interest payable	3	362,053,615	38,399,885
<b>INCOME BEFORE TAXATION</b>	4	<hr/> 43,564,340	<hr/> 17,024,045
<b>TAXATION</b>	5	(56,628,648)	3,966,073
<b>INCOME AFTER TAXATION</b>		<hr/> <hr/> 100,192,988	<hr/> <hr/> 13,057,972

**BORDER TIMBERS LIMITED**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
**COMPANY BALANCE SHEET**  
**30TH JUNE 2006**

		2006	2005
	Notes	\$	\$
<b>FUNDS EMPLOYED</b>			
Share capital	6	85,885	85,885
Share premium	7	47,879	47,879
Capital reserve	8	7,289,501,140	1,230,695,157
Retained income		<u>199,739,250</u>	<u>27,320,575</u>
<b>SHAREHOLDERS' FUNDS</b>	9	7,489,374,154	1,258,149,496
<b>DEFERRED TAXATION</b>	10	3,245,242,908	560,209,919
<b>LONG AND MEDIUM TERM LIABILITIES</b>	11	34,050,782	15,000,000
<b>TOTAL FUNDS EMPLOYED</b>		<u><u>10,768,667,844</u></u>	<u><u>1,833,359,415</u></u>
<b>EMPLOYMENT OF FUNDS</b>			
<b>FIXED ASSETS</b>	12	5,969,711,079	969,876,601
<b>PLANTATIONS</b>	13	4,775,632,894	832,796,000
<b>INVESTMENTS AND LOANS</b>	14	30	198
<b>INTER-GROUP INVESTMENTS</b>	15	(27,260,575)	(1,172,685)
<b>CURRENT ASSETS</b>	16	674,603,479	97,275,708
<b>CURRENT LIABILITIES</b>	17	624,019,063	65,416,407
<b>NET CURRENT ASSETS</b>		<u>50,584,416</u>	31,859,301
<b>TOTAL EMPLOYMENT OF FUNDS</b>		<u><u>10,768,667,844</u></u>	<u><u>1,833,359,415</u></u>

**BORDER TIMBERS LIMITED**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
**COMPANY CASH FLOW STATEMENT**  
**YEAR ENDED 30TH JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before interest	405,617,955	55,423,931
Non-cash items:		
- Depreciation	10,037,021	876,718
- Plantation depreciation capitalised	78,714	258,130
- Plantation redemption	94,276,560	2,771,073
- (Profit) on disposal of fixed assets	<u>(907,249)</u>	<u>(1,489,701)</u>
	<u>103,485,046</u>	<u>2,416,220</u>
	509,103,001	57,840,151
Working Capital Changes:		
- (Increase) in stocks	(198,410,161)	(8,885,183)
- (Increase) in debtors	(246,040,809)	(22,583,365)
- Increase in short term liabilities	295,218,365	15,381,932
- (Decrease) in Inter-group indebtedness	<u>(101,130,851)</u>	<u>(16,558,066)</u>
	<u>(250,363,456)</u>	<u>(32,644,682)</u>
Cash Flow From Operations	258,739,545	25,195,469
Net interest paid	(362,053,615)	(38,399,885)
Taxation paid	<u>0</u>	<u>(567,944)</u>
	<u>(362,053,615)</u>	<u>(38,967,829)</u>
<b>NET (OUTFLOW) FROM OPERATING ACTIVITIES</b>	(103,314,070)	(13,772,360)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(155,267,917)	(20,531,130)
Increase in capital work-in-progress	(19,307,118)	(100,006)
Proceeds on disposal of fixed assets	1,111,924	1,873,533
Increase in investments and loans	<u>168</u>	<u>295</u>
<b>NET OUTFLOW FROM INVESTING ACTIVITIES</b>	(173,462,943)	(18,757,308)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in interest bearing liabilities - long and medium term	19,050,782	15,000,000
Increase in interest bearing liabilities - short term	<u>184,526,491</u>	<u>12,582,032</u>
<b>NET INFLOW FROM FINANCING ACTIVITIES</b>	203,577,273	27,582,032
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(73,199,740)	(4,947,636)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	(3,020,339)	1,927,297
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><u>(76,220,079)</u></u>	<u><u>(3,020,339)</u></u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash resources	32,821,075	2,325,475
Bank overdrafts	<u>(109,041,154)</u>	<u>(5,345,814)</u>
	<u><u>(76,220,079)</u></u>	<u><u>(3,020,339)</u></u>

**BORDER TIMBERS LIMITED**  
**A Subsidiary of**  
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**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**YEAR ENDED 30TH JUNE 2006**

	\$	2006 \$	\$	2005 \$
<b>1 TURNOVER</b>				
Turnover comprises net sales to customers, group companies and divisions		<u>1,437,324,181</u>		<u>166,648,772</u>
<b>2 SIGNIFICANT INTER-GROUP TRANSACTIONS</b>				
Sales		122,098,214		30,988,889
Purchases		7,956,240		501,722
Paid:				
- Interest		31,869,384		1,889,453
- Rent		319,320		1,540
Received:				
- Administration cost recovery		25,000,000		10,800
- Interest		2,731,336		0
- Machinery rental		20,000,000		32,703
- Property rental		<u>162,409</u>		<u>600</u>
<b>3 NET INTEREST (excluding amounts shown in Note 2)</b>				
Short term liabilities				
- paid		364,164,849		39,035,200
- (received)		<u>(2,111,234)</u>		<u>(635,315)</u>
		<u>362,053,615</u>		<u>38,399,885</u>
<b>4 INCOME BEFORE TAXATION</b>				
Stated after -				
<b>Charging:</b>				
Auditors' remuneration				
- current	20,887,100		1,287,704	
- prior year under/(over) provision	<u>806,799</u>		<u>371,773</u>	
		21,693,899		1,659,477
Provisions				
- Depreciation	10,037,021		876,718	
- Stock obsolescence charge/(reversal)	0		(290,293)	
- Doubtful debts charge/(reversal)	8,186,177		(1,081,905)	
- General	<u>31 000 000</u>		<u>0</u>	
		18,223,198		(495,480)
Directors' emoluments				
- as directors	0		0	
- for management	<u>5,155,981</u>		<u>263,339</u>	
		5,155,981		263,339
Staff costs				
- Salaries and wages	290,166,921		39,806,726	
- Pension fund contributions	14,414,928		2,268,180	
- N.S.S.A. contributions	1,393,346		407,602	
- Medical aid contributions	<u>5,974,169</u>		<u>445,527</u>	
		<u>311,949,364</u>		<u>42,928,035</u>
<b>Manning levels at 30th June 2006</b>				
Permanent		1,576		1,737
Contract		<u>676</u>		<u>798</u>
		<u>2,252</u>		<u>2,535</u>
<b>Crediting:</b>				
Exchange profit		110,369,354		21,430,280
Profit on sale of fixed assets		<u>907,249</u>		<u>1,489,701</u>

**BORDER TIMBERS LIMITED**  
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**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 30TH JUNE 2006**

	\$	2006 \$	\$	2005 \$
<b>5 TAXATION</b>				
<b>Normal</b>				
- current	0		0	
- prior year	0		0	
		0		0
<b>Deferred</b>				
- current		(56,628,648)		3,966,074
<b>Capital Gains</b>				
- current	0		0	
- deferred	0		0	
		0		0
		<u>(56,628,648)</u>		<u>3,966,074</u>
<b>Reconciliation of tax charge</b>				
Accounting Profit Before Taxation		43,564,340		17,024,046
Taxation credit/(charge) for the year		(56,628,648)		3,966,074
Effective tax rate for the year		<u>-129.99%</u>		<u>23.30%</u>
Made up as follows:-				
		%		%
Corporate tax rate		30.90		30.90
Tax effect of net disallowable expenses and exempt income		(41.60)		5.89
Tax effect of accelerated capital allowances		(124.86)		4.76
Tax effect of export allowances		(2.20)		(1.04)
Tax effect of temporary differences arising from exchange rate movements		7.78		(12.27)
Tax effect of the recognition of taxation losses carried forward		0.00		(4.94)
Effective tax rate for the year		<u>(129.99)</u>		<u>23.30</u>
The company has a computed income tax loss carried forward amounting to		<u>(149,074,066)</u>		<u>(381,722)</u>
<b>6 SHARE CAPITAL</b>				
Ordinary shares of \$2 each				
- authorised		86,000		86,000
- unissued		115		115
<b>Issued and fully paid</b>		<u>85,885</u>		<u>85,885</u>
The unissued shares are under the control of the Directors who may issue them on such terms and conditions as they see fit, subject to the limitation of the Companies Act (Chapter 24:03). The period of this authority is unlimited.				
<b>7 SHARE PREMIUM</b>				
<b>At 30 June 2006</b>		<u>47,879</u>		<u>47,879</u>
<b>8 CAPITAL RESERVE</b>				
<b>At 30 June 2005</b>		1,230,695,157		24,707,770
Surplus arising out of directors revaluation of:				
- land and buildings		3,398,815,531		691,155,163
- plant and machinery		1,004,527,397		206,055,723
- furniture and fittings		36,463,137		2,622,847
- motor vehicles		510,197,542		57,539,530
- plantations		3,922,689,701		787,904,294
Transfer from Deferred Capital Gains		595		595
Deferred tax arising on revaluations of fixed assets and plantations		(2,741,662,232)		(539,290,765)
Transfer to Retained Income of plantation realisations		(72,225,688)		0
<b>At 30 June 2006</b>		<u>7,289,501,140</u>		<u>1,230,695,157</u>
<b>Analysis</b>				
Surpluses on revaluation				
- motor vehicles		392,306,317		39,759,815
- furniture and fittings		27,008,415		1,812,387
- land and buildings		2,826,170,344		477,588,218
- plant and machinery		836,512,936		142,384,505
- plantations		3,207,503,128		569,150,232
		<u>7,289,501,140</u>		<u>1,230,695,157</u>

**BORDER TIMBERS LIMITED**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**(continued)**  
**YEAR ENDED 30TH JUNE 2006**

		2006		2005
	\$	\$	\$	\$
<b>9 SHAREHOLDERS' FUNDS</b>				
<b>At 30 June 2005</b>		1,258,149,496		39,104,137
Income after taxation for the year		100,192,988		13,057,972
Net increase/(decrease) in capital reserves		6,058,805,983		1,205,987,387
Transfer of realised portion of plantations from capital reserve		<u>72,225,688</u>		<u>0</u>
<b>At 30 June 2006</b>		<u><u>7,489,374,154</u></u>		<u><u>1,258,149,496</u></u>
<b>10 DEFERRED TAXATION</b>				
<b>Timing Differences</b>				
<b>At 30 June 2005</b>	560,206,394		16,949,555	
Transfer ex Capital Reserve	131,154,962		23,905,825	
Current year charge to income statement	(56,628,648)		3,966,074	
Arising out of revaluation of fixed assets and plantations	<u>2,610,507,270</u>		<u>515,384,940</u>	
<b>At 30 June 2006</b>		3,245,239,978		560,206,394
<b>Capital Gains</b>				
<b>At 30 June 2005</b>	3,525		4,120	
Transfer ex Capital Reserve	<u>(595)</u>		<u>(595)</u>	
<b>At 30 June 2006</b>		2,930		3,525
		<u><u>3,245,242,908</u></u>		<u><u>560,209,919</u></u>
<b>11 LONG AND MEDIUM TERM LIABILITIES</b>				
<b>Interest Bearing</b>				
	Rate of interest	Repayable		
(i) Inter-group				
Radar Properties	338%	2020	17,970,652	3,000,000
Repayable in monthly installment of \$6 660 000 000				
Deduct:				
Transfer to short term liabilities			<u>0</u>	<u>0</u>
			17,970,652	3,000,000
(ii) External				
Franconian Zimbabwe	338%	2020	16,080,130	12,000,000
Repayable in monthly installment of \$6 047 000 000				
Deduct:				
Transfer to short term liabilities			<u>0</u>	<u>0</u>
			16,080,130	12,000,000
			<u><u>34,050,782</u></u>	<u><u>15,000,000</u></u>

**BORDER TIMBERS LIMITED**  
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**Annual Report for the Year ended 30<sup>th</sup> June 2006**  
**Notes to the Company Financial Statements (continued)**

**12. FIXED ASSETS – Zw\$000's**

30 <sup>TH</sup> JUNE 2006 REVALUATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2006 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2005	691,437,778	206,287,356	67,983,170	4,155,922	12,375	969,76,601
ADDITIONS	0	0	37,312,800	3,531,364	0	40,844,164
DISPOSALS	0	0	(270,392)	(33,325)	0	(303,717)
REVALUATION – DIRECTORS AT 30 <sup>TH</sup> JUNE 2006	3,398,815,531	966,452,992	510,197,542	36,463,137	38,074,405	4,950,003,607
CAPITAL WORK IN PROGRESS: - (OPENING BALANCE)	0	(2,064)	(776,035)	(199,083)	0	(977,182)
- CLOSING BALANCE	0	13,192,418	6,627,728	464,154	0	20,284,300
CLOSING BALANCE – 30 <sup>TH</sup> JUNE 2006	4,090,253,309	1,185,930,702	621,074,813	44,382,169	38,086,780	5,979,727,773

30 <sup>TH</sup> JUNE 2006 DEPRECIATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2006 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2005	0	0	0	0	0	0
CURRENT YEAR'S CHARGE	5,217,089	3,471,303	1,322,761	104,582	0	10,155,735
DISPOSALS	0	0	(88,340)	(10,701)	0	(99,041)
REVALUATION – DIRECTORS AT 30 <sup>TH</sup> JUNE 2006						
CLOSING BALANCE – 30 <sup>TH</sup> JUNE 2006	5,217,089	3,471,303	1,234,421	93,881	0	10,016,694
NET BOOK VALUE – 30 <sup>TH</sup> JUNE 2006	4'085,036,220	1,182,459,399	619,840,392	44,288,288	38,086,780	5,969,711,079

30 <sup>TH</sup> JUNE 2005 REVALUATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2005 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2004	319,405	364,760	3,886,969	487,837	12,375	5,071,347
ADDITIONS	56,691	0	8,063,077	1,248,884	0	9,368,652
DISPOSALS	0	0	(50,340)	0	0	(50,340)
TRANSFERS - OUT	0	0	(441,660)	0	0	(441,660)
REVALUATION – DIRECTORS AT 30 <sup>TH</sup> JUNE 2005	691,071,425	205,922,596	56,336,344	2,498,232	0	955,828,597
CAPITAL WORK IN PROGRESS: - (OPENING BALANCE)	(9,743)	(2,065)	(587,255)	(278,114)	0	(877,177)
- CLOSING BALANCE	0	2,0645	776,035	199,083	0	977,183
CLOSING BALANCE – 30 <sup>TH</sup> JUNE 2005	691,437,778	206,287,356	67,983,170	4,155,922	12,375	969,876,601

30 <sup>TH</sup> JUNE 2005 DEPRECIATION	LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	ELECTRICAL CONNECTIONS	2005 TOTAL
OPENING BALANCE – 30 <sup>TH</sup> JUNE 2004	72,897	113,422	276,608	55,060	0	517,986
CURRENT YEAR'S CHARGE	10,841	19,705	1,034,747	69,555	0	1,134,848
DISPOSALS	0	0	(30,694)	0	0	(30,694)
TRANSFERS – OUT	0	0	(77,475)	0	0	(77,475)
DEPRECIATION WRITE BACK FOLLOWING REVALUATION	(83,738)	(133,127)	(1,203,186)	(124,615)	0	(1,544,666)
CLOSING BALANCE – 30 <sup>TH</sup> JUNE 2005	0	0	0	0	0	0
NET BOOK VALUE – 30 <sup>TH</sup> JUNE 2005	691,437,778	206,287,356	67,983,170	4,155,922	12,375	969,876,601

**BORDER TIMBERS LIMITED**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**(continued)**  
**YEAR ENDED 30TH JUNE 2006**

	\$	2006 \$	\$	2005 \$
<b>13 PLANTATIONS</b>				
Opening Balance - 30th June 2005		832,796,000		36,500,300
Additions		114,423,753		11,162,478
Redemptions		(94,276,560)		(2,771,073)
Cost Updates		424,449,714		77,365,130
Directors Revaluation at 30th June 2006		3,498,239,987		710,539,164
Closing Balance - 30th June 2006		<u>4,775,632,894</u>		<u>832,796,000</u>
		<b>Hectares</b>		<b>Hectares</b>
Opening Balance - 30th June 2005		24,494		23,966
Clearfelled		(422)		(658)
Destroyed		(1,672)		(665)
Economic adjustments		(515)		0
Planted		1,711		1,851
Closing Balance - 30th June 2006		<u>23,596</u>		<u>24,494</u>
At 30th June 2006, the directors revalued plantations at estimated fair value based on cost in the region				
		\$		\$
<b>14 INVESTMENTS AND LOANS</b>				
<b>Shares at cost</b>				
- unquoted (Directors' valuation \$30 000)		30		30
<b>Loans</b>				
- Staff Vehicle Purchase Scheme		0		168
		<u>30</u>		<u>198</u>
<b>15 INTER-GROUP INVESTMENTS</b>				
(all wholly owned subsidiaries or fellow subsidiaries )				
Shares at cost		5,628		5,628
Loan Accounts		(24,683,034)		0
Current Accounts		(2,583,169)		(1,178,313)
		<u>(27,260,575)</u>		<u>(1,172,685)</u>
<b>16 CURRENT ASSETS</b>				
Stock				
- raw materials	82,240,887		4,068,970	
- work-in-progress	72,835,718		2,206,403	
- finished goods	<u>55,827,320</u>		<u>6,218,392</u>	
		210,903,925		12,493,764
Trade debtors		238,015,563		50,925,803
Other debtors and prepayments		72,267,391		13,316,342
Inter - group indebtedness				
- Border Timbers International	110,616,573		12,286,055	
- Macdonald's Bricks - Montgomery	0		386,925	
- United Builders Merchants	9,978,951		3,541,343	
- Radar Investments	<u>0</u>		<u>2,000,000</u>	
		120,595,524		18,214,323
Cash resources		32,821,075		2,325,475
		<u>674,603,479</u>		<u>97,275,708</u>
Stocks are shown after deducting a provision for obsolescence of		<u>0</u>		<u>0</u>
Trade debtors are shown after deducting a provision for doubtful debts of		<u>8,521,050</u>		<u>334,873</u>

**BORDER TIMBERS LIMITED**  
**A Subsidiary of**  
**RADAR HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 30TH JUNE 2006**

	\$	2006 \$	\$	2005 \$
<b>17 CURRENT LIABILITIES</b>				
<b>Interest Bearing</b>				
Bank overdraft	109,041,154		5,345,814	
Acceptance credits	<u>189,401,224</u>		<u>29,557,767</u>	
		298,442,378		34,903,581
<b>Interest Free</b>				
Trade creditors	200,903,496		22,262,989	
Other creditors and accruals	123,858,561		8,014,706	
Taxation	735,429		1,427	
Inter-group indebtedness				
- United Builders Merchants	<u>79,199</u>		<u>233,705</u>	
		325,576,685		30,512,826
		<u>624,019,063</u>		<u>65,416,407</u>
<b>18 RELATED PARTY DISCLOSURES</b>				
The group trades with various fellow subsidiary and jointly controlled companies. These are conducted on an arms length basis and are not material to the group's results. In addition, the group participates in financial transactions involving the holding company, fellow subsidiaries, a subsidiary and various other jointly controlled companies.				
<b>a) Key Management Personnel Remuneration and other Compensation</b>				
Directors Fees		0		0
Remuneration				
- Cash Remuneration		4,324,926		245,200
- Short Term Employee Benefits		802,391		18,139
- Long Term Employee Benefits		<u>28,663</u>		<u>0</u>
		<u>5,155,981</u>		<u>263,339</u>
<b>b) Key Management Personnel Transactions</b>				
Current Accounts				
- Opening Balances		0		0
- Net Movement During the Year		0		0
- Closing Balances		<u>0</u>		<u>0</u>
<b>c) Income Statement Information</b>				
Holding Company				
- Interest Paid		0		1,628,247
Fellow Subsidiaries				
- Interest Paid		29,138,048		261,199
- Sales		65,363,955		12,961,604
- Purchases		6,491,016		403,419
- Other Amounts Paid		156,911		940
Subsidiaries				
- Sales		56,734,258		18,027,285
- Purchases		1,465,224		98,304
- Other Amounts (Received)		45,000,000		(200,000)
Jointly Controlled Companies				
- Interest Paid		48,033,687		2,110,403
- Other Amounts Paid		<u>850,000</u>		<u>1,051,000</u>
<b>d) Balance Sheet Information</b>				
Closing Balances				
- Border Timbers International		110,616,573		12,286,055
- Forrester Estate		(23,966,288)		(287,844)
- Franconian		(18,080,130)		12,000,000
- Makandi Tea & Coffee Estate				
- Radar Properties		(18,005,745)		(3,000,768)
- Radar Investments		(6,187,450)		1,380,723
- MacDonald Bricks		(19,212,972)		386,925
- United Builders Merchants		8,069,064		2,659,369
- Rift Valley Holdings		5,565,530		0
- Tradecorp		<u>(3,254,593)</u>		<u>0</u>

**BORDER TIMBERS LIMITED - GROUP**

A Subsidiary of

**RADAR HOLDINGS LIMITED**

(Incorporated in Zimbabwe)

Annual Report for the Year ended 30<sup>th</sup> June 2006**Five Year Performance Analysis**

	June 2006 ZW\$'000s	June 2005 ZW\$'000s	June 2004 ZW\$'000s	June 2003 ZW\$'000s	June 2002 ZW\$'000s
TURNOVER	1 482 531 277	165 346 722	43 929 470	9 255 503	2 614 456
Income before taxation and extraordinary item	22 172 716	13 784 043	555 992	599 269	218 679
Taxation	57 235 148	( 3 237 289)	( 344 517)	(118 437)	( 82 172)
Income after taxation before extraordinary item	79 407 864	10 546 754	211 475	480 832	238 988
Extraordinary item	-	-	(22 334 496)	(3 959 250)	-
Retained Income for the period	79 407 864	10 546 754	22 545 971	4 440 082	136 507
<b>FUNDS EMPLOYED</b>					
Share capital	85 885	85 885	85 885	85 885	85 885
Share premium	47 879	47 879	47 879	47 879	47 879
Non Distributable Reserves	7 289 501 140	1 230 695 157	24 707 770	3 990 561	1 453 039
Distributable Reserves	186 740 225	35 106 673	24 559 919	4 735 902	295 820
Share holders funds	7 476 375 129	1 265 935 594	49 401 453	8 860 227	1 882 623
Medium Term Loans	34 050 782	15 000 000	289 818	329 635	4 061
Deferred Tax	3 244 957 828	560 531 340	18 084 108	1 957 820	740 010
	10 755 383 739	1 841 466 934	67 775 379	11 147 682	2 626 694
Represented By					
Fixed assets	5 969 716 707	969 882 229	4 558 988	729 336	565 251
Plantations	4 775 632 894	832 796 000	36 500 301	5 962 374	1 966 099
Net current assets/(liabilities) excl. Cash	(43 680 978)	34 452 753	20 315 261	204 716	( 235 966)
Cash resources	53 715 116	4 335 952	6 400 829	4 251 256	331 310
	10 755 383 739	1 841 466 934	67 775 379	11 147 682	2 626 694
<b>Statistics</b>					
Shares in issue (Millions)					
Ordinary Shares	42 942	42 942	42 942	42 942	42 942
Number of shareholders	132	134	132	132	135
<b>Shareholders performance per share (dollars)</b>					
Earnings basic	1 849.17	245.60	525.03	103.40	5.57
<b>Returns</b>					
Operating income to turnover	25.93%	31.57%	22.54%	6.70%	15.15%
Operating income to total assets	3.35%	2.73%	9.07%	3.68%	10.55%
Profit after tax to shareholders funds	1.06%	0.83%	45.64%	50.11%	12.04%
<b>Ratios</b>					
Debt-Equity	4.45	3.95	42.96	26.88	29.24
Interest Cover	1.06	1.36	1.06	29.66	5.28
<b>Solvency ratios</b>					
Current Ratio	1.05	1.55	1.64	1.78	1.21
Liquidity	0.66	1.25	1.53	1.62	0.82
Number of employees	2 420	2 789	2 429	3 020	3 089

**BORDER TIMBERS LIMITED - GROUP**

A Subsidiary of

**RADAR HOLDINGS LIMITED**

(Incorporated in Zimbabwe)

Annual Report for the Year ended 30<sup>th</sup> June 2006**Share Holders Analysis**

	2006				2005			
	Holders	% of Total	Shares	% of Total	Holders	% of Total	Shares	% of Total
<b>Shareholding</b>								
0 - 1 000	76	57.58	67 451	0.16	75	55.97	25 819	0.06
1 001 - 5 000	26	19.70	90 193	0.21	24	17.91	73 672	0.17
5 001 - 10 000	6	4.54	49 290	0.11	10	7.46	80 145	0.19
10 001 - 50 000	13	9.85	257 619	0.60	13	9.70	228 391	0.53
Over 50 000	11	8.33	42 477 942	98.92	12	8.96	42 534 460	99.05
	132	100.00	42 942 495	100.00	134	100.00	42 942 495	100.00

**Classification**

Resident:

Banks & Nominees	11	8.30	8 878 096	20.67	12	9.00	8 881 596	20.68
Companies	8	6.10	278 973	0.65	20	14.90	11 116 883	25.89
Pension Funds	2	1.50	236 644	0.55	3	2.20	161 816	0.38
Other Corporate Holders	20	15.20	33 125 809	77.14	9	6.72	22 066 359	51.39
Individuals	71	53.80	232 964	0.54	69	51.50	120 766	0.28
Non Resident:								
Other Corporate Holders	4	3.00	385	0.00	4	3.00	405 451	0.94
Individuals	16	12.10	189 624	0.44	17	12.70	189 624	0.44

132	100.00	42,942,495	100.00	134	100.00	42,942,495	100.00
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**Major Shareholders**

Radar Holdings Limited	22 005 087	51.24	22 005 087	51.24
Franconian Zimbabwe Investments (Pvt.) Limited	11 045 468	25.72	11 045 468	25.72
Kingdom Nominees (Private) Limited	8 711 735	20.29	8 711 735	20.28
Tudley Holdings NNR	150 000	0.35	238 563	0.56
Salisbury New Pool Settlement	114 088	0.27	114 088	0.27
Waughco Nominees (Private) Limited	100 183	0.23	105 574	0.24
P & R Holdings (Pvt) Limited Pension Fund	152 816	0.36	152 816	0.36
	42 279 377	98.46	42 373 331	98.67
Other	663 118	1.54	569 164	1.33
	42,942,495	100.00	42,942,495	100.00